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PUBLIC HEARINGS BEFORE THE
NATIONAL COMMISSION ON EMPLOYMENT
AND UNEMPLOYMENT STATISTICS

VOLUME 2

Hearings held in New York, N.Y., May 23, 1978; Chicago,
Ill., June 13, 1978; and San Francisco, Calif., June 20, 1978

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PREPARED FOR THE USE OF THE
JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES



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LETTERS OF TRANSMITTAL

OCTOBER 31, 1978.

To the Members of the Joint Economic Committee:

Transmitted herewith are the transcripts of the second set of public hearings conducted by the National Commission on Employment and Unemployment Statistics.

The Joint Economic Committee has always maintained a deep interest in the evolution of the statistics on employment and unemployment to meet changing legislative needs. For that reason we have been pleased to participate as advisers to the National Commission on Employment and Unemployment Statistics, whose mandate covers this problem.

Because the public hearings held by the Commission provide informative and valuable material from several different sources, the committee has agreed to publish the transcripts in order to provide widespread dissemination. I believe that members of the Joint Economic Committee and other Members of Congress will find them most useful.

The views expressed in the transcripts are those of the witnesses and do not necessarily represent the views of the members of the Joint Economic Committee or the committee staff.

RICHARD BOLLING,
Chairman, Joint Economic Committee.

OCTOBER 24, 1978.

HON. RICHARD BOLLING,
*Chairman, Joint Economic Committee, U.S. Congress,
Washington, D.C.*

DEAR MR. CHAIRMAN: Transmitted herewith are the transcripts of the second set of public hearings conducted by the National Commission on Employment and Unemployment Statistics.

The Joint Economic Committee has maintained a continued interest in the formulation of statistics on employment and unemployment. As you are well aware, these data are under increasing scrutiny because past legislation has placed insupportable demands on these statistics. In the initial process of examining various alternatives to existing methods of data collection and presentation, the Commission on Employment and Unemployment Statistics held public hearings. Witnesses included persons from congressional, academic, government, and public sectors. Their combined testimony gives the Joint Economic Committee a valuable and broadly based compendium of information.

The committee's undertaking to publish these hearings will enable a wide-ranging audience to review the material. The expected feedback from interested parties should provide another source of important insight in our studies. Public dissemination also will focus attention on the complexities and ramifications implicit in any changes recommended by the Commission.

The transcripts were prepared for publication under the direction of Sar Levitan, the Chairman, Marc Rosenblum and Lois Black of the Commission's staff.

The views expressed in the hearings are those of the respective witnesses and do not necessarily represent the views of the Joint Economic Committee or any of its individual members.

Sincerely,

JOHN R. STARK,
Executive Director, Joint Economic Committee.

NATIONAL COMMISSION ON EMPLOYMENT AND
UNEMPLOYMENT STATISTICS,
Washington, D.C., October 17, 1978.

Mr. JOHN R. STARK,
*Executive Director, Joint Economic Committee,
U.S. Congress, Washington, D.C.*

DEAR MR. STARK: This is the second of three volumes of transcripts of the public hearings conducted by the National Commission on Employment and Unemployment Statistics. This volume contains hearings held on May 23, 1978, in New York City; June 13, 1978, in Chicago; and June 20, 1978, in San Francisco.

The cooperation of the Joint Economic Committee in publishing these documents has been invaluable to the efforts of the Commission to present the issues involved in improving our labor force statistics to the general public for comment and discussion. Thank you again for your continued interest and assistance.

Sincerely,

SAR A. LEVITAN,
Chairman.

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NATIONAL COMMISSION ON EMPLOYMENT
AND UNEMPLOYMENT STATISTICS

(Created pursuant to Sec. 13 of Public Law 444,
94th Cong.)

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TRANSCRIPT OF PUBLIC HEARINGS

TUESDAY, MAY 23, 1978

NATIONAL COMMISSION ON EMPLOYMENT AND UNEMPLOYMENT STATISTICS

Washington, D.C.

The Commission met, pursuant to notice, at 9:30 a.m., in room 3560, 1515 Broadway, New York, New York, Sar A. Levitan, Chairman, presiding.

Present: Bernard E. Anderson, Jack Carlson, Michael H. Moskow, and Joan L. Wills.

Also present: Arvil V. Adams, executive director; Marc Rosenblum, staff economist; and Wesley H. Lacey, administrative officer.

OPENING STATEMENT OF CHAIRMAN LEVITAN

CHAIRMAN LEVITAN: This hearing is part of our effort to learn firsthand what the American people think about current employment and unemployment statistics. We regard this phase of our investigation as a necessary and important part of the Commission's work--to listen and to ask questions.

In Washington we listened and heard in unmistakably clear terms the concern of state and local government officials regarding the imprecision of unemployment rates affecting their areas. Some of those concerns will no doubt be expressed again here today.

This is understandable. While present methods for estimating state and local unemployment have been in use for years, it is only since the allocation of federal money to these areas has become tied to unemployment rates that the accuracy of the estimates is more than the concern of statisticians and employment service planners. Last year \$17 billion was distributed on the basis of these data.

Moreover, accurate local area data are needed because national averages are not sufficient for policy

formulation. State and local employment patterns vary and we ought to have a clearer picture of regional problems.

The Commission regards this issue as important but not our sole activity. Our concerns extend beyond state and local data. We expect to hear today and in subsequent sessions witnesses addressing a whole range of pressing issues.

We will continue to focus on the problems associated with the viability of the concepts and definitions of unemployment--concepts in use for 40 years--labor-market related economic hardship, and the data needs of industry, labor, minority groups, and other segments of the American community.

Let's open this morning's hearings. The National Commission on Employment and Unemployment Statistics was formed in conformance with Public Law 94-444 to review the nation's employment and unemployment statistics and to recommend whatever changes are needed. We have held two hearings in Washington. Since we have not yet found all the answers, we have gone out into the provinces where the wisdom is, and we hope to find out what exactly to do. We are delighted to have as the first witness, Mr. Herbert Bienstock, one of the foremost national experts on labor statistics.

Mr. Bienstock, you have the floor for 15 minutes to say anything you like. We want to welcome you.

STATEMENT OF HERBERT BIENSTOCK,
REGIONAL COMMISSIONER OF LABOR STATISTICS,
U.S. DEPARTMENT OF LABOR

MR. BIENSTOCK: It would probably take me 15 minutes to correct that last statement, but I appreciate your making it even if it isn't true.

The National Commission on Employment and Unemployment Statistics has come into being at a time when our measurement systems in these areas are being put to a greater test than at anytime since the 1930s.

Data on labor force, employment, and unemployment available for the United States probably represent the best body of such data available any place in the world. Yet, the current output is largely linked to the conceptual and methodological foundations of the 1930s. Going through, as we did, the Great Depression of the 1930s without really having a good count of the unemployed during intercensal periods, we turned as we emerged from the Great Depression to a group of unemployed statisticians working on a WPA project to develop a methodology for the estimation of labor force, employment, and unemployment on a continuing basis.

It is not surprising, therefore, that the concepts and methods that emerged from this process tended to be grounded in a labor market framework. That is the system sought to determine how many persons in the nation as a whole were offering their services to employers for one or more hours of work, and how many of those who were actively seeking work were unable to find work and, consequently, were considered to be unemployed since the market did not have work available for them.

Therefore, as we look toward the measurement needs of a half century beyond the origin of the ongoing system, it is perhaps time to take a systematic look at the needs for labor force, employment, and unemployment measures in the 1980s as I am certain the National Commission on Employment and Unemployment Statistics will do.

In reviewing the state of the art with regard to the development of information in this field, it is

useful to note that data users tend to concentrate on needs while data producers tend to focus on the collectible.

Before considering needs, it may be useful to note that there are essentially three sources for information in this field:

1. The payroll or related record from an employing establishment.

2. The household interview.

3. The byproducts of administrative systems.

A number of variations on this theme are possible, but these three sources tend to form the core of potential for data development.

The establishment reporting system does not typically come to mind when contemplating the data needs in labor force employment and unemployment. But the payroll record is a most useful source of employment and wage information since data reported tend to be substantially more accurate for many purposes than data derived from household interviews, particularly with regard to yielding accurate industrial and occupational detail.

The monthly establishment sample, maintained by the BLS with current estimates linked to benchmarks derived from an administrative base--the unemployment insurance tax report--is perhaps our primary source for payroll employment information. This sample, in my view, has considerable potential for override with supplements on a quarterly and possibly more frequent basis, for the purpose of developing an array of useful information for labor market analysis.

I would encourage the enhanced use of the monthly sample of reporters for the development of information that has been badly needed for the last couple of decades and that will clearly be needed in the decades ahead. For example, the national reporting system, primarily a mail response system and consequently relatively inexpensive, was enhanced in the immediate post-World War II period through a series of cooperative arrangements with state agencies to the degree that for some period of time we have had a reasonably reliable data output on employment, hours, and earnings for states and for between 200 and 300 metropolitan areas.

The expansion of this sample in the period following 1945 was a gradual one, but ultimately yielded a very valuable output. But within the conceptual frame of the late 1940s and the early 1950s the need for "local" data seemed to be for state and metropolitan area data. By the 1960s and 1970s it became abundantly clear that American labor force problems required a body of "local" data at considerably lower levels of disaggregation than the metropolitan area. Yet there has been little forward movement on this front.

Indeed, the tendency has been for always limited resources to be put into the development of data for additional metropolitan areas rather than into the development of data at the lower level of disaggregation. Within the frame of data use and the total cost of development, this may have been a choice which should not have been necessary. The development of data for large central cities through the monthly establishment reporting system need not be an enormously costly process. It involves some modest sample expansion, some geographic recoding of reports, but is a manageable activity and should, in my view, receive priority attention. As data of this kind are developed, we would no longer need to guess at what is happening in terms of employment and payrolls in America's central cities.

The kind of program development described in the previous paragraph leads almost inevitably to a further step in the disaggregation process. It would not be a very complicated affair at all to code existing reports and whatever expansion might be necessary on a zip code basis. It would, of course, also be necessary to improve the geo-coding in the benchmark unemployment insurance reporting system, but such action would make it possible to derive reasonably current estimates at a disaggregated level below the central city.

For example, it would make it possible if such data existed now to test the prevailing thesis that the New York City recovery has been concentrated substantially in Manhattan and has not affected the outlying boroughs. It would even be possible to develop current estimates for pieces of geography such as Manhattan, south of 59th Street. Extended across the country it should be possible to develop estimates on a current

basis for central business districts and other significant parts of central city as well as for suburbs.

Reference was made to a quarterly, or more frequent, supplement to the monthly establishment report. What is suggested for consideration here is to use the monthly panel of establishments that now yields national estimates of employment, hours, and earnings by industry as well as estimates in varying degrees of detail for states and metropolitan areas, to collect information on a wide range of labor force characteristics. While the present sample yields average weekly earnings, it might be possible to collect data on a quarterly basis, or annually, that would yield information on earnings distributions, a subject in which there is much interest. Quarterly or annual supplements might be used to request information which is increasingly finding its way into payroll records through EEOC processes and other such administrative generators. It is worth exploring the degree to which information can be developed from payroll records on characteristics such as age, sex, race, and the like.

The thrust of my comments above is simply that the monthly establishment reporting system has proved over the past quarter century to be perhaps the most reliable and least expensive vehicle for the collection of labor market information. I think this vehicle must be examined in substantial detail to identify its full potential for the development of labor market information that will clearly be needed in the 1980s and beyond.

The other major source of labor force employment information--the household interview--has been under pressure in recent years for the development of increasing degrees of detail. Here we confront an enormous cost problem in terms of the "iron law of sampling," i.e., errors of estimate relate to the size of sample rather than size of the universe. As increasing use is made of these systems for allocations and other purposes, it has become clear that our statistical bridges have really not been built with the strength required to carry the loads that have recently been placed on them.

How shall we move in the direction of improving the basic vehicles needed to move our programs in the

1980s? We need now to take a look at what the Current Population Survey is now yielding us in terms of a kind of geographic-demographic matrix. With the enormous amount of pressure for information at the local level, used now to "trigger" large sums, it appears to me to be necessary to evaluate our entire household survey collection frame to determine how sample expansion can be used selectively to detail out those geographic-demographic cells for which we need reliable information. Obviously there are cost limits in terms of developing detailed information at every conceivable level of geography, but it should be possible to find optimal dimensions at which cost manageable sample expansion can yield optimal output in terms of geography and detail.

It seems clear to me, however, that substantial sample expansion above present levels will be necessary to develop local household-based data that have a greater degree of reliability for subnational levels and for special target groups. This will be costly, but must be faced. The need for current and reliable information for the experience of the Puerto Rican population in New York City is an example of this type.

Moving beyond the limits of conceptual constraints that have their roots in the system developed in the 1930s, it is very clear that the market concept alone does not now provide us with sufficient insight about the labor force maladjustment problems of the 1970s and beyond. It is clear that the National Commission on Employment and Unemployment Statistics will have to explore the supra-market relationships that have developed in the last three decades. Amongst some of the subjects that merit priority consideration for the 1980s are illegal migration, nonpayroll recorded work, nonwork-related income, and the range of activities such as running numbers, hustling, and the like. We need to be able through our measurements to better understand work-income relationships.

In the mid-1960s some measures of underemployment began to emerge. In 1966 measures of "subemployment" were developed. They were crude, the methodology was weak, but, in my view, they were pointing us in the right direction in terms of providing some guide to the dimensions of the job maladjustment problem beyond those described by the unemployment measures. In the

decade following, very little sharpening or development of these measures took place officially. The Shiskin U-1 to U-7 figures were the first breakthrough in terms of official recognition that there is a multiple dimension to the joblessness problem. The Commission Chairman's Employment and Earnings Inadequacy Index was another step in this direction. Clearly, what is needed for the 1980s and beyond are measures that have statistical sharpness, methodological sufficiency and provide insight to supra-market relationships on a continuing and time series basis, hopefully with a geographic dimension.

Beyond all, the Commission should give serious consideration to recommending a well-resourced ongoing research program. Budgets always tend to be limited and, consequently, research always tends to fall by the wayside. But the time is probably long overdue for a well-resourced ongoing continuous research function that would be constantly testing the methodology needed to provide answers to policy questions that emerge, as they emerge, whether these questions be conceptual, attitudinal, geographic, or other relationships.

At this juncture, I would like to turn to the administrative statistics since, in my view, they too can yield us much in the way of labor market information beyond what they now do. For one thing, it will probably never be economically possible to make all the household interviews necessary to yield reliable labor force data for the large number of small places for which such data are now needed for allocation and other purposes. We need to more carefully examine the possible use of composite methods incorporating data from the household survey for some components and information derived from the establishment survey for other components, together with information developed through the administrative record for yet other sectors, for the development of reasonably usable small area statistics on labor force employment, and unemployment.

The above comments are a random and sketchy overview of some of the systems' potentials that need to be explored in depth with a view toward maximizing their output for the statistical needs in the 1980s. This overview was not intended to be inclusive or comprehensive, but rather to suggest a number of areas for consideration.

CHAIRMAN LEVITAN: Thank you very much. Just one question. I thought we left the filibustering in Washington. I thought in New York we would not get to that. You used up most of the time without leaving time for the questions. I'll still try to squeeze one in. You say we should make it clear that you are not talking for the BLS. Then, who are you talking for?

MR. BIENSTOCK: I am talking for Mr. Bienstock of Pace University.

CHAIRMAN LEVITAN: We will start with Mr. Carlson.

MR. CARLSON: I would like to gain some appreciation of what would be the additional cost if you were to try to survey a submetropolitan area. You mentioned something like 5,000 samples in the larger area around here. Do you have any idea what the sample would be?

MR. BIENSTOCK: The 5,000 figure I referred to was the number of households in the Current Population Survey sample in this area. You see, the unemployment data are based on the household survey, of course--the national sample. When that was first developed, down the road there, they just couldn't figure out a way to collect a national sample without also collecting some reports in New York City and even the New York area. They went to another 5,000 households in New York-Northeastern New Jersey as part of the national 50,000 sampling I was referring to. The cost of that local data is quite negligible; it is tabulation cost. That's the 5,000 figure, but I think you may be referring to the establishment sample.

MR. CARLSON: Exactly.

MR. BIENSTOCK: I do not know how to estimate what it would cost except that on the basis of having worked with this program with our state agencies since 1945--I was a labor statistician and working with Murray Dorkin and all the rest of that crew--it seems to me it is a very small number. But I can give you a figure that perhaps will be helpful.

About two or three years ago, we made an effort to develop that kind of information for New York City, and the Human Resources Administration at that time was prepared to finance it. We were prepared, cooperatively with New York State, to code New York City simply by zip code so that we could make computations of employment by industry by zip codes for the area. We estimated that it would have taken \$60,000 for start-up money; that is, to do all the work that would have to be done on the coding, recoding, and so forth. But it would certainly take nothing like that on a continuing basis. The big job is the additional geo-coding. So, the \$60,000 figure is essentially the roughest of figures. And if you want to assume that the cost of doing this nationally might be ten times that, which I don't think it would be, that might be a decent way for you to feel your way out. I am grasping in this area, and my hunch--I really shouldn't even offer it--would be probably in the neighborhood of a half million dollars.

MR. CARLSON: Which is what percentage of an increase?

MR. BIENSTOCK: That is one-time starting, not continuing. Continuing costs are incalculable, but they are so little.

CHAIRMAN LEVITAN: The next witness is waiting. We will have to limit that to one question. We will now go to Mr. Anderson.

MR. ANDERSON: I have no questions.

CHAIRMAN LEVTAN: Mr. Moskow?

MR. MOSKOW: I will ask one now and one afterwards. Just a general question. You have been in the Bureau over 30 years, and the types of suggestions you made, some of them, as you said yourself, do not really cost very much to do. They are really analyses of existing data that we now have in place, and some of the things we have talked about a couple of years ago, too. My question is, why are not analyses like this

already going on? Is one of the problems that people in the Bureau of Labor Statistics are so busy checking the data that they do not have time to think ahead?

The second part of my question, is there a need for some type of separate group in the Bureau, like a little analytical group or whatever it will be called, to try to think ahead a little bit, do some of the analyses of this data, to better understand the labor market?

MR. BIENSTOCK: Well, most of what you said and perhaps more. I would call attention to page 7 of what I provided. The second paragraph really addresses itself to your question.

I said, "Beyond all, the Commission should give serious consideration to recommending a well-resourced ongoing research program. Budgets always tend to be limited and, consequently, research always tends to fall by the wayside. But the time is probably long overdue for a well-resourced ongoing continuous research function that would be constantly testing the methodology needed to provide answers to policy questions that emerge, as they emerge, whether these questions be conceptual, attitudinal, geographic, or other relationships."

I think part of the reason is that operational people are always so busy keeping their heads above water that they never tend to do the kind of thing that those college professors with the pens--I do not want to mention any names--tend to be able to do. So that I think we need some kind of separate and clearly identified research group that is working at it continually. But, very important, not an isolated group that soon develops a severe case of Potomac Fever which I have seen good friends of mine coming from all parts of the United States--New York, Philadelphia, Chicago, the West Coast, South--soon develop. When they develop that fever, they are not able to think very creatively in some circumstances. So we need a research group like this. And I think, perhaps, this is really a top-of-the-head thought, a research group like the Bureau that works on a continuous basis with people outside the Bureau from the universities, from the battlefield, and a number of places, not a research group that will sit in isolation in Washington.

tions, since these are the groups most likely to be missed by the census takers. It is only fair to note that in addition to the people of concern to this Department--the poor and economically disadvantaged--there are unknown numbers who are also not counted because they avoid contact with the system.

For a city the size of New York, regardless of the extent or kind of undercounting, the effect is substantial. There are, for example, 310,000 young people enrolled in New York City high schools today. Thirty-five to forty thousand high school students drop out each year. That's about 13 percent. This could mean that half our entering freshmen will never graduate. This is an unsightly illustration of the inadequacy of our public school system, but it also gives those of us on the employment end cause for deep concern, because we know these young people are not showing up in the unemployment statistics as they are currently compiled.

Although undercounting is most often used to argue that the allocation of resources is inequitable, it also has the serious consequence of making current employment data insufficient to do thorough program planning, and here the problem is compounded by the absence of local labor market information.

Prime sponsors must now do program planning without adequate local labor market information. This local data would be extremely useful for broad aspects of planning: (1) distributing resources equitably to targeted population groups, such as youth, high school dropouts, or the handicapped; (2) distributing resources to subareas of the city (boroughs or community planning districts) to reflect geography and income; and (3) selecting training and placement programs which are appropriate to local market conditions.

These planning considerations apply to new programs as well as renewal funding for old programs. Today, if a classroom training or an on-the-job training contract is being considered for renewed support, our department can only evaluate past performance. Occupational demand must be demonstrated by "letters of intent" from potential employers. Information from state employment service offices is helpful, but does not cover many occupations and employers.

Although complete and timely local labor market information is far too costly to propose on a national basis, some analysis has been done locally to point out which data would be particularly useful, or could be derived at modest cost from existing sources. Here are some examples.

First: turnover information. It is estimated that most of the hiring which takes place over a 12-month period is the result of labor turnover--the need to replace workers who leave their jobs. Data on growth or decline in levels of employment provide little or no guidance as to actual hiring patterns, which is the kind of information that manpower programs need. Even the estimate of openings resulting from the need to replace retirees account for only 10 percent of the total hiring activity which occurs in the City's labor market.

Published data on labor turnover exists only for manufacturing industries, which account for a mere 20 percent of New York's total employment. Data on non-manufacturing industries was collected by the New York State Department of Labor from 1971 through 1973, but was never validated by the Bureau of Labor Statistics or officially published and has since been discontinued.

Second: employment levels by industry and location. It is not presently possible to tell whether or not an industry's citywide employment trend is characteristic of all of the subareas of the city, or whether employers in some locations are more strongly affected by economic conditions than others. Such a situation might be due to factors related directly to geographic location (traffic, rent differential, labor market shifts, etc.).

Detailed local area labor market data on subareas of the city would be relevant to locally-based manpower projects, those whose clients are unable--or simply prefer not--to work far from their home neighborhoods.

This information could be derived by the conversion of zip-coded UI covered employment data into a usable time-series data source for estimating local area (e.g., community planning district) employment trends on an industry-by-industry basis. Such a project has been proposed for New York City by the Bureau

of Labor Statistics Regional Office for the very modest cost of \$60,000.

Third: analysis of employer job specifications and actual hiring requirements, by detailed occupational category. At our request, the State Department of Labor is analyzing six months of data from the New York State Job Bank and other records of job openings, applicants, and placements. This analysis will tabulate employers' hiring specifications for detailed occupational categories. Jobs suitable for those entering the labor market will be looked at separately from those that require prior experience.

In addition, for each occupation and experience category, the characteristics of individuals referred to jobs by the New York State Employment Service will be analyzed. Those who were actually hired will be compared with those who were not hired in order to identify actual hiring criteria, as opposed to written specifications for each occupation.

This information should prove useful in the context of planning occupational training in order to make it conform to employer expectations. It should also identify occupations most suitable for various categories of applicants and provide additional guidance to CETA planners as to which target categories actually are most in need of special help in the competitive labor market.

The estimates of our own Manpower Area Planning Council suggest relatively modest costs for a prime sponsor to acquire the kinds of information I have described; but cost is not the only factor. Even if all of the information I have described above were available, it would still not be enough to enable us to plan and execute programs, to apply resources with predictable results. There are more variables affecting employment and market conditions than the existing body of knowledge can accommodate. Under the circumstances, it is difficult for a prime sponsor to justify investment in developing this kind of statistical data, if we are not reasonably certain at the outset that it will enable us to realize concrete employment gains.

The state of the art is simply not that advanced, and the investment in research and analysis is something which clearly should be supported directly from

the national level. It is, practically speaking, impossible for any local prime sponsor to justify the use of CETA funds for untried statistical analysis, when those funds might otherwise be used directly for employment or for training stipends or similar programs of direct participant benefit.

Therefore, it might be appropriate for the Commission to develop a series of local research models, which the Department of Labor should fund. Those models that prove to be useful to prime sponsors could then be replicated at local expense, without prime sponsors having to pay for development costs or assume the risk of failures.

For example, it would be useful to have a method for combining data from such diverse sources as school enrollment figures, utility records, public assistance, and unemployment insurance claims, all of which probably could be tabulated by zip code. The goal would be to give us at least rough estimates of the total population, low income families, number of youth or number of unemployed in subareas of the city. For planning purposes, such estimates would provide some way of up-dating 1970 census figures, which are about all we now have to go on. Development of such a methodology for local use would be a real service to prime sponsors, and one that they are not now able to do from their own resources.

There are obviously no simple solutions, as there is no single statistic or even series of statistics which can put our unemployed to work. I do want to stress in closing that local prime sponsors need to know more about research methodologies, about regional differences, and about applying research data to program planning. We do not expect the federal government to hand us this data. It makes more sense for local prime sponsors to develop their own data based upon proven methodologies and taking advantage of existing local resources.

Thank you.

CHAIRMAN LEVITAN: Thank you very much. Since Mr. Anderson has just informed us that Philadelphia is a suburb of New York, we will start with the gentleman from Philadelphia.

MR. ANDERSON: Thank you very much, Mr. Chairman.

Mr. Brezenoff, one of the questions under consideration by the Commission is the possible establishment of an employment and earnings index or a sub-employment index. I just wondered how useful you, as a program operator, would find that for your program planning, in comparison with more detailed information on industry employment or other labor market statistics? I ask that question specifically about New York in view of the fact that some industries in New York seem to be very low wage industries. If, for example, you had a subemployment index which indicated that a large part of the labor market problem, especially for the disadvantaged, was low earnings, how useful would that be to you in view of the fact that much of the industry here pays low wages?

In essence, I wonder just what the value of a sub-employment index would be to you as a program planner to try to decide what types of effort should be funded under the CETA program?

MR. BREZENOFF: Well, it is an interesting question with several ramifications. CETA has some flexibility as a tool and, obviously, we can choose to allocate the resources toward the underemployed or a population group likely to be underemployed. As a CETA operator, I am not sure that the subemployment index would be useful in developing projects. I think it would be extremely useful as a financial policy tool. It would sort of validate impressionistic knowledge. I think all of us know what the employment situation is in New York. One only has to look at the supplemental welfare program which goes, to a great extent, to individuals working in these marginal wage industries. So, first, as a policy tool, I think it would be most useful simply to highlight underemployment, which is, perhaps, even a more pressing problem to New York than overall unemployment.

A second relationship to CETA programs, of which you are no doubt aware, is that of CETA placements. Moving someone from a training or service program into even a subwage industry counts as a CETA placement. So, again, I sort of agree with you, but I am not sure it would be useful for the development of programs unless

it would tell me what to possibly avoid in training programs or try to avoid.

MR. ANDERSON: One other quick question. Based on data collected through program operations, and other information that you might have available, what is your estimate of the illegal alien problem in New York City? How does that affect you? Are there any data at all that permits you to get a handle on that? Are you getting anything in your operational statistics that suggests anything about the seriousness of that problem in New York City?

MR. BREZENOFF: Well, I do not have any data, but there are little tidbits of information that drift in. There are, for example, a number of what might be described as undesirable jobs in New York that somehow get filled. These are subwage level jobs. The noncertified home attendant occupation is growing by leaps and bounds. They are not certified by the state health authorities, and we know that, for example, welfare recipients are not moving into this field in large numbers, or we think they are not. We suspect that those kinds of jobs are being filled by and large by illegal aliens, but we do not have numbers. We have a lot of estimates, but no numbers.

CHAIRMAN LEVITAN: Moving on to the midwestern part of the United States, Mike Moskow.

MR. MOSKOW: Wait until we have our hearing in Chicago.

You mentioned a number of different suggestions for improving statistics that would be helpful to you, and I wonder if you would like to identify one as your top priority if you had to choose one suggestion that would help you in the City of New York in terms of improving labor statistics. Which one would it be?

MR. BREZENOFF: I would be interested, staying away now from the undercounting and its definitional problems, in the notion of collecting labor market information by zip codes. There are several reasons

for that, but at least one is that a large or substantial portion of the CETA client population are somewhat locally based anyway.

Secondly, we are going to make some effort to take a portion of the CETA funds and tie them to certain economic development efforts in areas like the South Bronx, and so on. We do have a network not paid for by CETA, a network of neighborhood service centers in the poverty areas which are largely thrown to their own devices in job development and placement service, and so forth, with very little information. As a consequence, they end up tripping all over one another, scurrying around to the same potential large employers, insurance companies and the like. And New York continues--though I do not have numbers on it--in my view, to be a city where there are a large number of relatively small employers with under a hundred employees scattered around the city, and it would be useful to have information on them, where they are.

MR. MOSKOW: Thank you.

CHAIRMAN LEVITAN: Back to the Potomac River and Mr. Carlson.

MR. CARLSON: I am impressed by the fact that it takes very little money--perhaps additional information that has already been collected--in the areas that could use that information? Why has it not occurred, why don't you take your discretionary funds and get it done?

MR. BREZENOFF: Well, it is a difficult question for me to answer. I am wearing this hat only for a short period of time. So it may be that you are right. Already one happy byproduct of this Commission is that it has caused me to focus on these issues--up to now, I have just been concentrating on getting contracts through the local Board of Estimates--but now I will be. As we've been developing this testimony in conjunction with our local Manpower Planning Council, we've been talking about how it might be possible in conjunction with BLS or the state employment service to do some of this. We will be looking at it.

MR. CARLSON: But do you agree that it is relatively inexpensive?

MR. BREZENOFF: The cost is something around \$60,000. It is true that my staff tells me the cost would be modest.

MR. CARLSON: Do you feel that it would be objectionable to anyone, including the businessman who has to fill it out?

MR. BREZENOFF: No, I do not think that it would be objectionable to the businessman. I think they might find the statistics useful, but I need to look again at cost. There must be a reason why it hasn't been done.

MR. CARLSON: Yes.

CHAIRMAN LEVITAN: Ms. Wills?

MS. WILLS: Stan, have you heard of something called the State Occupational Information Coordinating Committee?

MR. BREZENOFF: No, not unless they are the people who are putting out some summaries by labor market areas in a newsletter format for the whole state by major metropolitan areas. I do not know if they put it out or not.

MS. WILLS: I am not even sure whether it is really moving or even exists in the State of New York, but Congress, I think about the same time they formed this Commission, passed the requirement that there be a National Occupational Coordinating Committee in the network of state systems.

I have not yet decided if it was the when-in-doubt-form-a-committee syndrome or whether or not there might be a place to focus, for example. And when you are talking about the school dropout problem and the kind of detailed occupational information that you would need inside the City of New York, that, for example, would not be needed in the same format. It came to my

mind as I was reading your testimony--do you really think we need a national system on a lot of this detailed data? If so, what do you think we need at the national level that would be different in terms of what you need in New York City?

MR. BREZENOFF: It so clearly sets us apart; that is why I tried to focus this testimony on the need for information as to how to proceed. Because of the local differences, there will be different kinds of needs in different local areas. Every major area has a school dropout problem, but I don't think any area has it in this magnitude. In fact, I hope no one has it at the same rate as we. It may be that we are still groping here, and since we just focused on these issues, quite frankly, we need to do something more about the issues that we have referred to here. I know that we all feel very strongly that we do not know enough about what to do with these high school dropouts relative to what is available out there. Here, in effect, is the problem: You have 40,000 young people who are going to be coming out of high schools one way or the other, woefully unprepared. Lay aside the tremendous difficulties of reaching them, and so forth, but what exactly should we do with them? How should we target them? What makes sense given what the future holds for New York City or even the present? So, I think my shorthand answer is that there are going to be regional differences, local differences. They are going to make it very difficult for the national government to fill these data needs. They might be able to show us the way in terms of research models and methodologies. We can always use a few extra bucks.

CHAIRMAN LEVITAN: Mr. Brezenoff, one final question. You started out your statement by suggesting that New York is possibly losing millions of dollars. I am glad you did not specify the exact amount, but you suggested the possibility of millions of dollars. You say it might be because of undercounts or overcounts. Do you have any reason to believe that the undercounting is worse in New York than in Chicago, Philadelphia, or Washington? Therefore, if it is the same undercounting, would it make any difference?

MR. BREZENOFF: Well, it would if a certain class of areas were being undercounted in a national program. It must be easier to get a handle on unemployment in a medium-sized or even a small-sized city somewhere in the West or Southwest than it is in Chicago, New York, Philadelphia, or Washington. I think it isn't just for CETA now. There are several pieces of legislation that have unemployment rate triggers and, in fact, there have been several suits as I recall from affected states and cities, mainly in the Northeast where the official unemployment rate went down to a point where they were no longer eligible for certain programs or where the benefits under those programs were reduced. I cannot say with any certainty that undercounting is not at the present uniform throughout the United States. My hunch is that the individuals living in the South Bronx and certain kinds of settings are less likely to be accurately counted than those people living in split-level houses outside of Tucson.

CHAIRMAN LEVITAN: What if I were to suggest to you, Mr. Brezenoff, that some people who testified before the Commission presented data that income in their county or city is one-half or one-third of New York City's per-capita income. They said they were entitled to more of the funds. I am asking you what you would tell them?

MR. BREZENOFF: The answer is that per capita income is a range of income.

CHAIRMAN LEVITAN: New York City?

MR. BREZENOFF: No. I said range of income between large numbers of poor people and the small number of affluent, but they are tremendously affluent. New York City may not be unique in this aspect, but it is probably more pronounced here where we have large numbers of affluent, or relatively affluent, and tremendously large numbers of very poor.

CHAIRMAN LEVITAN: I wish this bell hadn't rung. I would like to continue that. Thank you very much for coming.

The next witness is my Murray Dorkin, the Director of Research and Statistics of the New York State Department of Labor. Welcome.

MR. DORKIN: I am glad to have the opportunity to be here. I felt the Commission was a little optimistic trying to use a bell to stop Mr. Bienstock. For years he has gone around the state making speeches with his own watch which has an alarm. He pays no attention to his own watch when the alarm goes off.

STATEMENT OF MURRAY DORKIN,
DIRECTOR OF RESEARCH AND STATISTICS,
DEPARTMENT OF LABOR, STATE OF NEW YORK

MR. DORKIN: For many years, employment and unemployment estimates for states and localities were prepared by the state employment security agencies using the "70-step" or "Handbook" procedure. Under this method, the major components were the use of UI claims data for measuring unemployment and establishment non-agricultural wage and salary reports for measuring employment.

Since 1960, the U.S. Department of Labor has prescribed the methodology to be followed by the states in making these estimates. Beginning with January 1974, following the transfer of responsibility for state and area labor force statistics from the Manpower Administration to the Bureau of Labor Statistics, new procedures were designed to bring concepts and methods used in the preparation of state and local estimates into closer alignment with concepts and methods used in the national CPS survey. This was done to permit more accurate assessment of state and local developments relative to national developments. The new methodology provided for the use of CPS annual data for large states and SMSAs to determine the level of labor force, total employment and unemployment. Using these levels as benchmarks, monthly data on employment were extrapolated each year by using month-to-month trends derived from establishment reports of employers, while unemployment was projected using estimates based on the "Handbook," or "70-step" procedures.

The use of annual average CPS data for benchmarking resulted in substantial revisions in state and area published data. The CPS sample was expanded in 1976 to provide all states with unemployment estimates which met a minimum standard of reliability--that the annual average would be within 10 percent of the true rate, two chances out of three.

Data published by BLS for the year 1976 shows the extent to which state unemployment rates based on the "Handbook" method differed from CPS levels. Differences ranged from a decrease of 2.1 percentage points in Rhode Island to an increase of 2.4 percentage points in New Mexico. In 22 states the difference was 1 percentage point or more. The substantial revisions in many of the states created real problems in light of their impact on the allocation of funds under various federal programs.

In order to reduce the extent of the year-end revisions in the state and area unemployment estimates, revised procedures were introduced effective with the January 1978 estimates. Under the new procedures, monthly labor force and unemployment estimates in New York, nine other states, New York City and the Los Angeles-Long Beach Metropolitan Area are based directly on the CPS. BLS determined that the monthly CPS estimates for these states and areas were sufficiently reliable for direct use.

Unfortunately, BLS standard of reliability leaves a lot of room for error and this has caused real problems in New York in attempting to use the data for economic analyses.

I have prepared several charts which illustrate our problems with the direct use of CPS data.

Chart 1 compares CPS employment with nonagricultural payroll employment. You will note the divergence of the two series in the last two and one-half years with the CPS series showing employment at a much higher level. The nonagricultural employment data shown on the chart have been benchmarked to total counts reported by employers subject to the UI law. They are not based on CPS sample reporters under the BLS 790 program which could have a downward bias.

Charts 2A for New York City and 2B for Balance of State compare CPS total unemployment with unemployment

claims in terms of their relative change since the 1975 recession. You will note in both charts the widening gap in the two series with CPS unemployment at a much higher level.

Chart 3A shows CPS unemployment rates for New York State for the years 1976 and 1977. You will note the two years show no consistency in the monthly seasonal movements. An examination of Chart 3B shows the unemployment rates based on the "Handbook" method for the same years and there is consistency in the monthly seasonal movements.

The problem of using monthly CPS data for New York City is brought out in Charts 4A and 4B. The monthly unemployment rates based on CPS in Chart 4A jump up and down like a yo-yo with the seasonal movements in 1976 showing no relation to those in 1977. By contrast, the "Handbook" estimates in Chart 4B show similar movements in the two years. Since 1970 the monthly movements of CPS and the "Handbook" estimates were in opposite directions half of the time.

Our problem is that the CPS benchmark is no benchmark. The BLS standard of reliability is such that month-to-month chance fluctuations limit the usefulness of the data for economic analysis. The New York State CPS sample consists of 4,800 households with some 2,100 in New York City. The sample was never designed to yield reliable monthly estimates. The problem is aggravated in New York State since we are mandated to use the monthly CPS data for New York City to arrive at a Balance of State total to which the "Handbook" estimates for areas outside of New York City must be reconciled. Thus, the bad data for New York City result in bad data for the Balance of State.

In 10 of the last 15 months the adjustment factor applied to the area "Handbook" estimates of unemployment to make them add to the Balance of State total was in excess of +20 percent.

I believe that the problems resulting from the use of inadequate CPS benchmarks are such as to justify the additional funding required to increase the reliability of the estimates to more acceptable levels. In the meantime, the direct use of monthly CPS data for New York City should be abandoned. Much research is needed

to develop methods to improve the quality of the components of the "70-step" methodology which are weak. These are primarily the following:

1. UI Claims. Claims data for local areas provide a solid base for measuring unemployment among experienced workers and the methods incorporated in the "70-step" procedure do a pretty good job on estimating post-exhaustion joblessness. BLS has made some progress in improving the quality of the claims data to conform to CPS definitions. Providing better current information for converting claims to place of residence and identifying partial claims due to earnings are areas which still need attention.
2. Entrants and Reentrants. This group, which at times accounts for almost a third of total unemployment in New York, is probably the weakest component of the unemployment estimate. If local estimates of unemployment are going to depend on the "70-step," then it is important that greater emphasis be given to developing improved methods of estimating entrant-reentrant unemployment. One possibility is the use of CPS data for this component.
3. Delayed Filers and Never Filers. Much research is needed to develop for each state reliable estimates on the number of unemployed eligible for unemployment insurance who delay filing or never file a claim. The present procedure uses information based on studies conducted in the 1950s.
4. Nonagricultural Payroll Employment. This series provides the most comprehensive information available on current employment by state and area. Further work is needed to provide current information for converting employment from place of work to place of residence and to eliminate dual jobholders.
5. "All Other Employment". The month-to-month changes in total employment in many instances seem to reflect changes in "all other employment" rather than nonagricultural wage and

salary employment. We know little about the "all other employment" component and more and better data should be developed in this area to improve the estimate of resident employment. Although there are national estimates for the group, there are no reliable data for state and local areas. The error in this component may be large enough in New York to seriously distort the employment and unemployment data derived from the "70-step" method. Perhaps social security records, licensing, and data from retirement plans for the self-employed should be explored to get a better feel of what is available on self-employment and what should be done to improve the data on this subject.

One final point--BLS has notified the states that it is proposing to produce employment and unemployment estimates on a quarterly basis and is also proposing to prohibit the states from producing such data on a monthly basis. The Interstate Conference of Employment Security Agencies passed a resolution at its annual meeting indicating it is strongly opposed to this proposal. With all its shortcomings, the unemployment rate is a useful economic indicator, which should be adequately funded to yield reliable estimates on a monthly basis.

Chart 1.
CPS EMPLOYMENT AND NONAGRICULTURAL PAYROLL EMPLOYMENT
NEW YORK STATE, 1970-1977

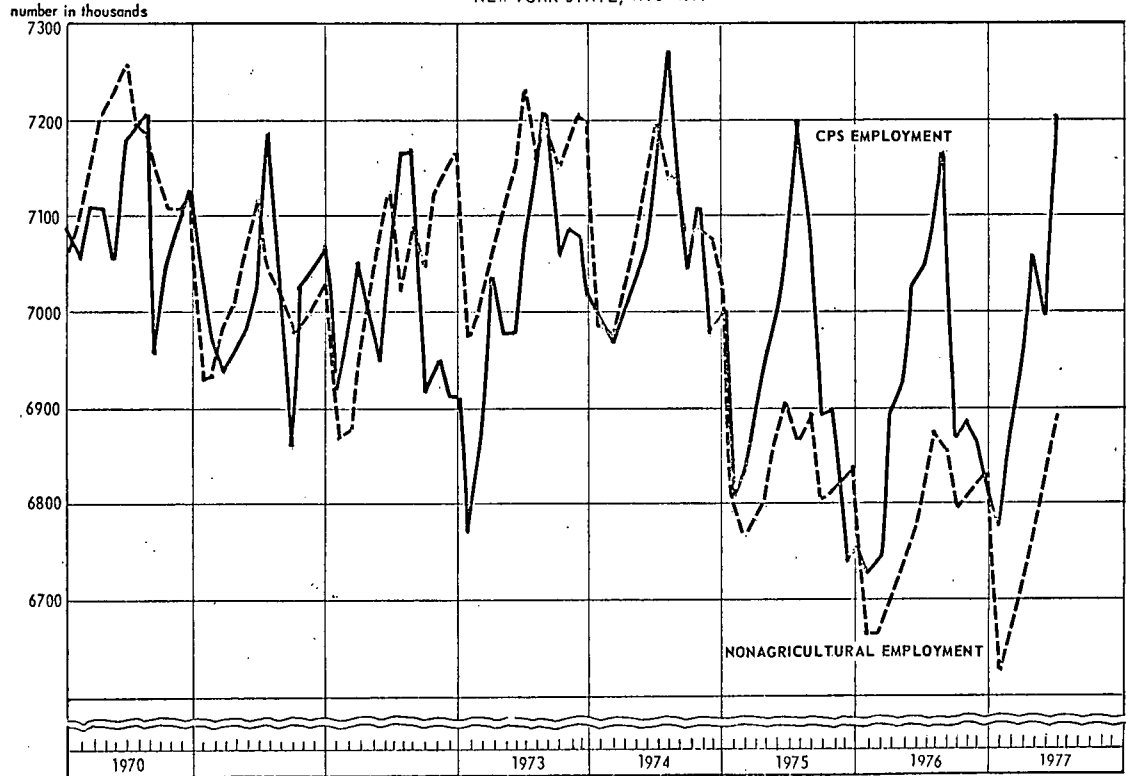


Chart 2A.
INDEXES OF TOTAL UNEMPLOYMENT AND UNEMPLOYMENT INSURANCE CLAIMS
NEW YORK CITY 1975-1978, 1975 ANNUAL AVERAGE = 100

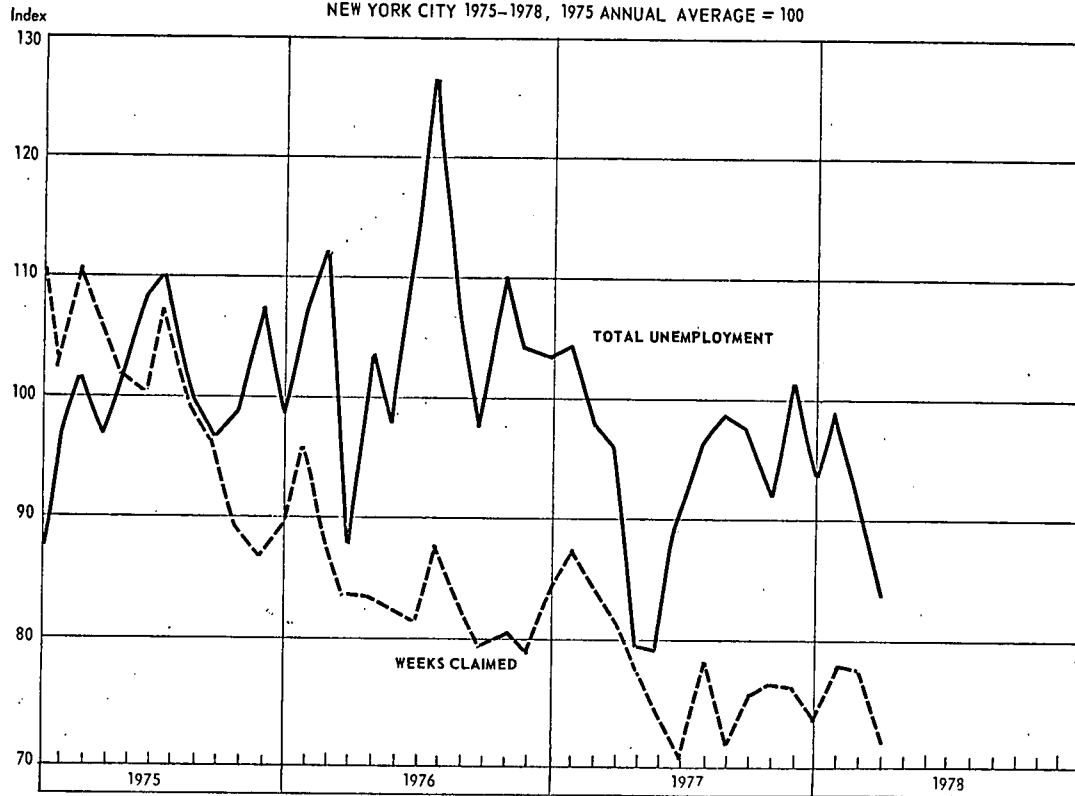


Chart 2B.
INDEXES OF TOTAL UNEMPLOYMENT AND UNEMPLOYMENT INSURANCE CLAIMS
BALANCE OF STATE 1975-1978, 1975 ANNUAL AVERAGE = 100

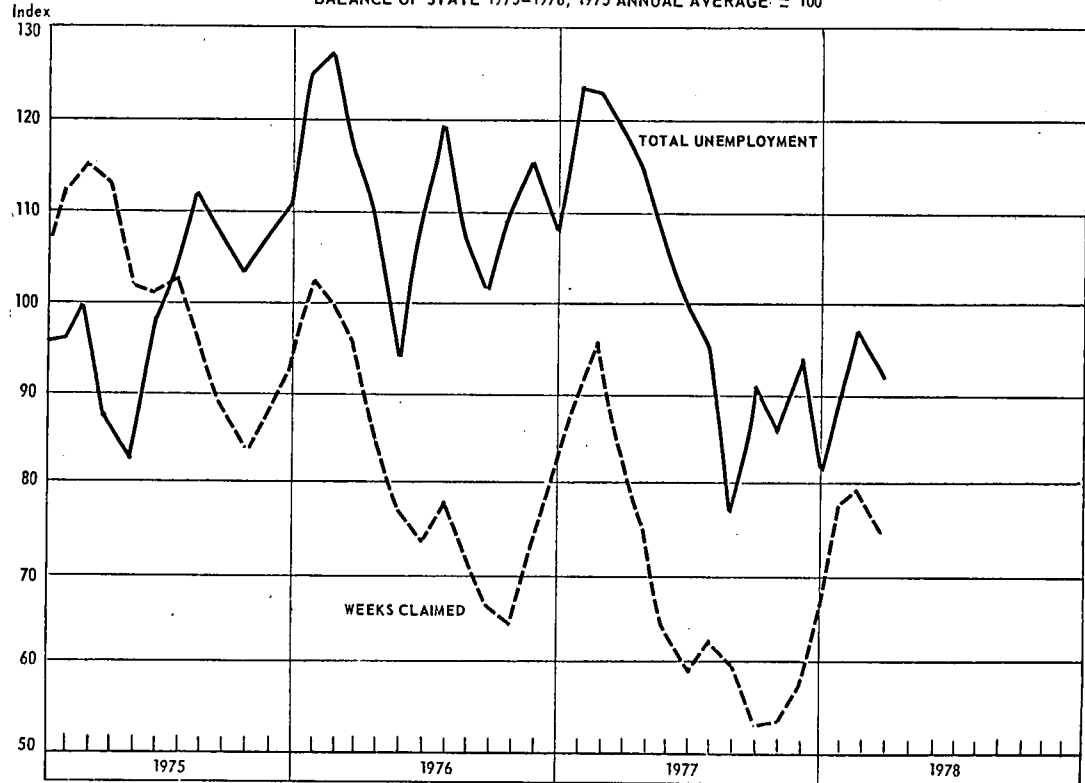


Chart 3A.
MONTHLY CPS UNEMPLOYMENT RATES, NEW YORK STATE
1976 and 1977

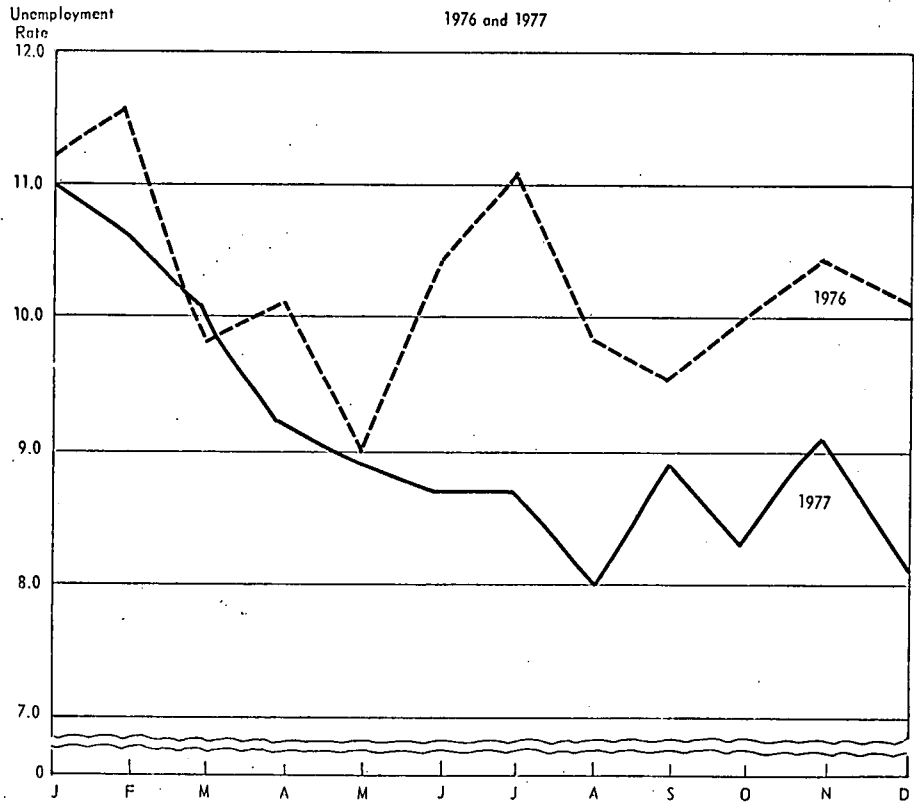


Chart 3B.
MONTHLY HANDBOOK UNEMPLOYMENT RATES
NEW YORK STATE 1976-1977

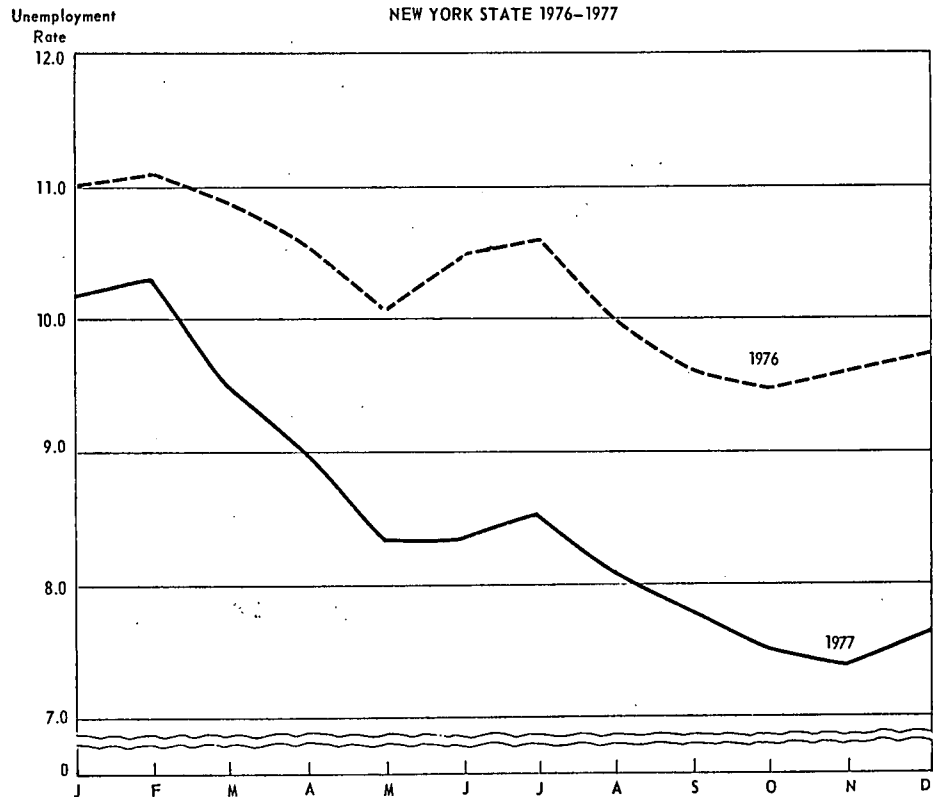


Chart 4A.
MONTHLY CPS UNEMPLOYMENT RATES, NEW YORK CITY

1976 and 1977

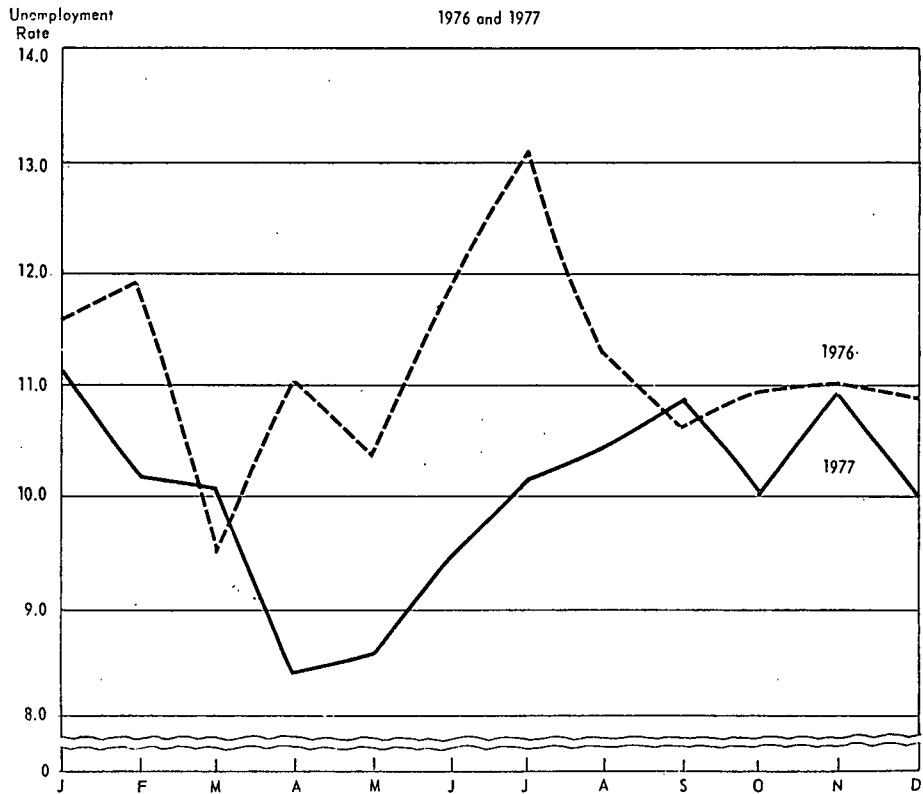
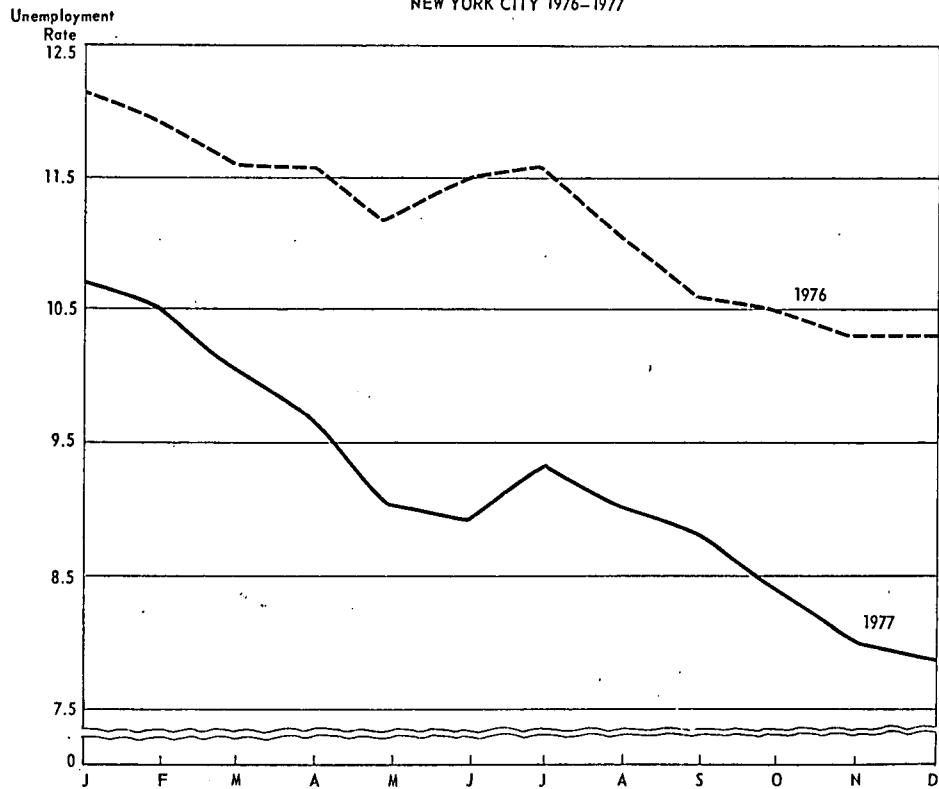


Chart 4B.
MONTHLY HANDBOOK UNEMPLOYMENT RATES
NEW YORK CITY 1976-1977



CHAIRMAN LEVITAN: Mr. Dorkin, thank you for a very provocative statement. I notice that you have a prepared statement that we do not have. With your permission, we will give copies to the BLS representatives that are here and a local BLS representative who is also here. We hope that they will comment on your very provocative observations.

Mr. Dorkin, you mentioned the 70-step method. I am slowing counting, and I am not up to 70 yet. Whenever I mention 70 steps, I see people get scared. They think I am going to recite it, and they do not want to listen. I wonder if you can somewhat simplify the 70 steps. Can you do it with only unemployment insurance data, or can you do it with something that is more simple than the 70 steps?

You are talking in terms of New York City and the balance of the state. Yet the Empire State has quite a lot in the balance of state. For economic policy purposes as well as for the particular allocation of funds in New York State, how far down do you have to go in order to allocate the funds?

MR. DORKIN: Well, with respect to the 70-steps, an important add-on to the claims data for building up to total unemployment is the estimate for entrants and reentrants. I think that this component is of major importance in the total unemployment estimate. If you just work with the claims data, you would be missing a very important add-on.

CHAIRMAN LEVITAN: In other words, if you work with the claims data plus entrants and reentrants, do you think you would get a good picture? Do you have to go further?

Have you ever prepared similar data to your illustrations on the charts that are based on more simplified numbers?

MR. DORKIN: Yes. We have attempted to, but have been running into barriers in getting the information from the BLS in Washington. They recently supplied us with data for new entrants and reentrants for the state, but we are still waiting for data for New York City.

Until we receive the information, we are unable to do the analysis. But we plan to, and we certainly are going to investigate the possibility of simplifying the 70-step procedure with the use of the components which we think are really major in terms of measuring overall unemployment.

CHAIRMAN LEVITAN: Mr. Moskow, since you were once part of this, do you want to start?

MR. MOSKOW: I was just wondering. The Chairman said he was going to have these charts and the written statement submitted to the Bureau of Labor Statistics. Was this already done?

MR. DORKIN: No. This was completed just before I left Albany. I plan to. As a matter of fact, it has not been distributed to the Commission.

CHAIRMAN LEVITAN: That is why I said it. We will send it, of course.

MR. MOSKOW: We will be interested to see the response that you get, and also some explanation for the diversion that is shown here. I have no other questions.

CHAIRMAN LEVITAN: Ms. Wills?

MR. DORKIN: If you want me to answer your question on SOICC, I can. We do have an SOICC office in New York. We have a technical committee representing members of the Labor Department and the Education Department working with the members of the SOICC. Our first job was to prepare an inventory of all labor market information available in the two departments. I guess it is moving along, although the funding for special research projects is a problem. NOICC has money for research, but does not have permission to spend it.

MS. WILLS: Just let me add a question to that. Do you think that the SOICC mechanism can be a viable

research mechanism for such things as Stanley was talking about earlier, without having to wait on some national guidance?

MR. DORKIN: I think New York State would be moving ahead if we never had an SOICC. The legislature in New York passed a bill mandating coordination between the Labor Department and the Education Department with respect to the dissemination of labor market information. The Education Department provides us with mailing lists and we see that anyone interested in this information gets it. With SOICC coming into the picture, they are pretty much taking over the coordination of this function.

CHAIRMAN LEVITAN: You are really the first person testifying before this Commission that has made specific recommendations. You mentioned social security. You did not add tax information. Some people testified in Washington that it might be another viable source of good administrative labor market data. How do you answer the charge that part of the problem with UI is that there are obviously different standards and different waiting periods? We do not have standards on labor insurance. How can you make those adjustments without the utilization of CPS?

MR. DORKIN: Saul Blaustein in his study for Upjohn indicates that there is no apparent association between state statutory provisions and insured unemployment rate. So that duration, benefit amounts, and disqualification provisions have little effect. States that are liberal in their qualifying requirements for the most part provide shorter duration. Variation in duration among states can be taken care of by developing improved methods for estimating survival rates for exhaustees.

MR. ANDERSON: Mr. Dorkin, I find your charts very interesting, and it is a clear illustration of the diversion between data sources. I have two questions I would like to ask you. There seems to be a rough compatibility between these two series until the onslaught

of the recession of 1975 and the subsequent recovery. That certainly raises a question of whether the severity of that recession and some of the public responses to it through a variety of programs, the extension of public service employment rate, the extent of unemployment, employment, and all the rest, might have had some effect on labor markets that would produce these differences. I guess what I would hope is that the response to your paper from the BLS would give some attention to what was happening in labor markets during that time that might help explain this. I would like to come back to your respective responsibility in the State Department of Labor and ask you what proportion of the total budget of that department is devoted to the collection of analyses of data, labor analysis data?

MR. DORKIN: We have about 120 positions in our department financed through labor market information funds. This includes the occupational employment statistics program, the LAUS estimates, the current employment statistics, labor turnover programs, and the occupational employment program. We have as part of our labor market information program labor market analysts located throughout the state who are on the spot to provide information locally to prime sponsors and other users. Our total LMI budget is a little over \$2 million.

MR. ANDERSON: Let me comment on that in a slightly different way. Part of your activity, I gather, is supported by federal funds which pass to the state. Is that not so?

MR. DORKIN: That is correct.

MR. ANDERSON: How much has the state increased its funding of data collection and analysis as compared with increase in funds to the state from the federal government? The reason I ask that question is that I need to understand and I want to have an understanding of just what state and local communities are prepared to do to help themselves support data collection and

analysis, as compared with having the federal government greatly increasing the amount of funds devoted to this purpose.

MR. DORKIN: The New York State Department of Labor, Division of Research and Statistics, has a total of 335 positions, of which 250 are federally funded.

CHAIRMAN LEVITAN: Mr. Carlson?

MR. CARLSON: My question really is similar to the one Bernie has brought up. Let me carry that a little bit further. There are two aspects of it. First, as Bernie has mentioned, evidently the city and now the state has not had as one of their priorities to greatly increase their funds to collect data for purposes which may be unique to the state or as part of a larger data base. I was concerned about the priority that the state places on data collection, because it appears that it could be very helpful to you to have better data collected and financed by the state and by the City of New York. Is it worth collecting? And if it is worth collecting, why wasn't it collected and what seems to be the inhibiting factor here?

MR. DORKIN: With respect to zip codes for establishments in New York City, called for earlier, we do now have in our computer zip codes for all establishments, so that we have taken steps to provide this. Now, with respect to the collection of better data on labor force, employment, and unemployment, we are precluded from doing our own survey. Suffolk County has used CETA money to conduct a survey to determine employment and unemployment in Suffolk County. I am sure that they will come up with different estimates than under the BLS procedure. For us to go out and conduct our own household survey for the state would be very costly and BLS would not accept the figures. The survey must be done by BLS and according to BLS procedures. The interviewers have to be federal people. We just do not have the option to conduct our own CPS surveys.

MR. CARLSON: I can understand the need for some standardization for national purposes, but do you feel that it has gone so far that it has inhibited innovation?

MR. DORKIN: To a very large extent, I believe it has. We are not free to deviate at all without requesting the regional office for permission to make a deviation from the accepted procedure. Then after justification and a great deal of delays, we are told we can or cannot make the applications that are necessary.

MR. CARLSON: Would it be helpful to have a little more specification for national purposes than to have a system that has to be piggybacked for data, that would fit their needs, that they would pay for which would not be as costly so that you would have some sort of consistency among this data?

MR. DORKIN: We piggyback with BLS on wage surveys which they conduct in New York. We provide state funds for the inclusion of some extra areas in their annual survey of professional, administrative, technical, and clerical pay in New York. This augments the sample so that the New York data are reliable for use in collective bargaining. With respect to unemployment, it might be well to have one estimate for allocation purposes and another estimate which would have validity for economic analysis.

CHAIRMAN LEVITAN: I believe we are running behind schedule. We kept you, and I appreciate all this help. But I was wondering if I could impose upon you for something I asked you earlier?

First, what about simplifying the 70-step method and making it maybe 69 or 68 steps? Secondly, to what level of government can you designate this data in order to get functions within the state? Let's say the federal government entrusts the state with a bundle of money or gives it to some of the prime sponsors. Then what do you do with the Balance of State? I wonder if we can impose upon you to do some homework and give us an idea of what you could do.

New York State has 62 counties. Can you live with an allocation of funds based on the political structure that we have with county data? For the allocations of funds, can you use the Department of Commerce county-based income data, or other data that could be made a part of this system? If your staff could prepare it for us, I think it would be extremely helpful. Thank you very much.

We will take a ten minute break.

(Whereupon, there was a ten minute break.)

CHAIRMAN LEVITAN: Our next witness is Ms. Rosemary Scanlon. We have just heard from the federal level, the state level, and the local level of government. Now we will go to the government of this area, Ms. Rosemary Scanlon of the Port Authority of New York and New Jersey.

STATEMENT OF ROSEMARY SCANLON,
STAFF ECONOMIC ANALYST, PORT AUTHORITY OF
NEW YORK AND NEW JERSEY

MS. SCANLON: Thank you. I appreciate the opportunity to be here before you today.

My name is Rosemary Scanlon. I am Senior Economist for Regional Research in the Planning and Development Department of the Port Authority of New York and New Jersey.

To better inform you of the nature of our concerns, let me briefly sketch for you the range of our interests. On an ongoing basis, we monitor change and development in the economic, demographic labor force and land use aspects of the New York City and regional economy. We are also responsible for preparing short and long range forecasts of these indicators as basic to the Port Authority's long range planning. In all of this work we are vitally dependent on the output of regional and national data from the major governmental data producing agencies at the federal and state level.

As researchers, I suppose we would have to concede that all data are welcomed, on every topic, for every

year. However, the sharp economic decline of this decade has highlighted the critical need for the most basic types of information. For example, between 1970 and 1977 nonagricultural employment in the 17-county region declined by 5.4 percent. In New York City this employment decline measured 15.2 percent. Preliminary 1976 Census estimates suggest that population in the 17-county area has contracted by 2.7 percent, and by 5.6 percent in New York City. This decline represents a dramatic change for the City and regional economy, yet due to revisions, confusion in methodology, and inadequate information, we do not know: (a) who has left the region; (b) what precisely has happened to our labor force; (c) what has happened to the industry and occupational match of our residents versus our commuting workers; and (d) due to revisions and changes in technical approach, we do not even have an adequate time series of unemployment levels and unemployment rates throughout this decade.

In short, we do not have the most basic data available to analyze the most fundamental labor force trends of the 1970s. We need to know the magnitude of shrinkage of the City's and region's labor force and the characteristics of that shrinkage by age and sex group, and by geographic displacement in the region.

With so many basic data gaps at hand, I am almost reluctant to suggest more detailed information needs. We do not know enough about the unemployed, especially in the New Jersey sector of the region--who are they? by age and sex group? by occupation? by industry affiliation? by location of residence vs. location of previous job? length of time unemployed?

We need to have much more timely data on employment by class of worker. Here the most critical gap for many years has been information on the self-employed. Our studies suggest that there have been perhaps significant changes in this group during the 1970s. As the number of wage and salary jobs has declined, there has been a significant increase in the self-employed. Who are left--the loft dwellers of Soho? These are gainful occupations not to be found in the nonagricultural data base.

Finally, permit me to stress the need for adequate

labor force data for future forecasting and manpower planning. We know that the labor force will be undergoing dramatic change in the 1980s--we need to know the parameters of that change--we need to be able to forecast the size of the future school population, the rate of new entries to the labor force, the timing of shrinkage of the teenage labor force; we must have better information at the regional level of the changes in womens' participation rise. We must know more of the timing of retirements; ideally, we must know more about the dynamics of turnover in the job market and the implications for labor force absorption through this mechanism.

I realize that my pleas for more basic information appear to have turned into an exotic menu. Yet, it is important to stress once again the dramatic changes that have occurred in this region during this decade. The national profiles produced by the Bureau of Labor Statistics are more than adequate for an understanding of the macro events, but the national data is not a guide to the changes between and within regions. This is where the drama has been, and this is where our information base is the weakest.

CHAIRMAN LEVITAN: Thank you. Jack?

MR. CARLSON: I asked a similar question earlier as to whether, for your parochial need in the 22 counties of the Port Authority activity, the Port Authority be willing to pay for data which would be more refined than might be produced when people are looking at national policy or perhaps even state policy?

MS. SCANLON: I think within a reasonable level, yes.

MR CARLSON: Perhaps providing information piggy-back with CPS so that first you decide whether it is worth getting if it is not free and, thereby, have some evaluation built into it. There is no reason for people in California to subsidize data just of interest in 22 counties by having it paid for by the national

government. The redistribution income argument seems not to apply too strongly to the federal government paying for a system that really is only serving the needs of maybe several county operations.

MS. SCANLON: Yes, in general, I would agree with you. Again, I must stress, it is just not a problem with the Commission on Employment and Unemployment Statistics. It is in a massive area, in terms of the number of people willing to work, and how they move, what have you. There are times when I feel we are perhaps subsidizing very detailed data for a very small metropolitan area. A problem was pointed out that somebody once commented that they knew on the day of the census of April 1970 of a boy who crossed into the metropolitan area of Wichita, but we didn't know. Our computer showed the split in several SMSAs which is not a very good conceptual basis. It was 1977 before we had the most basic kind of information. So I think this has to be taken into consideration. Also, you must understand that in this area we are very sensitive as to who subsidizes. We have all this new information on net deficits.

MR. ANDERSON: Can you please tell me what is meant by the loft dwellers of Soho? I am not familiar with that.

MS. SCANLON: The loft dwellers of Soho are one of the most interesting phenomena of the 1970s where a deteriorating area in lower New York, lower Manhattan, has been gradually turned over and completely renovated to a residential standpoint. Many of these people are artists, photographers, what have you. What I basically consider to be self-employed. I am sure they have not shown up in those numbers any more than Times Square activity shows up.

MR. ANDERSON: You have listed a fair number of items for which you would like to have information. I wonder how frequently you would need that kind of information. The residences, for example, the characteristics of the community, would you need that more

often than once a year for the planning purposes of the Port Authority?

MS. SCANLON: I would say--again I am being very realistic and thinking what costs may develop in the delivery of this--I would prefer to say more precise data twice a year or quarterly than monthly. We produce a semi-annual report to the committee whenever it is warranted, which is frequently recently, but I am sure it is a tradeoff between costs versus what we need. I think we have to be realistic about what we need in terms of when we need it.

MR. ANDERSON: You did indicate that you have some comments on the illegal alien issue. I wonder if you wanted to say a word or two about that.

MS. SCANLON: Yes. I would like to comment, because many questions have come pouring through our office on this in the last three or four years. In my opinion, this issue has become the red herring of our decade. Nothing in the data that exists, however inadequate our data may be, would indicate that there would be 1.3 to 1.5 million illegal aliens, which is the implication. Did we know, of course, that there was an undercount in the 1970 Census? Yes. But I really think this is a "red herring" issue.

MR. CARLSON: You mean it is overstated?

MS. SCANLON: Oh, yes, but the same cries were voiced during the very steep and very long depression of the 1870s. Maybe there is more of a current problem in the Texas-California border with the migrant workers. I think the real question is, from an economic standpoint, the dynamics of the labor market versus the cost of employing labor. One can make a very good case that increases in the social security tax raise the cost of employment at a time when there is still a large number of unemployed. The same could be said from an economic standpoint on the minimum wage, specifically where we have in this area such a large volume of teenage workers in the central cities. It

seems to me when the cost of employment goes out of proportion to the employer, then you get some lopsided hidden unemployment, and this has to be considered. That is the real question; not illegal aliens.

MR. ANDERSON: I think we have to be as precise as we can about that. Have you conducted a study of the impact of minimum wage on the youth unemployment?

MS. SCANLON: We are watching it carefully. Whether we will be able to produce a formal study depends on the data. One of the critical questions we are asking in the task force on regional and economic development is, will our future labor force be a detriment or an asset to economic development? It will be a critical question when you look out through the next decade. Whether we will be doing that precise testing I am not sure.

MR. MOSKOW: I found your testimony very interesting. I should add, though I am from Chicago I am from this area originally. Why does the Port Authority of New York need data on employment or hidden unemployment for their own plans?

MS. SCANLON: Well, I would say, looking at it just from the traffic crossing the George Washington Bridge or the Lincoln Tunnel, this may not seem evident. We are a team of economists, demographers, sociologists, statisticians. From our standpoint, we need to know as much as possible about the economy of this region. Probably my director is not going to be asking me questions on hidden unemployment, but he assumes that we have done all of that work and that we will know. The degree of detail depends on the extent of specific planning that is associated with, e.g., long-range transportation needs. Detail may be important now for the new project we have underway, the possibility of setting up inner-city industrial parks. There we are looking at a very specific geographic area within a specific borough or township. There we need very highly specific information on labor force. I do not expect the Commission to worry about those specific needs.

MR. MOSKOW: How large a group does the Port Authority have that is monitoring labor statistics?

MS. SCANLON: We are now a team of eight, but we monitor the whole spectrum of the regional economy.

MR. MOSKOW: Eight professionals?

MS. SCANLON: Yes. That does not include labor analysis that would be attached to our personnel department.

MR. MOSKOW: Yes. I assume you are talking about the regional economic labor force-type decision? I am surprised that you have that large a group, frankly, in this area. But you certainly are a key user of the statistics. Your recommendation would be to expand the primary system, and you also recognized tradeoffs between cost and the data which you would be getting. What kind of costs would be involved in the expansion that you are calling for?

MS. SCANLON: That I do not know. I have not studied that. I would be happy to be involved in it. I just do not know, but it would seem to me it would be cheaper than starting an entirely new system.

MR. MOSKOW: I do not know, but I think that the cost is something that we are obviously concerned about. Since you mentioned that the Port Authority might be willing to pay part of the cost as a user of some of the specific regionally-oriented data that you mentioned, I think that it would be very helpful for us to get any estimates on your part of either the cost of the representation you are making, or what type of research the Port Authority thinks it might be willing to put into it.

MS. SCANLON: I think we have to consider the cost breakdowns for the 22 counties of the New Jersey, New York, Connecticut metropolitan area.

MR. MOSKOW: I think you are the first user that

came before us and actually said they would be willing to pay some portion of the cost. Usually people view statistics as a free good, and they are not willing to pay for that at all. I am pleased to see that the Port Authority would be willing to make some payments as a user. It would be very helpful for us if we had some ballpark estimates.

MS. SCANLON: I could not possibly give you that until I had some idea of what current costs are.

MR. MOSKOW: I am sure we could provide you with some of that information.

CHAIRMAN LEVITAN: Joan?

MS. WILLS: Just quickly, what other kinds of administrative data do you use, and how do you think it could be improved? For example, congressional information, tax information, school information--there's a wealth of other resources that I assume you do use. Do you think that we, as a Commission, can address the improvement of these resources?

MS. SCANLON: We use all of the information from the Census, the Bureau of the Census, the quinquennial censuses. You better not get me started on what has happened to the retail sales data. We have no idea what retail sales in this area are in this year as compared to this time last year, and it becomes a critical factor. We use the social security work history data. We do look at the tax data. We do look at school data, and as a matter of fact, in the long-range planning, we will be looking at it very carefully from inner-city versus suburban counties. The social security work history data is potentially a very good source of information, especially for worker migration. What I'd like to be able to see is better detail of the labor data to be able to match with establishment data. Personal income data is very important. I would be delighted to see that arrive more quickly. It is also important to have, especially for this decade, some measure of disposable, after-tax income.

CHAIRMAN LEVITAN: You suggested your major condition was the expansion of the CPS. I can see that the existence of the CPS might be adequate for your purposes concerning the whole region. But you also mentioned, before that you wanted subregional data. Wouldn't that require too big a sample in terms of the cost to your organization? Are you willing to say the Port Authority will contribute to the cost? Also, we are talking about cost to the government in collecting it. What about the cost to the individuals who are bothered with all sorts of questions that somebody in either Washington or the Port Authority wants? These people may not want to be bothered. Have you considered that factor also?

MS. SCANLON: I think it would depend on how much we would have to enlarge the sample in order to gain better data. And I think that perhaps it's a doubling or tripling of the sample that is required. I do not think that we are always going to be able to know everything that we want to know right down to the last detail. I am not so sure that is what is necessary, but that is not what we are talking about. We are talking about data gaps that are so wide at the moment, so massive, that it becomes pointless to discuss the very small fine points of what you may need. A tripling of the sample seems reasonable. I cannot imagine that is going to become a social problem.

CHAIRMAN LEVITAN: Ms. Scanlon, as you may have heard, since we are college professors, we always ask for some homework. Do you think that you could give the Commission an estimate? Could you prepare an estimate of the kind of sampling you want for your 22 counties? And we might be able to provide you some of the figures. I think we could have ballpark figures about cost. Then would you give us some estimate about the cost that you are estimating without signing the check for the collection of additional data?

MS. SCANLON: I do not think that is an unreasonable question.

CHAIRMAN LEVITAN: I hope not. The second question I want to ask you may be one other factor about theology. You suggested before that minimum wage is apparently the cause for the rise ---

MR. MOSKOW: Mr. Chairman, can I interrupt for a moment? If there is one subject that I think the Commission should not even discuss or consider, it is the question of the impact of minimum wage on youth unemployment. I think it is just way over our mandate, and I do not think we should waste the time of the Commission.

CHAIRMAN LEVITAN: Since Mr. Moskow objects, we will drop that question. Thank you very much. We will hear from you then?

MS. SCANLON: Yes.

CHAIRMAN LEVITAN: Thank you very much.

Next we will hear from Calvin Pressley who is the Director of the New York Opportunities Industrialization Center.

Reverend Pressley, proceed please.

STATEMENT OF CALVIN O. PRESSLEY, DIRECTOR,
OPPORTUNITIES INDUSTRIALIZATION CENTER OF
NEW YORK

MR. PRESSLEY: As an administrator of just one New York City human resource development program, I must begin by saying that I am genuinely humbled to be invited by, and to be in the presence of, such giants of the academic world. (And I note happily that the Commission includes representatives from both the ivory and the ebony towers!) But I rationalize my presence here today by the recognition that cultivating the garden of employment opportunity must be a cooperative effort. There is a need for those from ivy-covered walls to be actively and cooperatively in touch with the grass roots; and only in that way can degrees marking academic achievement and expertise be brought

to bear upon the varying degrees of need out in the streets. Neither brother Bernie Anderson nor I could be said to have "green thumbs," but we have long been co-workers in cultivating the human resource garden. So as a tiller of the soil of need, I come to put in a requisition for the kinds of tools your Commission should be providing.

The tools fall into two categories: data reflecting the actual and real condition of structural unemployment and data projecting actual and real labor market needs and long-term, future labor market requirements.

The Bureau of Labor Statistics dutifully collects monthly data, counting increases and decreases in the number of people employed, marking upward and downward trends in unemployment percentages, thereby supposedly sketching a national employment and unemployment profile. Like everyone else concerned with employment matters, I read such monthly reports with interest. But I am always disturbed by what I read; because the profile sketched does not reflect the faces of need I see everyday coming through the doors of New York OIC and out in the streets. The last profile was that of a smiling face, proclaiming a 6 percent national unemployment figure, the lowest in three-and-a-half years. But the faces I saw in the exercise of my daily duties were not smiling, and they would be surprised to learn that things have gotten so much better.

The reason for the clear dichotomy between what I read and what I see is simple. I am looking at a different reality than those who compile official statistics. They are looking at past and present labor market participation and I am seeing the needs of the structurally unemployed. They are counting the employed and the unemployed members of a rather carefully and rigidly defined labor market; and I am dealing with those who do not and have never fit into the official profile; those who are not only unemployed but unemployable; those for whom participation in the work force is a distant memory, who through discouragement and rebuff have removed themselves from official statistical relevance. The faces I see are not smiling no matter how wide the grin on the official statistical

profile. If the statistics gathered do not clearly and realistically focus upon the needs and potentialities of the most severely structurally unemployed, they are not useful--or even appropriate--tools in the garden of human resource development.

I am under the impression that statistics as gathered today are primarily guesswork and assumption, or worse. I say worse because I am still bothered by an item I included in an editorial in Adherent, a professional journal of human resource development published by the OIC Executive Directors Association. Back in 1975, the President of the United States was projecting a 7 to 7.5 percent unemployment figure by election day 1976. The Journal of Commerce calculated that a more realistic figure would be in the neighborhood of 10 percent.

So the Journal of Commerce asked an independent expert, Dr. Albert Ando, to comment on its forecast. Dr. Ando answered as follows:

"Privately, I would put the unemployment rate at 9.6 percent in the final quarter of 1976. But no one would believe me, so I fake and put it at 8.5 percent. If I don't fake it, no one would take me seriously. But others are faking it a lot more to get the unemployment rate down to a 7.5 range. If the major forecasting services did not fake it and published rates of unemployment which are consistent with what is expected for real GNP and productivity, their forecasts would be so gloomy no one would buy their services."

If that is true, we might paraphrase the old VISTA slogan by saying that if statisticians are not part of the fake unemployment solution, they will find themselves to be part of the unemployment problem--that is, unemployed!

Whether they are consciously doctored or not, statistics do seem to reflect a cultural myopia on the part of those who are doing the counting; which means, of course, that only the close at hand and readily available are able to be seen, and the despairing faces of the structurally unemployed are beyond the scope of vision. Cultural myopia is not only shortsightedness, but it is also an optical illusion reflecting the biases and the assumptions of the viewers themselves.

The only way to deal with such myopia is to provide an instrument of corrective vision. The bifocals needed for corrective vision would be a truly representative field staff; a staff equipped to go out into the field to test assumptions and to see if statistics are a true representation and reflection of the unemployment conditions in compacted communities. A bifocal field staff, in other words, would see both near and far; both the official profile and the real faces of need.

Alongside a representative, bifocal field staff, there is a need to do a scientific study of a random sampling of employable welfare recipients. There is a need to find out, using the best scientific and research tools, the actual availability of welfare recipients for the labor market. There is a need for scientific research rather than punitive make-work programs. The concept of making welfare recipients earn their dole should be replaced by a well-researched effort to find out how they can earn their bread.

Such a scientific study should clearly state the objective criteria for employment; and it should find out the actual current conditions of a random sampling of welfare recipients in terms of fitting into the existing labor market. The determination of the current conditions of the random sampling would include: their desire to work, their current employability skills and what is needed to impart such skills to those who lack them, and the available and necessary supportive services needed to assist welfare recipients in entering the work force.

In a climate where so many people speak glibly of welfare cheaters and loafers, of lazy, shiftless, immoral burdens to the taxpayers, the Commission needs to once-and-for-all provide scientific answers to such assumptions. Is the negative image of welfare recipients based upon fact or fantasy? Is their present condition of dependency the result of choice or circumstance? Is dependency a preferred status or an inescapable condition? Is the society responsible for the creation and perpetuation of a condition and a group it so seemingly deplors? A careful random sample study could provide the answers.

I began by mentioning two categories of tools. The second category is the collection of statistical data with regard to current labor market needs and future projected, long-term needs. And for such data to be useful tools, data collection must employ a well-known CETA pattern and concept. I am referring to targeting. Data collection must be targeted on three fronts:

1. It must be targeted with the structurally unemployed in mind. Therefore, data collected concerning current and future labor market needs must also have classroom training and on-the-job training needs and possibilities in mind.

2. Data must be clearly targeted in terms of real future labor market needs, so that training efforts may be designed and implemented to serve real and lasting needs. If the targeting data does not have this dual focus, training efforts become cousins to public service programs, with the structurally unemployed being trained for entry level, temporary jobs, leading to an exacerbation of despair when those jobs disappear.

3. Data must be targeted in terms of local and geographic labor market needs and possibilities. This is especially true for compacted communities where the level of despair is highest and the need for training greatest. Training for the structurally unemployed in compacted communities simply must be based upon a realistic and enlightened future labor market projection of need in each specific locale.

I want to close by thanking the Commission for accepting this requisition from a humble tiller of the soil, and I look forward to a new season of growth and fruition in the grass roots garden where the seeds of aspiration are being choked by the weeds and thorns of unenlightened cultivation. Thank you.

CHAIRMAN LEVITAN: Thank you very much. Ms. Wills?

MS. WILLS: I am a little bit confused when you were talking about the two points. One, I assume that there is a presumption that people from Census do not reflect a fair population in terms of blacks, whites, mulattos, when they are out collecting statistics for

the Current Population Survey. I am not sure that it's true. I do not have any facts on that, and I wonder if you do. That is one question.

Secondly, in terms of talking about targeting, in the need for more information in terms of occupations and occupational classroom training information. Is that really a statistical data collection issue, and is that a use problem, or is that, in essence, an appropriate problem in terms of how we decide we are going to use our program money? Is that really a statistical issue, do you think?

MR. PRESSLEY: Let me try to answer the first question first. I think that the Census data, while it does suffer from some of the same problems of collection that the unemployment data does, it is a long-term kind of thing. How often do you get the census?

And, yes, the Bureau of the Census has made some improvement in the kind of people they send out to collect the data. But I do not think it really tells us anything about the unemployment in that area. I think that the data that is reflected by the unemployment and employment statistics, are not done on the kind of face-to-face, block-by-block basis that would really give any indication of what is happening. I generally find out about youth employment and adult employment by standing up in front of my congregation on Bushwick Avenue and Madison Street and asking how many people have jobs and looking at the number of people who say they can't contribute to the development of that service institution as they should because they are unemployed. I ride down Monroe Street, and I do my own kind of sampling. I do not need the data about who is unemployed to determine whether we open up a program to serve the unemployed or not. When we open up the program, it is full! So that kind of data, I do not need. But if you're using data collection as a tool to manage what a particular administration says about its economic and/or employment policy, then I think it should actually reflect what exists.

The second question. I think that this is what industry and government are always talking about, the duplication of efforts. They are always talking about

training programs that are training for jobs that don't exist. I think it is a data collection problem when they do not know what companies are going to need. They do know, but they don't want to collect personnel data, and they do not want to make those kinds of projections either; even though they have five or ten or twenty year plans. But they won't tell you about the employment needs that are collected with those plans. I think that if we are going to be responsible trainers and servicers of the structurally unemployed, we have the responsibility to find out where there are jobs that will provide our clients with opportunities, possibilities. That is the only way, in my judgment, that anybody is really going to put forth any real effort toward work; that is, where it represents a real opportunity.

MR. MOSKOW: I have just two areas of question. One, I was intrigued with this paragraph on page 3 where you talk about this bifocal field staff, and I was wondering if you wanted to expand that for the record as to whether you were specifically thinking of groups who were not working for government agencies going out to collect these statistics or whether this was a suggestion to modify the people who are actually collecting the data now.

MR. PRESSLEY: I think that the government has a certain responsibility to do something about it. I think they need to contract out, as they do now with some consulting and research groups, so that it might more represent the communities that they are trying to collect data on. A lot of it is contracted out, but they contract it to the wrong people; at least in the collection of data in the communities that I am most familiar with. I think that it needs to have--well, in my judgment, I'd like to see parallel kind of efforts and then we would get some comparison and less management of data and find some of the faults connected with the data. Those faults would be eliminated if we had parallel efforts.

MR. MOSKOW: This would be contracts to the

government to double check on those who are checking the data now?

MR. PRESSLEY: Yes.

MR. MOSKOW: The second area you talked about was the substantial unemployment and hidden unemployment which you mentioned is in the groups that you are dealing with on a day-to-day basis, and quite efficiently from my knowledge of OIC in Philadelphia. I was wondering if you wanted to comment at all on what researchers are now calling something like the "other" economy; areas where people are employed but are not showing up in our statistics for several reasons. One, a barter-type situation. Two, it could be illegal, and they are not reporting it. But there have been a lot of estimates recently indicating that this is a very large and growing portion of our overall economy and, therefore, a portion of employment as well. I was wondering if you thought that we ought to extend our counting to the hidden unemployed? Should we be extending our thinking to those who are hiding employment as well?

MR. PRESSLEY: Remember now, we are treading on, I think, very tenuous kinds of circumstances if not jelly. If you are suggesting that the government is going to legitimize this in the overall economy, then I am prepared to say, yes, then we ought to count them. But if the government is going to turn its back on that area of the economy and say it doesn't exist for other purposes, why are they going to count it when it comes to poor people who do not have jobs in the primary count? If the government was consistent, if they are official GNP stats, then they could be counting it in the employment statistics as well.

MR. ANDERSON: I think the Commission is fortunate, Calvin, to have you come before it and to share your views on the use of statistics. Yours is one of the nation's leading organizations in attempting to deal with a wide range of problems of employability, and doing so with a great deal of success. In your discus-

sion of data, your recommendation for additional measures that you would like to see, you did not mention a measure that has been discussed as possibly useful, the employment-earnings index or a self-employment index. I was wondering whether you would want to comment on the possible use of that type of measure for program planning purposes? How useful would you find an employment-earnings index for the purposes of deciding what type of training programs you might want to propose or to operate?

MR. PRESSLEY: Well, I am not sure that it would be very helpful if we could not attract the jobs at the end of it. I mean, just to know what was available in the general community in terms of wage per job, that kind of thing, and I think that's what you are making reference to. It wouldn't be very helpful unless we had some access to that labor market and had some kind of access to those jobs. The only way we will have access to those jobs is for them to be expanded or for the affirmative action that the government has established to really take hold so that minorities and others may take advantage of the jobs.

MR. ANDERSON: Have you considered having your staff analyze some of the available administrative data? For example, EEOC data or data on establishment employment as a possible source of additional information for targeting your training programs, or have you focused primarily on the BLS Current Population Survey data?

MR. PRESSLEY: No. The BLS Current Population Survey data sometimes gets us in trouble. Let me give you an example of what I mean. We worked out an arrangement with the IBM Corporation to develop a community training program in the East Harlem community. We have fourth generation computer equipment there, and for a time they had five full-time staff people assigned to work with OIC for the training and development program. This was funded as a private effort. When we went to the city and the state, they determined that programmers were no longer necessary. There were

programmers all over the place, and why did we want to use federal and/or state and city money to train programmers. Well, using their data, that would be true, but the number of minorities that were participating in that part of the labor market was almost zero, and a lot of the companies in the city that used people in the area of computer program and operations--not so much keypunch because that is a low-income, small wage job--but a lot of these companies do feel there are equal employment opportunity plans needed for minorities in this area. We have always overplaced the number of programmers and the number of operators that they initially planned to place in a given year, and that's been happening now for four years here in the City of New York. So I cite that as an illustration. We have gotten, because of our participation with the business community at a lot of levels, to help review some of their equal employment opportunity plans for them, and make suggestions how they might be changed and updated and that kind of thing. So we have done some of that. Rather than taking a national count for data, working and focusing locally.

CHAIRMAN LEVITAN: I would like to continue with Mr. Anderson's first question. In response to his question, you talked about employment or learning adequacy and economic hardship. You responded that you would be interested in the people who are working now and who are barely making a living. Aren't you interested in some kind of an index to determine how many persons in the labor market are working but are not making a minimum, decent living, which I would define as at least a poverty level?

MR. PRESSLEY: What would I do then, other than try to convince people to change it?

CHAIRMAN LEVITAN: Why would you want unemployment data?

MR. PRESSLEY: I am not concerned with unemployment data. I already told you that. It is rigged. I don't believe it when I see it, but I think the govern-

ment needs some measures to say things about it. I do not believe when they print that in the New York Times. I read it and I laugh. That is what half of the part of this presentation is about. I am sorry I didn't say it well.

CHAIRMAN LEVITAN: Well, if you are a nonbeliever, why do you talk about it?

MR. PRESSLEY: Well, all I am suggesting is that I do not need that data to know that we need to do something about training the structurally unemployed.

CHAIRMAN LEVITAN: I see. Well, thank you very much.

MR. CARLSON: Just one question. Do you think the job-tax credit proposed by the Administration last week will help the structurally unemployed?

MR. PRESSLEY: I heard about that. If, indeed, and in fact, there is some way to monitor the honest businessmen of this country, it might work.

MR. CARLSON: The Labor Department would give the certification as to who is eligible. According to the announcement, the eligibility would be determined by the Labor Department. It would have nothing to do with eligibility to be determined by business.

MR. PRESSLEY: I didn't read that far, but being a nonbeliever about the ability to determine eligibility, and we have a whole lot of experience to determine who is eligible for programs and who isn't, I am not very optimistic about our ability to issue a means of testing. I just really am not comfortable about that in the Labor Department or in business and industry.

CHAIRMAN LEVITAN: Thank you very much for your eloquent statement. I appreciate it very much.

We are running behind schedule. Dr. O'Neal agreed to wait until after lunch, and since we are now beyond the lunch time, we will now adjourn until 1:30.

(Whereupon, a luncheon recess was taken.)

AFTERNOON SESSION

CHAIRMAN LEVITAN: We will resume the hearing. The first witness is Dr. Arthur O'Neal, Director of Planning and Research of the New Jersey Department of Labor and Industry.

Dr. O'Neal, I am delighted that you can take off from your more important duties.

DR. O'NEAL: I appreciate you having me. Thank you, Mr. Chairman.

I have a paper that was not finished until this morning, and I wish I had stopped it yesterday. It would not have been so long.

CHAIRMAN LEVITAN: You have 15 minutes to say it all, and you can have a court case on that.

DR. O'NEAL: I think you have copies.

CHAIRMAN LEVITAN: Yes, sir. Your complete statement will be part of the record.

DR. O'NEAL: Yes.

STATEMENT OF ARTHUR O'NEAL,
DIRECTOR OF RESEARCH AND PLANNING,
DEPARTMENT OF LABOR AND INDUSTRY,
STATE OF NEW JERSEY

MR. O'NEAL: My name is Arthur O'Neal and I am here, Mr. Chairman, to give you one state's perspective on the Local Area Unemployment Statistics (LAUS) program administered by the U.S. Bureau of Labor Statistics in cooperation with the State Employment Security agencies. As Director of Planning and Research for the New Jersey Department of Labor and Industry, one of my responsibilities is to administer this program within the State of New Jersey. I appreciate this opportunity to express my views.

At the outset, I would like to assure the Commission that I consider myself a long-time friend of BLS

and I fully support the state/federal cooperative approach for compiling labor market and other economic statistics. This is the only way to ensure the uniformity of concepts so essential if the data are to be used for allocating federal resources to areas most in need.

Though my remarks will be critical--and I believe the Commission will be hearing more of the same from other state representatives--they are intended to be constructive. My objectives and those of my colleagues in other states are identical to those of BLS: to produce the best possible state and area statistics for economic analysis and policymaking.

Unfortunately, we have a long way to go. Let me begin by discussing our statewide estimates of labor force, employment, and unemployment.

We have never had fully satisfactory statewide statistics under the LAUS program, but in my view the situation took a serious turn for the worse in January. That was when BLS decided for the first time to place sole reliance on the monthly Current Population Survey (CPS) in New Jersey and nine other states.

In contrast to the previously-used method, which involved a blend of annual average CPS benchmarks and unemployment insurance claims and other data to track month-to-month changes, the monthly CPS yield employment and unemployment statistics that fluctuate erratically and nonsensically. Figures released by BLS over the past several months have confused the public, further undermined the credibility of labor statistics in general, and turned federal fund allocations into a game of chance.

Consider what the CPS told us about the New Jersey economy during the first quarter of this year. According to the CPS, employment in New Jersey dropped very sharply during January, February and March, after expanding dramatically during 1977 to a record high in December. On a seasonally adjusted basis, the three-month decline totaled 159,000, which is literally of depression proportions. A job loss of this magnitude would normally be accompanied by an increase of nearly five percentage points in the state's unemployment rate and panic among economic policymakers.

But that did not happen. Despite the loss of about 5 percent of the state's jobs over a three-month period, the CPS assured us the economy was really getting better. There was a sharp drop in the state's seasonally adjusted unemployment rate from 7.5 percent in December to 6.3 percent in March! Since 213,000 people vanished from New Jersey's labor force, we didn't need those jobs anyhow.

These figures are, of course, nonsense. Regional BLS Commissioner Herb Bienstock was recently quoted in the press as saying that the monthly CPS statistics "need to be looked at with a great deal of tenderness." This could be the understatement of the year. Actually, employment in New Jersey increased between December and March. According to my Department's monthly survey of more than 7,000 New Jersey employers, conducted in cooperation with BLS, nonfarm wage and salary jobs increased by 16,600 over this period on a seasonally adjusted basis. If 213,000 people left New Jersey's labor force they must have all been self-employed, domestic and farm workers, the only workers not covered by our employer survey.

I could spend the rest of my allotted time citing equally implausible trends of CPS data, for example, a huge 3.3 percentage point decline in New Jersey's unemployment rate between last October and this March (from 9.6 percent to 6.3 percent) despite declining employment over the same period. But the Commission can find all the examples it might want in the articles from New Jersey Economic Indicators that are appended to this testimony.¹

BLS may consider it unfair of me to focus the spotlight on erratic fluctuations of these statistics. BLS has been open about the limitations of these statistics, which in New Jersey are based on sample survey of only 1,780 households of which roughly 1,500 are actually interviewed in any given month. The large sampling variances are a matter of record. A professional labor market analyst should know enough to work with moving averages and not accept short-term fluctuations at face value. After all, economists--especially at the state and local level--somehow manage to assess economic conditions using only highly erratic time

series as construction contracts, building permits, retail sales and new business incorporations. Why then should I make such a big deal about erratic fluctuations in the monthly labor force and unemployment statistics?

There are at least three reasons. First, the public has been conditioned to view the unemployment rate as the measure of the nation's or an area's economic well-being. It is simply not in the same class as contract awards or retail sales. The latest monthly unemployment rate for the nation is released by BLS with great fanfare and it, along with counterpart figures for states and local areas, becomes the property of "the man on the street," not just economists equipped with sampling variance tables and calculators to compute six- or nine-month moving averages.

No matter how much BLS or the state employment security agencies may caution the public about the limitations of these figures, it is a safe bet that they will be misused. Imagine the fun (and success) I would have had last fall trying to explain, just prior to New Jersey's gubernatorial election, that a big increase in the state's unemployment rate during the early fall should be ignored because it was probably due to sampling error!

Second, billions of dollars of federal funds are allocated each year on the basis of state and local area unemployment statistics. This includes funds for manpower training, public service jobs, public works projects, countercyclical fiscal assistance, and the whole array of assistance available to labor surplus areas under the Public Works and Economic Development Act. Federal contract preference is targeted to high unemployment areas and, in countless ways, unemployment statistics are considered in other federal policy decisions affecting local and regional development. Though annual averages are used in some cases, there also are formulas that use monthly data. Some counties and municipalities are going to get shortchanged and others will get windfalls because of spurious fluctuations of unemployment statistics.

Third, there are alternative ways of estimating

unemployment. There is no need to have a statistical system so subject to erratic behavior. In fact we had a better way until BLS changed the rules in January. That method used annual average Current Population Survey estimates as "benchmarks," but tracked month-to-month changes primarily using statistics on unemployment insurance claims. Admittedly, there were problems with that method attributable to statistical error in the annual CPS benchmarks and to shortcomings of the formulas used to estimate month-to-month changes. That method needed improvement, but I do not think it was necessary to totally abandon it as BLS has done in the case of New Jersey and nine other large states.

BLS abandoned the old method because they were embarrassed over the past two years by the need for large annual benchmark revisions in many states. They attributed all of the problems to errors in the monthly estimating procedures, conveniently ignoring the fact that errors in the annual CPS benchmarks themselves undoubtedly were a contributing factor. Errors in the annual CPS estimates have now been cleverly hidden from view in at least ten states since the use of monthly CPS data rules out the need for annual revisions.

There undoubtedly were problems with monthly estimating procedures during 1976 and 1977. The evidence suggests that there was a conservative bias to the monthly unemployment estimates in many states. Perhaps the duration of unemployment among unemployment insurance exhaustees was underestimated in these states as they came out of the recession. However, it troubles me that instead of trying to identify and repair those defects, BLS has simply condemned the claims-based estimating procedures to the scrap pile.

In the process we have lost a valuable economic time series. For all its limitations, the preexisting method yielded monthly statistics that made sense and tracked well with other economic indicators. Analysts could measure cyclical turning points and quantify changes from one period to another. While the most recent year's data may have been subject to some error, everything was revised once a year to be consistent with annual CPS data. We then had an historical monthly series with which we could be reasonably comfortable,

except, of course, to the extent that the annual CPS benchmarks themselves were subject to statistical errors.

We are pursuing directly with BLS our immediate objective--to get them to roll back their decision to rely solely on the monthly CPS for New Jersey statewide estimates. But even if we succeed with this short-term objective, I will not be satisfied. No method currently feasible will yield estimates sufficiently accurate to meet the awesome demands now placed upon them. If unemployment statistics are to be the basis for allocating massive amounts of federal funds, we need to put much more resources and creative effort into this program.

We need a very substantial expansion of the CPS sample in all states in order to increase the accuracy of annual benchmarks. How much of an expansion depends upon cost/accuracy tradeoffs that can only be resolved by Congress and federal agencies responsible for allocating funds. We obviously will never be able to afford perfection, but clearly we must develop more accurate data than we have today. I would like to see BLS or the Census Bureau present to the Commission a matrix of cost/accuracy tradeoffs that might lead to some informed discussion of the matter.

This should be coupled with quality control studies by the Census Bureau to ensure that there are no geographical biases attributable to response error, sample design, or other factors. Hopefully such studies are already being done, but if they are the results have not filtered down to my level. If we are to rely on CPS data to establish state-by-state controls, it clearly is necessary to minimize both sampling error and statistical bias.

A major program of methodological research should simultaneously be undertaken by BLS, with the assistance of the states, to refine techniques for measuring month-to-month change between benchmark periods. BLS has already devoted a great deal of attention to improving the unemployment insurance claims statistics in the various states and has provided funds to the states for this purpose. Particular emphasis should now be given to methods of estimating unemployment

insurance exhaustees and new entrants to the labor market.

Though I have concentrated up to now on statewide figures, the problems that I have with the monthly CPS affect all subareas of New Jersey. This is because all estimates for subareas are controlled to the statewide totals. When the statewide figures fluctuate erratically, these fluctuations ripple out over all labor markets and ultimately down to the statistics for individual municipalities.

We also have another problem with the method currently used to disaggregate the statewide figures among the state's 16 labor market areas. We object to the fact that BLS requires us to use simplistic "census-share" or "claimant-share" methods to estimate employment and unemployment for three labor markets that are parts of interstate Standard Metropolitan Statistical Areas (SMSAs). For the remaining counties we use the traditional 70-step method. The mixture of these methods can cause statistical distortions and funding inequities among areas within New Jersey.

At present we are using the census-share method for counties in interstate SMSAs. Our neighboring states prepare estimates for the overall Philadelphia, Wilmington, and Allentown-Easton-Bethlehem SMSAs using the traditional 70-step method. Then, based on antiquated relationships from the 1970 Census, constant shares of these employment and unemployment estimates are assigned each month to the New Jersey component counties. I don't think I have to elaborate on the shortcomings of this method.

BLS recognizes the deficiencies of the census-share method and has now mandated that a claimant-share method be used instead in those interstate areas where both states have accurate unemployment insurance claims compiled on a place of residence basis. As soon as Delaware and Pennsylvania are able to provide us with accurate monthly claims data for New Jersey residents filing claims in those states, we will be shifting over to this method.

The claims-share method would seem to be an improvement since it uses at least some hard, current data. However, it still involves tenuous assumptions

and is unsatisfactory as far as I am concerned. In arriving at the claimant shares used to allocate an SMSA's "experienced unemployed" among the component counties we necessarily must combine claims from two different unemployment insurance systems. This could result in a disproportionate allocation of this component of the unemployed to counties within the state with the more liberal unemployment compensation program.

The claimant-share method is also flawed by the highly artificial methods used to estimate other labor force components. The new and reentrant component of unemployment is estimated simply on the basis of each county's percentage of the population in the 14-19 year age bracket at the time of the 1970 Census. Employment is allocated strictly on the basis of the latest population estimates for the component counties. Put another way, the employment/population ratio is the same for all counties, which implicitly and arbitrarily assumes that economic conditions are also identical.

Inappropriate allocations of employment and unemployment among component counties of interstate SMSAs cannot cause one state to gain at the expense of the other. This is because all labor market area figures are ultimately controlled to independent statewide totals. However, distorted estimates for these counties will affect intrastate unemployment allocations and could cause inequities under federal funding programs.

We have been pressing BLS to permit New Jersey to use a uniform method of estimating labor force and unemployment--the 70-step method--throughout the state. This may not be practical in all states, but there is no good reason why New Jersey should be denied the opportunity to achieve intrastate consistency simply because it is not practical somewhere else. We are constrained by the statewide control estimates from "stealing" unemployed people from our neighboring states. Once Delaware and Pennsylvania come through with figures on New Jersey residents filing claims in those states, we will have the claims data and establishment-based employment estimates necessary to produce figures for these counties using the 70-step

method that will be just as good as those produced for the state's other 16 counties.

Labor market statistics below the county level would be laughable if they were not used for allocating huge amounts of federal funds. BLS Commissioner Julius Shiskin has called them "random numbers." At present these estimates are produced in New Jersey using the census-share method. BLS has mandated switching to a claimant-share method once unemployment claims data can be generated on a municipality-by-municipality basis.

While this may have the virtue of introducing some "hard" numbers into the calculations, there is no danger that this method will cause unemployment to be underestimated in our cities since the proportion of the unemployed who collect UI benefits tends to be smaller in cities than in the suburbs. Also, the method will allocate too much employment to the cities because of the unrealistic assumption the employment/population ratios are the same in all of a county's municipalities. This will further cause unemployment rates in the cities to be underestimated.

I have no ready solution to offer regarding municipality estimates, but I believe this matter should be studied closely by the Commission. If we are to properly target aid to our depressed cities, we need much better data than is now available to measure their problems.

The final point I would like to address is the need to strengthen the role of the states in the LAUS program. This could greatly multiply the talents devoted to methodological research and improvement of local area statistics. At present, methodological research and preparation of technical procedures is the exclusive domain of the national BLS office. The state agencies are expected to follow instructions. We have been provided with neither the resources nor the motivation to build our technical, as distinct from instruction-following, capabilities. Why should we invest what little resources we have in methodological research if our proposals are likely to be ignored or rejected out of hand?

Though I oppose the methods currently used, I recognize that in a state/federal system BLS must

necessarily have the ultimate authority regarding methods of disaggregating the nation's labor force and unemployment into state-by-state control figures. This is the only way to ensure uniformity and equity. However, once state-by-state controls have been established, the individual state employment security agencies should be given some latitude in the choice of methods for disaggregating within the states. They also should be encouraged to experiment with new methods and refinements. BLS may be surprised to see what a contribution the states could make if given the encouragement to do so.

Thank you, Mr. Chairman.

¹ _____, "Labor Force and Unemployment Statistics," New Jersey Economic Indicators, April 28, 1978.
O'Neal, Arthur J., "Unemployment Estimating Methods Change Again," New Jersey Economic Indicators, March 3, 1978.

CHAIRMAN LEVITAN: Thank you, Dr. O'Neal. As I suggested, your complete testimony will be made part of the record, and we will send it to BLS. Whatever reply they send us, we will send you a copy.

Mr. Moskow, since you have admitted that you don't come from the Garden State, why don't you start.

MR. MOSKOW: I was very pleased to hear your testimony, Dr. O'Neal. It was very interesting and I particularly like the suggestion you made on page 7 to have this matrix of cost/accuracy tradeoffs that might lead to some more informed discussion of the matter, because I agree with you completely that both cost and accuracy are important. There are tradeoffs, and it is sometimes difficult to explain this to policymakers. But I think the only way you can make an informed judgment of this is that you take the step you suggest here. I just wanted to make sure I understand the other parts of your suggestion. As I understand it, the State of New Jersey was very concerned about changing from the 70-step method several years ago, and had many complaints about that. Now BLS has changed the method to this monthly series, and you are even more concerned about that. You would like to go back to the method they were using before. Is that correct?

DR. O'NEAL: That is correct. There are really two different stages of our history with BLS. I think the old arguments back in 1974 are probably academic at this point. I think a system utilizing the Current Population Survey is probably here to stay, and if the sample is expanded so we have figures at the statewide level on an annual basis that are reliable enough and that we are assured are not subject to bias, I think that is the way to go. In other words, I support the method that BLS was using to get statewide figures for New Jersey up until January, provided that the Current Population Survey is expanded and, of course, that the components of the 70-step method are subject to more research and improvement. I feel this has been neglected in the past.

MR. MOSKOW: Obviously, it would take time to

expand the sample, but you are suggesting they go back to the other method, at least on a short-term basis?

DR. O'NEAL: That is correct, that they go back to the other method.

CHAIRMAN LEVITAN: On a short-term basis, what is it about the other method that you think would be so much more beneficial than the present method that is being used?

DR. O'NEAL: If I could just refer to the very first page following the testimony, there is a chart on that page that compares the seasonally adjusted unemployment rates based on the old method--by that I mean the method that was in existence until January--and the monthly CPS. The one that is jagged, the one that is jumping all over the place, is the CPS monthly unemployment rate for New Jersey. The solid line showing the smoother trend is the old method unemployment rate for New Jersey. If you look at the trend of a good economic indicator, you usually find that there is a gradual trend to what is happening in the economy. I find that the old method series here correlates with other economic indicators much better than does the new one. So I feel that the old method simply is a better economic time series.

MR. ANDERSON: I want to thank you for a very informative paper, and we will look with great interest regarding the points you raised here. But I have no questions.

CHAIRMAN LEVITAN: Thank you.
Ms. Wills?

MS. WILLS: In your last paragraph you make reference to disaggregating within states. Correct me if I am wrong, but it seems to me that in some of those laws that were passed by Congress utilizing the unemployment statistics, it is BLS that has to disaggregate the figures so funds can flow within states. Take, for example, revenue sharing and public works, as well as

the CETA program. How would this recommendation square with the BLS mandate to develop such information?

DR. O'NEAL: BLS will probably be able to answer that better than I can, but I see us as part of a state-federal family. I do not see why BLS, under our cooperative relationship, couldn't delegate a certain amount of decisionmaking to the states. I am not proposing that tomorrow we switch over. I am trying here in the last paragraph to suggest some long-term directions for the program. The point I am really trying to make here is that basically what happens at the present time is that the states are out there and they get instructions. We are not really consulted about changes. We are told we are consulted. Federal people come to meetings and they make speeches and then they say, "Do you have any questions?" If you do not have any questions right then and there, you have been consulted. I consider consultation what the BLS people have been doing for years under other cooperative programs--coming down to Trenton and talking to us. We talk out a new procedure. We try it out. We make some graphs. We study it.

That has not happened under this program. I will give you an illustration if I can. A couple of years ago a procedure came down from Washington to disaggregate data for CETA. I sensed that it was illogical and I objected. And no one was listening. The regional people listened, but the Washington people didn't listen. So I finally told my staff to go back and compute a series using that method, which they did. They went back to 1970, and they computed a series for five small counties. They found that these counties had an unemployment rate that declined sharply during the recession of 1970, 1970 to 1971. It went below zero at the trough of that recession and did not start to increase until the economy began to improve. It did start to turn up when the economy improved. We finally sent our graphs in to BLS and finally BLS changed the instructions. They never did acknowledge that we had made our point. But we were in court at the time. Maybe that is why. But here is a case where if they had come down and talked to us, we could have headed

off a bad methodology which, by the way, was designed to be used for allocating money.

CHAIRMAN LEVITAN: Your statement has dissuaded Mr. Carlson from asking any further questions, but I would like to ask the same thing I asked Mr. Dorkin earlier this morning. I wonder whether you would care to give to the Commission several things. First of all, we would like any suggestions you may have to simplify the 70-step method. Second, would the 21 counties be appropriate for distribution of funds? Do you need any disaggregation into smaller areas for purposes of the distribution of funds?

DR. O'NEAL: Offhand, I do not have any recommendations to make about simplifying the 70-step method.

CHAIRMAN LEVITAN: I thought that maybe you could go and talk to your staff and our staff will be in touch with you. Dr. Adams, the Commission's Executive Director, will be in touch with you for any further qualifications of what we are talking about. I hope that you can give us that statement.

DR. O'NEAL: Fine.

CHAIRMAN LEVITAN: Thank you, Dr. O'Neal, for a very, very interesting and stimulating statement, even if BLS does not find it very encouraging.

Our next witness is Mr. Manuel Bustelo of the National Puerto Rican Forum. Mr. Bustelo?

MR. BUSTELO: Good afternoon, Mr. Chairman. I must apologize for my voice. I am just getting over a very bad cold and I don't know how long I will be able to keep this up.

CHAIRMAN LEVITAN: Your complete statement will be part of the record and please summarize in any way you find convenient.

STATEMENT OF MANUEL A. BUSTELO,
EXECUTIVE DIRECTOR,
NATIONAL PUERTO RICAN FORUM

MR. BUSTELO: For years, the National Puerto Rican Forum, Inc., has observed the numbers game, and like all others in government, in community organizations, in educational and health systems, the NPRF has been forced to play the numbers game itself--interpreting data to support or attack an issue, a law, an allocation of funds, a concept or a plan.

The very structuring of governmental systems, into federal, state, county, city, regional, community planning districts, congressional districts, assembly districts, etc., has long served to establish boundaries, populations, geographical areas which are different from one another--so that it is virtually impossible to check the statistics of one against those of another, or to cumulatively collect a meaningful mass of information of value.

The employment of one area as a study area against another can lump together various elements designed to reinforce a thesis, or through the subtraction of certain areas or populations in a study area, to refute a thesis. The numbers game can set its own rules, set its own parameters, and pre-set its own conclusions. This is done all the time, depending upon who is playing the game, and who has been called "out."

For years, the Puerto Rican community has been called "out." For years population studies counted whites, blacks, and "nonwhites." "Nonwhite" meant not important. Then studies began to use Spanish surnames as a measure of Hispanic populations. No one has ever produced the master list of surnames against which those names are checked. Not all Puerto Ricans are named Rivera, Rodriguez or Velez. How indeed did the government determine what an Hispanic surname was or was not? Then there was a count of Mexican-Americans, Cubans, Puerto Ricans, and other Spanish-speaking groups, based on census questionnaires which were vague and imprecise, and on surnames which were not precise or accurately assigned to a particular ethnic group.

What is an Hispanic? If a person is dark skinned, is he or she still classified as Hispanic, or as black? If the person is white, with a surname like Sullivan, is that person classified as white or Hispanic? The "nonwhite" category represented a separate group, or an overlapping of other groups. In many government studies the data states white, black, and Puerto Rican. Does the Puerto Rican represent a separate study group, or an overlapping of the other classifications? What about color, names, place of birth, etc.?

When Puerto Rican is used, does it include all Hispanics, or just Puerto Ricans? Who knows?

In other cases, data is collected from registrants for unemployment benefits, or from lists of registrants for placement services of public employment agencies. Yet, it has been demonstrated that Hispanics generally do not go to public employment services in great numbers for many reasons. Because many Hispanics do not work six months at a clip, they often cannot go to the unemployment insurance offices either. How accurate then are statistics based on registration? Do they really count the Hispanic workers out of work, or seeking work, or working at any given time?

Percentages are used in many cases, rather than numbers. If 10 Hispanics were placed in a year, and 15 Hispanics were placed the next year, the data would show a 50 percent increase in Hispanic placements--although only five more people were placed. This kind of double-talk is used constantly to support the thesis, and to document progress, and actual nose counts are not used to avoid the truth.

Efforts to identify youth out of school, going back many years, have never been productive. School authorities and staffs have never cooperated. Therefore, teenage youths, out-of-school but of school age, some working and many not working, have never been counted. A study attempted in Boston to identify and count children out-of-school failed for the stated reasons. Youths who are legally out-of-school cannot be identified either, since the largest number do not register with public employment services or file unemployment benefit claims. They are virtually lost in the streets.

Department of Labor statistics indicate that Puerto Rican men and women, in the various regions, work so many weeks a year. It is assumed that the figures are average figures, meaning that large numbers of Puerto Ricans work only a few weeks a year, while others work a full year. At a given moment, depending on seasons, economic stability, and market demand for various products or services, large numbers of Puerto Ricans may be unemployed, or employed.

If they are counted as employed, they may be only employed for two or three weeks--hardly a reflection of economic stability or prosperity. Therefore, the timing of studies, and the selection of industries for base analyses can stack the statistical deck, and make things look better or worse.

The kind of work which a Puerto Rican does, rarely shows up in statistics. Most data simply states "employed" or "unemployed." If a college professor, with a Ph.D. is washing dishes, it shows as one employed Puerto Rican. It does not show underemployment--in many cases really representing "unemployment" by virtue of the downward mobility.

The numbers game goes on and on.

However, the consequences of the numbers game are very serious. Government funds are allocated against numbers. Services to particular ethnic groups are offered against numbers. Planning is designed against numbers, but numbers are selected by people in government. Statistics, including the census, are number games, with the rules set by those who seek to stack the deck and establish numbers which will support their goals and ambitions.

Today, we are called here to talk about numbers. We are asked to lend our thoughts and expertise, and experience, to assist the government in establishing counting systems which are more accurate, and which reflect actual conditions in the country.

We are specifically asked to find ways to track down certain sectors in the labor force--such as "moonlighters," youth in the streets (in or out of the labor force), Puerto Ricans or other ethnic groups in the labor force or out, etc. There is little doubt that for many years large numbers of persons in or out of the labor force were not counted, and to the greater

extent the minority groups represented the sector least counted or numerically analyzed.

Statistical studies do not tell the truth, unless the sampling is substantial enough to dramatically reduce the margin for error.

In the United States, according to the Current Population Reports, Population Characteristics, Persons of Spanish Origin in the United States, Department of Commerce, March 1977, a total of 11,269,000 Hispanics, of which 6,545,000 are Mexican-American, 1,741,000 are Puerto Rican, 681,000 are Cuban, 872,000 are Central and South American, and 1,428,000 are Other Spanish.

The 1970 Census was attacked for its inaccuracies in counting Hispanics, and figures were changed in 1972 to reflect new studies made after 1970.

Hispanics are scattered not only throughout major urban centers in the United States, but also through rural areas in many sections of the country.

How indeed does the government find these people to count them, to determine who is the labor force, who is employed, and who is unemployed, underemployed, sub-employed or simply withdrawn from the labor force? It is not an easy job.

Aside from the Census, shown to be inaccurate, the government often waits for the people to come to it to be counted.

Data is statistically drawn upon the numbers who appear to be counted--searching for a service or a benefit.

Yet, it is to the advantage, and many times the disadvantage, of locales to accentuate the positive or the negative. If a locale seeks more funds for CETA training programs, it may seek to expand the representation of unskilled ethnic sectors. If it wants money for housing, it may identify low-income families. If it seeks to drive the poor, or various ethnic groups, out, it may choose to reduce the need, acquire less funds, and provide less services or benefits. Thus, local interests determine the efforts that a community will make to establish true and honest counts of ethnic groups, the labor force, and needs for funds for training of unskilled persons, vocational education, placement services, OJT programming, etc. The recent reluctance of certain school boards in New York State

to submit ethnic data reflects the power of local opinion.

The fault with data-gathering is that it is too largely subjective, and compounded with different study areas, measures and systems designed to confuse, reflect particular interests and divert funds to particular governmental structures for often political reasons--rather than original purposes of stimulating employment, training, placement, counseling, etc.

How can honest citizens follow this process, monitor it, and even substantially contribute to it? There are no established policy, system, formulas, and methods. No agent can be a watchdog and protect the public interests.

In a publication, a Report of the U.S. Commission on Civil Rights, October 1976, entitled, Puerto Ricans in the Continental United States: An Uncertain Future, the absence of hard data about minority communities and their labor status is noted as follows:

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The lack of data on Puerto Ricans also limits the effectiveness of training programs for them. An official of the Bureau of Labor Statistics said that the major barrier to an evaluation of the situation was the lack of current information on significant labor force characteristics. He noted:

"There is no group that addresses itself to developing a body of background information on the economic status of the Puerto Rican in the labor market on a continuing basis, and that is almost pitiful. I suspect that you don't have half the awareness of the problems of the Puerto Ricans in New York that you do have, for example, for the other groups, simply because of the lack of availability of data that calls continuous attention to it."

The now defunct U.S. Cabinet Committee on Opportunities for Spanish-speaking People also noted that data were "fragmented, scattered, hard to obtain, and frequently nonexistent.... There is no repository of hard data upon which to conduct

further studies that will lead to the development, improvement or betterment of programs for the Spanish-speaking."

At a conference held by the National Commission for Manpower Policy in January 1976 on employment problems of low-income groups, one issue of concern was inadequate statistical information on particular groups to determine manpower services. The conference report noted:

"The deficiency is particularly important when such data is used to estimate the numbers and characteristics of minority group members, particularly those who are Spanish-speaking or of Spanish heritage."

The allocation of federal funds under CETA is based upon available data. Eighty percent of Title I funds are distributed to states and eligible prime sponsors within states according to a formula based on:

- (1) the allocation for job training in the previous fiscal year,
- (2) the relative number of unemployed, and
- (3) the relative number of adults in low-income families.

Accurate figures for the number of Puerto Ricans unemployed and poor are vitally important in determining CETA allocations. Yet such data are, in many cases, little better than guesses....

The Puerto Rican community, like other minority communities, cannot afford to stake their futures on somebody's guesses. Guessing is also no way to run a government.

It is not the purpose of this speaker to read into the record quotes from numerous sources, and consider that he has fulfilled his obligation. There is no shortage of quotes from many sources of government itself, documenting its own failure to come up with a standardized and effective information gathering system in the areas of population and employment.

The issue, then, must not be what has been going on for these many years, but rather what can be done about it. The risk of attack and defense as a time-consuming and useless occupation forces us to look back rather than ahead. We cannot fall prey to the traditional management traps of studies, reviews and analyses of studies, reviews and analyses, ad infinitum. "What can be done about the situation and when" must be the prime objectives.

The Department of Labor is probably the largest data collection agency in government, with computers, national, regional, and local offices and agents. It is also the agency most concerned with employment, unemployment, labor, training for jobs, and work related data. It must employ its resources to establish a better data-collection methodology and system.

For too long, as earlier noted, the Department has not gone to the people, but has waited for the people to come to it--to derive data for study and analysis. Those studies proved only as valid as the representation of communities which approached the departmental agencies. It was, nevertheless, used as valid.

Now it is time for the Department to go to the people.

If statistical projections are to be made, then they must be made on sizable and representative samplings, in places where the subject population can be found--such as the ghettos across the country in the urban centers. The Department cannot consider that it will find its "crop" full grown and ready for picking. It must plant the seeds and nourish them.

The Department must establish standardized data systems, using parallel situations in all places, for comparisons and study. It must touch base with the agencies and institutions within locales which can provide it with a continuing supply of vital information--such as high schools, migration services, questionnaires to selected industries and businesses, improved Census questionnaires and collection methods, local health and welfare departments, and other indicators which offer continuing studies and monitoring. Over a few years, it will be possible to establish patterns using sizable enough samplings, to arrive at percentages and figures which could be considered reasonably reliable.

The number of persons flowing into the labor force, the number working (paying social security or local taxes), the number of age not in school, the number on welfare who are in the labor force, the number leaving or coming into a locale in a given time, and such data, can begin to develop data which, with information from public employment services and unemployment benefits services, can round out the study and offer a more comprehensive picture.

The answers are in each locale, and the sum total of all locales in a state can provide a clearer account of manpower situations and needs.

The Department of Labor must establish first a set of local indicators, such as high school graduates or dropouts over 16 years of age, or selected industries locally which employ large numbers of persons, or local service agencies serving the local population. It must establish specific guidelines and reporting systems, and standards.

The precise indicators chosen, and the precise methodology, must be worked out through investigation. They are there. Local departments of health, welfare and education regularly conduct test surveys of limited areas, building by building, door by door. Similar surveys can be conducted by the DOL, or in conjunction with other agencies. Selected samplings in numbers can be valuable for statistical projections.

Only when the DOL, on its own, goes into the communities, can it find the truth.

At the same time, it is not fighting local interests, but providing them with accurate data for their own use. Where local interests are counter to the interests of certain local groups, the DOL can conduct its own independent studies without cooperation by local agents--or test the testers to establish the validity of locally secured data.

Certain data can be documented, and only documented data should be used--where there are bodies, names, and respondents, who are identified, responsible and accountable.

The DOL seeks assistance from local organizations, such as the NPRF, in its search for the truth. Unfortunately, most local nonprofit organizations cannot

advance the funds or staff to go to the people for the DOL. Therefore, the responsibility must lie with the DOL itself, which has the resources and the need. If local organizations can serve under contract, that is another story. Under present conditions, they can at best advise, criticize and often complain.

The NPRF, for one, would welcome participation in a series of conferences to identify local indicators, methods and means, to gather essential data and information--free of charge. By putting all our heads together, and using the resources of the DOL, its computers, statisticians, expertise, the results could be significant.

I therefore ask for a study of what can be done, rather than of what has been done. For such a study, the NPRF stands ready.

CHAIRMAN LEVITAN: Thank you, Mr. Bustelo.
Mr. Carlson?

MR. CARLSON: You mentioned Public Law 94-311. Was that specific to Hispanics or was that more general?

MR. BUSTELO: No, the law was enacted specifically for Hispanics. I could always find a copy of that law and make it available to the Commission, but it is very specific about Hispanics and it establishes throughout its regulation that Hispanics be counted as Puerto Ricans, Mexican-Americans and Cubans.

CHAIRMAN LEVITAN: We have that on file. We will provide that to Mr. Carlson.

MR. CARLSON: I notice at the end you mentioned that you do not have any specific recommendations to make. Is that correct that you do not have any recommendations that this Commission could look at?

MR. BUSTELO: No, but, frankly, the way we felt about this, we didn't ever mean to start to reform a system that we never really knew before.

MR. ANDERSON: Mr. Bustelo, I am very pleased to see you before the Commission. I had some relationship with your organization and, in fact, became sensitive to some of these problems when I attempted to look at the impact of community-based organizations among which your organization is one.

Several things. First of all, I realize the difficulty that you might face in trying to make specific recommendations, but I think the Commission would be very happy if you could meet with, perhaps, some representatives of local organizations--I understand there is a Puerto Rican study program at CCNY and it is the place to seek out the technical information--because in organizations of this type specific recommendations are those that are likely to have the greatest impact. You have written a very inspiring statement. I feel, however, that it is likely not to have the impact it otherwise might unless you can be very specific about the kind of change that you might like to see in the Current Population Survey.

Along those lines, I would like to just ask you this question. What was the basis of information, the source of information, on which the status of Puerto Ricans that you mentioned in your statement a minute ago rests, the information showing that Puerto Ricans are now at a low economic standing?

MR. BUSTELO: Well, the information, as I understand, has been gathered on a local basis by selecting cities where there are high concentrations of Puerto Ricans. Other information is not available because one of the problems is that Hispanics are not included on those sections in those every three-month statistics. So the Current Population Survey is not the fact source for the document that I mentioned. That document makes some very specific recommendations which I would like to adopt as my own. I would like this Commission to take a look at them, because they are very specific in their recommendations.

MR. ANDERSON: Of course, your organization contacted local agencies such as the school system, the unemployment insurance agencies, and others to obtain the administrative data they might have on Puerto

Ricans. For example, the number of Puerto Rican youths that dropped out of high school. Have you tried to use that information? And if so, what has been your experience?

MR. BUSTELO: Yes, that is pretty much available from the school system in New York. But it is not easily available in any other areas in the United States. Our experience has been that since there is really no obligation on anybody's part to provide this information, the process is more voluntary than anything else, and getting the statistics is like pulling teeth at times. So it is a very difficult process to find exactly where we stand.

MS. WILLS: According to the last paragraph of your statement, you talked about standardized data systems, parallel systems, and then listed a series of other kinds of data sources. I think what you are suggesting here is that one of the responsibilities of this Commission would be to take a look at a wide variety of resources in terms of data. Are you now suggesting that with that wide variety of data, that kind of information can be used in some combination for the allocation of funds, which I know is a very real concern on your part. Or are you trying to suggest that we need to expand the data sources?

MR. BUSTELO: I think what I am suggesting is that some of that data is what we use internally to be able to figure out where our community stands, since we do not have the uniform data provided for other ethnic groups. If we wanted the data, it would take a while. These sources should be looked at to establish the status of Puerto Ricans in the community. There is no way to do this other than to go by these various different systems and try to come out with some cohesive goal.

MS. WILLS: What is an Hispanic? You lay out some very real problems. Does the Civil Rights Commission have a series of recommendations on how to better identify a person's nationality?

MR. BUSTELO: Yes, we have it, too. You have to be very specific in asking in census documents where you are from. A Cuban is from Cuba. A Puerto Rican is from Puerto Rico. A Mexican-American is from Mexico and mostly the West Coast. The only way of really finding out is by asking specifically what ethnic group they belong to. Now, this is very important, because Cuban-Americans have the highest per capita income, based on the reality that their immigration is very different than the Mexican-American or Puerto Rican migration. The Puerto Rican migrant is for the most part from the lower economic strata. So you get the most disadvantaged migration. The Cuban is very different because you have the professionals from Cuba. In the U.S. the Mexican-American has the second highest income, and the Puerto Rican has the lowest income.

When you say Hispanic, it is very misleading in terms of the Puerto Rican.

CHAIRMAN LEVITAN: First, I hope that you will leave the Civil Rights Commission report with the Commission. And, secondly, I hope you follow up on Mr. Anderson's suggestion and also the suggestion implied by Ms. Wills' point. I am trying to get some more information on how we can obtain that type of data. What instruments would you suggest we use? Should we just count it in a few cases rather than nationally? If you can help the Commission it will be made part of the record.

MR. BUSTELO: The answer to those specific questions that you asked are in that report. This is why I did not want to elaborate beyond that.

CHAIRMAN LEVITAN: If you have anything else to submit for the Commission we will be happy to receive it.

Thank you very much.

Now, turning from Puerto Rico to New England, we have John Dorrer and Steve Berman. Gentlemen, the floor is yours. Welcome Mr. Dorrer. As you may have heard, there is a 15 minute limit and then we will leave about the same amount of time for questioning. We are running behind schedule.

STATEMENT OF JOHN DORRER,
RESEARCH DIRECTOR, PENOBSCOT CONSORTIUM,
BANGOR, MAINE, ON BEHALF OF THE
NEW ENGLAND COUNCIL OF CETA PRIME SPONSORS,
BOSTON, MASSACHUSETTS

MR. DORRER: I am testifying today on behalf of the New England Council of CETA Prime Sponsors. The New England Council of CETA Prime Sponsors consists of 20 state, county and city prime sponsors. The Council has been organized to sponsor research and evaluation studies and demonstration projects aimed at achieving greater coordination in the formulation and execution of regional and national manpower policy. I am honored to be able to appear before your Commission to share our thoughts about employment and unemployment statistics and the processes through which these are developed.

With the maturation of state and local manpower planning, labor market intervention policies have become more responsive to conditions of unemployment and economic needs prevailing in local areas. At the same time, the general analysis of the problem at this level has pointed at deficiencies in the systematic approach to planning employment and training programs. Central problems of definition and measurement in the system have become pronounced as local labor markets are better understood by planners and administrators. Particularly, as these factors shape the magnitude of resource commitments made to local jurisdictions and determine the configuration of cyclical and structural programmed funds.

The movement towards decentralization in the planning and administration of the nation's employment and training system was defended on the grounds that state and local public officials understood the nature and scope of their unemployment problems and were capable of designing delivery systems to effectively combat those problems. Indicators of the economic condition are the starting point for this process. The differences of meaning of those indicators now in use--as now defined and as now developed, communicated and used--to different users and interest groups, under-

score the fact that economic statistics are inevitably sociopolitical and not merely technical products. No "purely" technical method of change is, in fact, separable from its socioeconomic and political implications and consequences.

This generalization will be underscored by subsequent further reference to a recent case in point--namely, the revision by the BLS of methods of determining state and substate unemployment rates which became effective in January 1978.

It should be noted at this point, however, that the New England Council of CETA Prime Sponsors, Inc., shares the viewpoint which was forcibly stated by Mayor Moon Landrieu of New Orleans, on behalf of the U.S. Conference of Mayors, before the House Post Office and Civil Service Subcommittee on Census and Population on February 23 of this year, with respect to the process for changing or revising significant economic indicators.

The Council takes no position on the merits of the methodological changes introduced by BLS. It does agree with the principle expressed by Mayor Landrieu that if a change in methods of determining indicators used for allocation of resources to states, substate jurisdictions and groups of people of varying socioeconomic characteristics, will result in changes in the patterns of allocation considered by the Congress in legislation involving income transfer payments, such changes should not be made on the sole authority of the administrative branch or agency.

Further, the Council shares the position which has been expressed, in reference to the recent change by BLS, by state level professionals in labor statistics, through ICESA. This position in effect criticized BLS for instituting the change without opportunity for their participation or review and comment by those professionals. The U.S. Conference of Mayors also strongly objected to the absence of opportunity for participation, review, or even readily available advance information.

Although the January 1978 change may have affected different New England CETA prime sponsor area unemployment rates differently--at this time there appears to be no clear authoritative information--the Council endorses the view that no such change should even be

brought to final formulation without adequate opportunity for participation by prime sponsor professionals. The confusions, miscommunications, obscurities and uncertainties still continuing in the wake of the January 1978 revision--to a great extent because of failure to provide for communication, participation and review prior to introducing the change--suggest that the principle of participation may also prove to be most practical in making such changes efficiently.

In this respect, the procedures provided for in the authorizing legislation for the Commission and further developed by the Commission, as evidenced by its actions to date, including the current hearings, are exemplary. The issues and decisions involved in the final recommendations of the Commission are, potentially, highly controversial. And they are being developed at a time when conditions will tend to make the controversies particularly visible.

In striving to realize greater productivity from employment and training policy at both the national and local level, more precise definitions and explanations about the nature and causes of unemployment, the operations of labor markets, and economic interactions must be articulated. Qualifications of leading indicators must be presented and new measures of economic dynamics must be established. Gains in this arena will better identify the problem, lead to more effective resource allocations, and enhance the returns achieved from human resource investments.

From the planning perspective, the types of labor market data that are relevant in the analysis of labor market problems of residents should be capable not only of depicting the aggregate dimension of the problem, but also yielding characteristics of the individuals who are currently confronting this type of problem. The data should be capable of being used for analytical as well as descriptive purposes so as to gain insight into the nature of unemployment problems of specific groups in the local labor market. An understanding of the diverse forces at work in the local economy producing the relatively high unemployment rates of specific groups is critical to the design of employment and training programs that can combat the problem of these target groups in a successful manner.

On the employment side of the labor market, the configuration of job openings by industry sectors for both the short and long run must be accounted for appropriate training program development to occur. The "state of the art" in forecasting occupational outlook is constrained by primitive methodologies and lack of coordinated efforts. Recent amendments to the vocational and education and CETA acts calling for the development of the National Occupational Information System and State Occupational Information Coordinating Committees should yield improved output in this area. Firm schedules for systems development and implementation should be mandated. Significant penalties in the form of withholding of administrative support funds from states by both HEW and DOL should be considered if goals and schedules are not met. Since the need for such systems was clearly recognized over a decade ago, the tempo of progress must be accelerated. The issue of duplication must be closely watched and the utility of data in the form of analysis demonstrated.

As an observation, the lack of information is too many times accompanied by an abundance of data that, in too many instances, is collected as an administrative requirement and has as its secondary utility the basis for planning information. The economics of data collection must be better understood by planners and administrators and by local and federal officials for more optimal utilization to result.

Education and training institutions themselves have a pivotal role in allocating workers to jobs. The output from these systems must be accounted for with greater precision and more long-term follow-up is necessary as a matter of accountability. Had such measures been instituted and enforced in the past decade, the dynamics of youth in the labor market would be better understood today. Planners must be more analytical in their examination of data sources and formulate conclusions around the evidence. In 1975, the New England Regional Commission Task Force on Capital and Labor Markets concluded a significant problem of major policy proportions, but to date it has gone largely unaddressed. The Task Force concluded the following:

The dynamics of New England labor markets will show perceptible signs of change and could develop

even more pressing problems than exist today. This new dimension results from the unique characteristics of the older age composition of the New England labor force. Proportionately, the region has more workers 55 years of age and over than the nation as a whole, and fewer young workers in many of the important industries to take their place. By the 1980s, a significant labor market gap will develop as retirements take place.

The labor market is a dynamic environment and data systems must be encouraged that capture stocks and flows over time. The systems must be designed and managed to yield analytical products that portray conditions and labor market intervention should be planned around these conditions. The data house must be put in order and this requires a coordinated effort among consumers and producers with a strong federal role. Local initiative at data supplementation should be supported technically and financially at the federal level. The Manpower Services Councils should be required to assume a stronger role in the coordination and financing of a planning data base. The recent experience in Maine where the Manpower Services Council financed both a cross-sectional and longitudinal study of youth 16-23 in the labor force represents a positive step. The experience in Massachusetts where the Manpower Services Council took the initiative in the development of local evaluation models is representative of needed leadership. Finally, discussions such as that outlined in the recent memorandum prepared by the Northeast-Midwest Institute, Measures of Economic Distress, should be solicited from social and economic planners at all levels of government for a widely accepted product to result.

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INDICATORS OF NEED
FOR JOBS, TRAINING AND ECONOMIC DEVELOPMENT

APPENDIX

For presentation to
The National Commission on Employment
and Unemployment Statistics

MAY 1978

MAY 14: (Thos. E. Mullaney, N.Y. Times, reporting from Hot Springs, Va. on views of business leaders attending a meeting of the Business Council). Not surprisingly, the Council's statement at the end of the meeting favored reducing the Federal deficit, "either by holding down the rise in spending or by trimming the size of the tax cut" (on the order of \$18 to \$20 billion). In October 1977, the Council had strongly urged a \$23 billion tax cut by July 1, 1978.

John D. deButts, Chairman of AT&T and head of the Business Council, said the utility firm's growth "is continuing at the strong level of the first quarter."**

Interviewed at the Business Council meeting, U.S. Steel Chairman Edgar B. Speer indicated current operations at "between 88% and 90% of capacity." Thomas A. Murphy, General Motors chairman reported total sale of cars and trucks in March and April at an annual rate of 16 million. "In May, the momentum is still there."

MAY 14: Another N.Y. Times story reported that the Chrysler Corp., following an earlier move by General Motors, raised prices an average \$90 a vehicle, or 1.4%. Ford followed with an increase of \$91, or 1.3%. Kaiser announced a 7.5% increase on aluminum ingot and Allegheny Ludlum, nation's largest producer of stainless also raised prices on some of its products 7 1/2%. Neither increase is certain to stick; other larger producers of each of these metals have indicated no immediate plans to follow suit.

So end ten days in May.

**On April 23, the N.Y. Times had reported AT&T's first quarter earnings up 23% to a record \$1.24 billion on a revenue increase of 13%. "Heavy telephone traffic is a leading indicator," said the Times story. The same story reported other first quarter corporate

earnings gains: Citicorp up 15.5%; Georgia Pacific 14%; Boise Cascade 24%; Crown Zellerbach a 3.5% earning drop but a 7% sales increase; Eli Lilly earnings up 23%; Pfizer up 34%; American Cyanamid up 15.2%; duPont 38.9%. Of other companies reporting many showed "fairly good gains in the 10-15% range" according to Robert Lewis of Citibank. Only a few steel producers reports were then in and no major oil producers or automobile manufacturers.

Curiously, in all of the above news cullings--and many others cursorily scanned--there was not a single mention of one factor which must certainly play some part in the conditions that puzzle the econometricians.

This factor is the "underground economy"--an economy in which people are "employed" (some on a part-time, some on a full-time basis) but whose employment and income are not counted. The income of these "employees" is not reported or federally taxed. As expenditure, it flows in and out of the "known" economy with multiplier effects. But what effects this economic activity has on the general behavior of the economy and indicators thereof are unanswered questions:

Momentarily flashing the news camera back to April 17 of this year, widely diverse estimates of the size of the underground economy were presented on the MacNeil/Lehrer Report via the national public broadcasting network. On the basis of sharply differing ratios of cash flow (currency in circulation) and demand deposits from the 1890's to World War II and the changing ratios during the four war years, the next 15, and then 17 years since 1961, Peter Gutmann, Professor of Economics, Baruch College, City University of New York, has come up with the startling estimate of \$195 billion unreported income (current annual). This is equal to about 10% of the entire GNP.

He estimates two million people engaged in this activity on a full-time basis and "many, many" millions on a part-time basis. He indicated that he had taken into account efforts made by Seymour Zucker, economics editor of Business Week to track down subterranean income. Zucker came up with approximately \$100 billion, not including either classical illegal activities such as drug running or theft from businesses. Gutmann estimates that adding the latter two activities would bring the total to \$150 billion.*

On the same TV program, Mortimer Caplin, Commissioner of Taxation under Presidents Kennedy and Johnson, found Dr. Gutmann's estimates much too high. He indicated IRS estimates of \$50 billion for the undercover economy (2.5% of GNP). Gutmann disagreed and indicated IRS estimates were lower than estimates made by the Commerce Department.

Dr. Gutmann's estimate also took into account a Harvard University researcher, John Henry, estimate that use of large bills only--\$50s and \$100s--for tax evasion purposes came to more than \$80 billion. Adding small bills used for evasion would bring this estimate to well over \$100 billion, according to Dr. Gutmann.

It was only happenstance that the above TV feature and also newspaper reporting of two highly significant measures of attitudes affecting economic behavior came just before the start of the ten day period covered above.

*Note: Not comparable, but suggestive of the possible order of magnitude involved, the Joint Economic Committee, headed by late Senator Humphrey, reported "cost" of crime at \$125 billion annually. \$44 billion of white collar crime accounted for one-fifth of total. The total "cost" includes \$22.7 billion in tax funds for the criminal justice system, making this the No. 2 element in diverting funds from the economy. N.Y. Times, January 2, 1978.

- (1) On April 30, Thos. Mullaney, N.Y. Times, reported the February survey of consumer attitudes by the University of Michigan. This showed only a fractional gain from the preceding months in its index of consumer confidence. It also showed a significant decline from a year earlier, because of inflation worries. The same reason was cited by the Conference Board as the major factor behind the sharp decline (by 7 points to 96.6) in its index of consumer confidence for March.
- (2) The same article reported that the Conference Board's measure of business confidence was unchanged in the first quarter from its level (fairly low) in the last quarter of 1977. Dun & Bradstreet's poll showed only a slight increase in the number of those expecting sales gain in the current (second) quarter.

It is necessary to go several months farther back to pick up still another attitudinal measure which clearly influences labor market behavior, and employment/unemployment experience, particularly among youth.

(AP Dispatch, October 10, 1977) Opinion Research Corp., Princeton, N.J. reported that more American workers are dissatisfied with their jobs now than at any time in the last 25 years. The poll, which has questioned employees in 159 companies yearly since 1952, found 32% of clerical employees are unhappy with their work, compared with only 24% between 1952 and 1959. Among hourly wage employees, the figure rose less markedly, from 31% in 1952 to 38% in 1977.

Harry O'Neil, Executive Vice President of Opinion Research commented: "Over the years, the conditions of work that are most obvious to the casual observer have improved: shorter hours, better pay, better benefits. While people may be working less, enjoyment--it would seem--is down." The October 10 report showed 69% of managers, 66% of clerical workers and 50% of hourly workers rated their pay as satisfactory. All percentages were well above previous ratings.

Worker satisfaction/dissatisfaction measures showing increasing desire for psychological satisfaction as compared with monetary, and implications of this shift are the subject of increasing study. See, for example, Work in America (Special Task Force to Secretary of HEW), 1973; The New Morality, Daniel Yankelovitch, 1975; and such viewpoints as the one presented below. (Reproduced from "New Directions in Secondary Education," Connecticut Master Plan for Vocational and Career Education, April 1975.)

If we organize to treat people, not as 'hands' (an industrial age term), but as "brains" (the post-industrial term); if we can add new interpretation of work as self-actualization; then I think we can have an environment and a society in which work can be challenging experience, and give full expression to the new needs of the changing work force.

If, however, we continue on our current trajectory in institutional response, then we are on a collision course with the future, because our institutional system (corporate, educational, union, government) place their major emphasis on organizational values such as efficiency, production, output, 'organizational niceties', administrative convenience rather than on individual values such as self-development, self-actualization, due process, personal relationships.

If this collision course is maintained, then predictably you are going to have a greater alienation of workers, a greater dropping out of people from the formal institutional work force and a quite significant increase in the peripheral, non-institutional work force--a 'dropping in' and a 'dropping out.'

There is no inevitability to either future. As Dennis Gabor has said, 'The future cannot be predicted; but futures can be invented.' You can speculate about alternative futures; you can decide on the desirable future; and you can work toward that end.

.Keynote Address, Conference on Change in the Work Ethic, Bowling Green State University, March 1973, by Dr. Ian A. Wilson, business Consultant for Environmental Studies, General Electric Company.

This paper would not be complete without a brief reference to forecasting, which represents one of the three major uses of economic and social statistics. These uses are, of course:

- (1) Tracking the past.
- (2) "Point-fixing" in the present, "Where are we now? What do the current facts and figures show?"
- (3) Forecasting. "Wither things are tending?"

Forecasting is (or should be) distinguished from planning. Plans which merely follow forecasts trap future human actions within the often rutted pathways of the past. Planning involves the making of decisions --which may, and often do, undertake to change the extrapolated trends. Planning assumes that the future is at least somewhat open and permits a choice of directions and courses of action across a spectrum of alternatives, irrespective of whether this band appears to be broad or narrow from a current vantage point.

The following excerpt from an unpublished report prepared in 1976 in connection with the development of the Connecticut Master Plan for Vocational and Career Education, summarily notes the state of the art in economic forecasting: (in terms of predictive success or error) as of that time.

At the present time, a somewhat unusual condition exists as regards economic forecasting. There are many highly qualified economists and forecasting organizations equipped with highly detailed data and sophisticated systems for making "finely tuned" national forecasts for up to a year, possibly 18 months ahead. These represent forecasts of anticipated "real conditions," not "smoothed" trends. A review and analysis, in 1974, of forecasting errors, by seven major economic forecasters, over the previous four years, found that (despite annually large forecasting errors during that latter part of the period) the best forecasters anticipated growth of the GNP and real GNP one year ahead with an average absolute error of one per cent. 1/

Estimates of national unemployment rates for 1975 (year average) made by nine major forecasting sources between May and September 1975 ranged from 8.4% to 8.6%, with the majority projecting 8.5%. Forecasts of unemployment rates for 1976 made by the same sources, also between May and September 1975, ranged from a low of 7.4% (five forecasts) to a high of 8.1%. But only six of the nine made forecasts for 1977 and the range widened from 5.6% to 7.5%. ^{2/} Of the nine forecasting sources, only two (both federal agencies) made forecasts for 1978-1980. In brief, modern tools for "real time" economic forecasts are used with confidence only for short term projections.

On the other hand, there are fairly general, quite long range (10-20 years) forecasts based on major factors and trends--population, labor force, productivity, rates of technological change, etc. ^{3/} These rest on assumptions of a reasonably healthy and stable economy, and continuities of past and developing trends. But for the period "in-between"--the period of about three years to about 10 years ahead--seldom since the end of World War II have economists been as uncertain and as cautious as they have been during the last two years and still are today.

One of the most highly qualified national forecasting firms reported late in 1975 that its econometric model had projected

- (1) a stagnation of the current economic recovery by the end of 1977, with unemployment still high.
- (2) worsening inflation and recession in 1978 and
- (3) 12% unemployment and 15% inflation by 1979. But in announcing this forecast, the head of the firm hedged the prediction for lack of confidence in projections of such duration, by an econometric model primarily designed for fine-tuned, shorter term projections.

"Another major national consulting firm, with a record of unusual accuracy in forecasting stock market behavior over a period of more than 40 years, has projected a booming national economy by 1979, with the Dow-Jones average topping 2,000 by 1980. There are a range of other forecasts in between. But many forecasters are simply silent on the anticipated state of the economy after 1978--while usually expressing confidence in the "longer view." There are also, of course, able economists (i.e., Heilbroner) who take a very pessimistic view of the prospects for the next 10 to 25 years.

As of May 1978, Okun's Law (according to Okun himself) has been repealed.* It would appear that the more we know, the more uncertain is the farther future. This would tend to support Gabor's thesis,** which might be crudely restated, as: "The future is what we make it."

1. "How Accurate are Economic Forecasts?" New England Economic Review, Federal Reserve Bank of Boston, November/December 1974. See also, "An Evaluation of Economic Forecasts," New England Economic Review, November/December 1975.
2. The actual rates were: 8.5% (1975), 7.7% (1976), 7.0% (1977).
3. Especially, "The Coming of Post-Industrial Society--A Venture in Social Forecasting," Daniel Bell, Basic Books, 1973.

* See Exhibit 1, following page 9 (Part I).

** Box Copy page 5, of this Appendix..

CHAIRMAN LEVITAN: Thank you, Mr. Dorrer. Your statement will be made part of the record, along with the attachment. If you are ready now to answer some questions, we will start with Mr. Moskow.

MR. MOSKOW: I have not had a chance to read this appendix. I wonder if you can summarize. I notice that you are talking about the underground economy. I wonder if you can summarize briefly the contents of the appendix?

MR. DORRER: The appendix actually comes from Stephen Berman who will talk about that.

MR. MOSKOW: Well, is it part of the testimony?

MR. DORRER: The background paper that we are submitting is from the New England Council of CETA Prime Sponsors, Inc.

MR. BERMAN: We really have a three-part presentation to make. The statement was made by Mr. Dorrer. The background paper and the appendix was prepared by someone else. We just received the paper and I, unfortunately, cannot answer any of your questions on the appendix.

MR. MOSKOW: I see. He did it independently?

MR. BERMAN: That's right.

MR. MOSKOW: You talked about the need for coordination between the federal statistics gathering agencies, coordination as they develop their concepts with various local and state information. I wonder if you have any specific suggestion by which this would be carried out?

MR. DORRER: As a point of departure, a format to sit down and discuss the issue of local planning to convey, I think, the concept of what local planning is all about to people at the regional and local level of the federal bureaucracy, because I think we suffer from a problem of having perhaps more than we need in terms

of statistics. However, the statistics are largely administratively collected for administrative services. They are not based on any conceptual framework of a local planning system. They use these statistics as a byproduct of administrative funding which starts at a local level. It is fed to a regional office which aggregates and then sends it to a national office where it is aggregated even further. Once a year it comes back as the national training report of the President. I think what has to happen is decisionmaking where local input is solicited. I think there were points made previously that the expertise is developing at local levels that can provide, I think, a more structured framework for data efforts which are based upon the needs of planning.

MR. MOSKOW: Are you suggesting that BLS set up a type of structure?

MR. DORRER: I think BLS and the Employment and Training Administration as a party to the discussions occurring at the state and local levels, yes.

MR. MOSKOW: Presumably, the primary purpose of the discussion would be to focus on the methodology question and also the use of data in carrying out their plans. Is that correct?

MR. DORRER: Yes.

MR. CARLSON: You mentioned you did not have much opportunity to input into the changes that came about in January. You said you would appreciate it if you were to have that opportunity. I guess my question is, did the Bureau of Labor Statistics follow the Administrative Procedure Act and if not, why not?

Secondly, and I am not asking you necessarily but really saying that maybe this Commission ought to think about recommendations to the effect that when changes in how we estimate those particular statistics do occur, there should be an opportunity for people to have input into that formalized process; maybe this is something the Commission ought to consider.

MR. DORRER: Exactly. I think that is in the first part of the testimony. It is a socioeconomic result.

MR. CARLSON: The second question, I notice on the last page you say local initiative and data supplementation should be supported technically and financially at the federal level. I have been asking different people why there hasn't been an incentive for their own use to invest in data collection, because it raises a specific question. If the people do not think it worth the cost, why do we have the federal government do it as a free good for us?

MR. DORRER: I think we are asking for participation, not necessarily for sole financing on the part of the federal government. Participation from all sectors.

MR. BERMAN: There have been many investments in surveys, some at a great cost, but most of them are on a one-shot basis. There is no way of sustaining them. There is no way of really measuring how successful they have been. There is no way of correlating the results of those surveys either.

CHAIRMAN LEVITAN: Ms. Wills?

MS. WILLS: Thoroughly recognizing that something, perhaps described as a technical change, in terms of methodology, should be used in terms of allocation of funds, I'm wondering if the Council has had an opportunity or if you would please take the opportunity to do something about what kind of other entries could and perhaps should be used. I'd like some recommendation from the Council for either a different kind of index or a combination in indexes that could, perhaps, be used in the allocation of funds and could also be used, if you will, in planning at the local and state level. Translated, that is another way of saying, do you think we need a hardship index? And, if so, for what purposes?

I would like you to -- the Commission also would like you to examine the question of how often you really need statistics? We have heard a lot of people

talk about the need for information once a month. My biases are that I am not sure we actually need information once a month. Would we have better data if the data were analyzed in perhaps a more useful way a little less frequently? But I would like to hear from the Council what kinds of statistics and what possible resources you think we could pool for the allocation of funds over and above just one or two admittedly inadequate statistics.

CHAIRMAN LEVITAN: Do you think you can submit that to the Commission at your leisure?

MR. DORRER: Yes, we will.

CHAIRMAN LEVITAN: Our staff will keep a record of those questions, and we will supply you with those questions.

I want to ask you one more question, and that is, Mr. Carlson just asked about the community study or the investment of future community studies. Are you equipped with necessary equipment and have you made studies comparing employment and unemployment statistics under BLS and under other studies? Has any one of your members done anything like that?

MR. DORRER: Not any of our members that I am aware of.

MR. BERMAN: There was one done in Hartford a couple of years back, and I believe one in New Haven, but I cannot comment on the results.

MR. ANDERSON: Mr. Chairman, may I just interject a point here? On page 7 there is a reference to a study funded by the Maine Manpower Services Council, a cross-sectional or longitudinal study of youth. Are the results of that study now available?

MR. DORRER: That study is currently in the field for interview.

MR. ANDERSON: I think that the Commission would find it very useful when they are available for you to

share that information with specific reference or a comparison between the result of that study and the available statistics. I think this is what the Chairman is striving for and, obviously, you are now conducting the individual study that would be very useful.

CHAIRMAN LEVITAN: Thank you very much.

Our next witness is Dr. Leonard Lecht who I understand is going to testify as an individual and not as a representative of the Conference Board. Is that correct, Dr. Lecht?

DR. LECHT: As a nonprofit research organization, we are not supposed to be influencing legislation.

CHAIRMAN LEVITAN: Well, I assure you that we are not going to pay you for your testimony, so you are not going to make any profits.

STATEMENT OF LEONARD A. LECHT, DIRECTOR,
SPECIAL PROJECTS DEPARTMENT,
THE CONFERENCE BOARD

DR. LECHT: My name is Leonard A. Lecht. I am director of Special Projects Research at The Conference Board, a nonprofit economic and business research organization based in New York City. I speak as an individual rather than as a representative of my organization.

I am preparing a working paper for the Commission on the role of occupational projections in making use of labor force data. My testimony today will focus on an aspect of these projections which is frequently overlooked, that is, on the need to assess the impact of federally-funded procurement contracts in creating job openings in local communities. The availability of this information would add significantly to the local labor force information at the disposal of CETA prime sponsors, employment service agencies, vocational educators, business firms, and others. The underlying thesis in my proposal is that in an economy in which federal outlays are expected to amount to \$500 billion in fiscal 1979, the share of that total represented by federally-funded procurement has important consequences

for employment opportunities and requirements in many, if not most, communities. More specifically, I propose that the Department of Labor establish an Early Warning Unit to prepare estimates in advance of the job openings in different occupations likely to be generated in local areas from large federal procurement awards.

The testimony presented today draws on two studies I have been involved in for the Department of Labor. One was a study to devise a system for collecting advance information on the employment created in local labor markets by large federally-funded contracts. This study was completed in 1974. The other is a series of case studies now nearing completion dealing with strategies for increasing the involvement of private employers in CETA prime sponsor programs. The studies indicate the feasibility, and they show the importance of providing information six months or a year in advance about the jobs likely to come into being because of private firms receiving large federal awards.

The importance of an early warning system of this type has become apparent in the case studies of CETA-private employer relationships. One of the prime sponsors in the study has been Albuquerque, New Mexico. The largest private employer in the State of New Mexico is the Sandia Laboratories, located outside of Albuquerque. Sandia is virtually a wholly federally-funded organization. At the time of our visit, it employed some 7,000 persons. Sandia frequently has job openings for technicians and skilled blue-collar workers. The Albuquerque prime sponsor has seldom been in a position to fill these desirable openings. They have been unable to do so because their enrollees do not possess the necessary skills. Present arrangements do not allow the prime sponsor sufficient lead time to train people for the job openings before they occur.

The current CETA authorization legislation, H.R. 11086, calls for the listing of openings by federal contractors and subcontractors with state employment service agencies. This is a desirable assist for persons who already possess the skills in demand. But it is of limited use to persons who lack the skills needed in the new jobs. The listing requirement, by

itself, can do little to change the self-perpetuating process in which lack of job skills leads to economic disadvantage.

The federal government has substantially increased its efforts to provide state and local labor market information to CETA prime sponsors and other organizations concerned with employment and preparation for careers. These include state and SMSA historical and projected occupation-by-industry matrices developed in connection with the Occupational Employment Statistics program and the Occupational Information Coordinating Committees recently set up to standardize and disseminate occupational information. The efforts cited seek to increase the information available to agencies seeking to relate their programs to the career openings or employment requirements anticipated next year or over the next five years. The types of information now available deal with the overall actual or anticipated employment in different occupations in the state or in the local labor market. They overlook the forces likely to make for changes in the projections and to create new opportunities for employment or training. One of the most important of these forces in many communities has been federally-funded procurement.

The proposal to establish an Early Warning System raises a number of questions. There are serious questions relating to the availability of the data on which the estimates would be based. There are questions about the technical feasibility of the projections. A third issue involves the reliability of the estimates. Others grow out of the uses to be made of the information and who the users might be. And, finally, it is important to have an indication of the costs to the federal government in setting up such a system.

Our study of the local employment impacts of government procurement can provide partial answers to most of these questions. The study was concerned with anticipating the job openings likely to be involved in four large procurement awards. They include the following contracts:

1. A \$400 million contract to build nuclear submarines awarded to the Electric Boat Division of the General Dynamics Corporation in New London, Connecticut.

2. A \$200 million Corps of Engineers civil works project awarded to several firms for the construction of a lock and dam complex on the Ohio River at Smithtown, Kentucky.
3. A \$500 million contract for the space shuttle main engine awarded to the Rocketdyne Division of Rockwell International in the Los Angeles area.
4. A \$200 million grant from the Urban Mass Transit Administration to the New York City Transit Authority for the purchase of subway cars from the Pullman-Standard Company in the Chicago area.

A series of findings emerged from the four case studies. One was that the data was generally available for preparing job openings estimates six months or a year in advance of the production requiring the openings. For example, the Davis-Bacon Act requires that contractors in federally-funded construction projects file payroll data with the appropriate contracting agency including information on wage rates, hours worked, and occupation. NASA has prepared "manning curves" indicating the man-years of employment, with some indication of broad occupational categories, required in each fiscal year over the life of the contract. In the Electric Boat award data was available showing the level of expected output in different phases of the award. In the Pullman-Standard case the New York City Transit Authority had charted the anticipated progress payments to be made as work was completed over the life of the project. These kinds of information, together with current data on company employment and output, suggest that comparable information exists which can supply a basis for anticipating the workload and man-hours or man-months of employment in the primary occupations involved in major procurement awards.

In each of the four instances cited, it was possible to devise projections of job openings through the use of estimating techniques relating man-hours of employment to flows of activity in the establishment. The man-hour totals could then be disaggregated into employment in individual occupations. These short-run projections could also allow for the numbers of persons

with recall rights to jobs, and the job openings expected to result from the replacement of losses due to deaths and retirements.

The projections indicated that the individual awards involved a sufficiently large number of job openings to be given serious consideration in local employment and training programs. The job openings anticipated ranged from a total of 400 in one contract to approximately 900 in another. These job openings refer to those anticipated from the increase in production because of the award. They also refer only to the direct employment in the firms holding the contract since they do not include the indirect employment generated in subcontracting firms or in other companies supplying goods and services to the prime contractor.

The estimates, of course, are a type of local area projection, and they are subject to the limitations likely to surround projections of this kind. For instance, the man-hour coefficients figuring in the basis for the projections may change within a firm as the rate of plant utilization changes, as new types of equipment are introduced, or as bottlenecks in one occupation lead to the substitution of persons in other occupations. Much of the more routine engineers' work, for example, is done by technicians when engineers are in short supply. For these reasons, it can be assumed that the error in the projections would be greater for estimates covering longer periods, say over a year, and for small occupations and contracts.

The findings in the study suggest that the margin of error in the projections was sufficiently narrow to make them useful as indicators of job openings for agencies and firms concerned with employment and training programs. A technique of reverse projection was utilized to assess the margin of error. This approach utilizes the projections technique used to estimate future employment to predict employment in the recent past. The difference between the actual and the predicted employment in the past period supplies a basis for assessing the estimating error. For example, the historical man-hours data for the Smithland dam project was obtained for each of the months in the first half of 1973. This information was compared with the predicted number of man-hours estimated by applying the

man-hour coefficients used in the projections against the actual dollar outlays by month in the six-month period. The average difference per month between the actual and the predicted man-hours amounted to slightly more than 10 percent. The comparisons for individual occupations showed a roughly similar error for the larger occupations. Further research and the experience gained in preparing the projections on a regular basis could be expected to reduce the errors in the estimates.

Part of the usefulness in the Early Warning System stems from the quantitative indications of future job openings. An equally important use of the projections is their potential role in focusing the attention of local employment service agencies, CETA prime sponsors, company personnel officials, and others on new job openings and employment requirements in the local area stemming from the federally-funded procurement. For instance, in each of the four cases studied local employment security agencies were generally aware of the magnitude of the employment increase likely to result from the award in their area. They were also aware of the availability, or lack of availability of a local supply of labor for the employer to draw on. However, the employment security agencies lacked detailed information about the job openings in specific occupations or the timing of the employment increases. The information possessed by the employers varied from sophisticated projections of the employment in specific occupations required to complete the contract in one case, to estimates of requirements for technical personnel in another, and to rough rule of thumb estimates in a third instance. The information obtained from the Early Warning System, accordingly, would be useful to employers seeking to fulfill a contract as well as to employment service or CETA prime sponsor agencies. These uses of the Early Warning System make a case for it as a catalyst serving to encourage a number of public and private organizations to cooperate in training and placement to fill job openings expected to come about in the near future.

The replicability of the procedures employed in preparing the job openings in a series of dissimilar federal procurement awards underscores the basis in

experience for establishing an Early Warning Unit in the Department of Labor. The unit would constitute an ongoing activity charged with preparing the projections and with periodically updating them to allow for changes in government work orders or shifts in the occupational composition of the workforce in different phases of the production involved in the contracts considered. The unit would keep track of shifts in production from one plant to another within the same firm. The success of the system is likely to depend on the extent to which the Early Warning Unit becomes an active link between the research and the users of the research rather than a passive supplier of information. Assuring that the information is used will involve a strong dissemination effort and technical assistance support for the local agencies. A follow-up program assessing the uses made of the information, or the reasons why it is not used, is also essential if the information provided is to meet the needs of the prospective users.

To hazard another projection, and a speculative one, the costs of creating an Early Warning Unit would be relatively modest. It is likely that the initial unit would be a small one focusing on large federal contracts, say those involving a production increase in the prime contracting firm of \$100 million or more. If the unit were to consist of six professionals, it is reasonable to anticipate that the cost for each professional man-year, including supporting staff, computer use, travel, publication, and other expenditures, would amount to about \$70,000. On this basis, an Early Warning Unit could be established for approximately \$400,000. As the value of the activity became demonstrated, it is likely that the level of effort and expenditures would increase. The federal government now spends about \$11 billion a year for employment and training related programs. Moreover, these are programs and expenditures which have grown rapidly in the recent past, and are unlikely to contract in the near future. In the light of the potential contribution of the system, the costs involved are minor.

CHAIRMAN LEVITAN: Ms. Wills?

MS. WILLS: I do have to make a comment that your testimony, without ever looking down at the paper and continuing to approximately 50 pages, was absolutely remarkable. I was very impressed.

The Early Warning System triggered a thought in my mind. Are you familiar with legislation establishing a National Occupational Information Coordinating Committee and the State Occupational Information Coordinating Committee?

DR. LECHT: I have seen it in the past.

MS. WILLS: Do you think that that kind of network that pools both HEW and DOL resources can be of any particular benefit in focusing on an Early Warning System? I find this a very attractive idea since urban policy is going to be based on targeting federal funds, and assuming linkage between our training resources and our allocation of federal dollars--that I'm not sure is out there already--to go into high gear.

DR. LECHT: The National Occupational Coordinating Committee or the State Committee could provide a vehicle for disseminating this kind of information. However, they are not primarily a research program. Their job, as I understand it, is standardizing and disseminating occupational information. They would provide one vehicle for this dissemination. The researchers themselves, or the research unit itself, should also be active in disseminating because one of the things that impressed me is that the local manpower agencies receive a great deal of statistics. Often they receive more data than they need or can use. Just giving local manpower agencies or educational agencies data by itself may not mean very much.

DR. CARLSON: Is there data that is now provided on some basis by OMB? Below that the Department of Defense tries to announce an opening ahead of time, so that some of this goes on. However, the information will be useful to the state or local government entities as opposed to a special unit in the Labor Department that would have no special training to collect that information.

Even the Department of Defense doesn't know where the subcontractor is going to carry out his work. It only knows through the primary and the first subcontract, I believe, and the real problem is to determine with as much lead time as possible where the project is going to have its impact. Now, secondly, it goes back to Washington, and Washington is trying to string a hundred million dollars down to some other state or local government area. Do you care to comment?

DR. LECHT: We have wandered through the labyrinth of the Department of Defense in obtaining this information, so we have become sensitized to that issue. Initially, such a system would concentrate only on the prime contractors and maybe the very major subcontractors. I do not think it is terribly important in which government agency the Early Warning Unit is placed. I mentioned the Department of Labor because it has the greatest expertise in this area. I have also seen much information put out by the Office of Economic Growth and similar groups in the Department of Defense. But, this information has dealt with the total impact of defense procurement in a region or state rather than with the impact of specific procurement awards for employment in a local area.

DR. CARLSON: I agree that it hasn't been systematic on any particular basis, but rather on individual projects they have done. There is much usefulness here without tying it up in red tape. Any planning you might have, whether they are government connected or whether they are private sector connected segments like that electric power plant, as soon as one can announce it, that can be worthwhile. There is a limitation that I should bring up; funds are appropriated annually. There are some uncertainties as to skills and when you will need them if they don't know what the fund level will be.

DR. LECHT: It would be the job of an Early Warning Unit to keep up with major changes in funding. In other words, the government might announce that a billion dollars will be awarded on a contract to a company for production that starts six months from now,

but production might not start until nine months from now. The level of production might be greater or less than anticipated. For that reason, a unit of this kind would kind of periodically check on and update production levels in major contracts, and it could reasonably focus only on large federal awards. But there are quite a number of those.

CHAIRMAN LEVITAN: I think you are saying that only \$400,000 should be spent. But since this has been tried in a number of cases, and given all the potential areas you have, is that your priority for spending only \$400,000?

DR. LECHT: The federal government has tried various systems of preparing manpower projections, good, bad and indifferent. Some have worked better than others. I believe some of the useful material which the government has done here has been the kind of material that has attempted to say, what is the impact of government activity on employment?

Then what do we know now in these areas? Would we know more or would we know less? In the early warning approach, I believe we'd be saved from some of the shortcomings in post-occupational projections because we are dealing with a short time period, and we are confining ourselves to estimating six months or a year in advance on large projects. The problems which confound long-term projections, such as technological changes, price changes, etc., are likely to be considerably less important during the period of a year. The fluctuations which will affect private business are going to have less of an impact in the case of a governmental contract where the government money is already there.

CHAIRMAN LEVITAN: Thank you very much for your interesting testimony. It will be part of the record. Our next expert is Dr. Carolyn Shaw Bell. I am delighted to have you, Dr. Bell.

DR. BELL: I would like to say that I'm delighted to be here.

CHAIRMAN LEVITAN: Your complete statement will be inserted in the record.

STATEMENT OF CAROLYN SHAW BELL,
COMAN PROFESSOR OF ECONOMICS,
WELLESLEY COLLEGE

DR. BELL: I wish to discuss three areas of concern to me and I hope to this Commission: how we use unemployment data in connection with unemployment compensation, how information about both employment and unemployment reaches the public, and our need for a number of different measures to replace the aggregate unemployment figure so commonly used. These concerns of mine all reflect one question: do we know enough about the various ways in which data on employment and unemployment are used? In my opinion, the Commission could learn much if it surveyed the users of existing data. I have elsewhere described data as a type of product, distributed by a variety of means; what I now suggest is that the customers or users of statistical data deserve investigation in the same way that consumer research forms part of the merchandising efforts of an efficient manufacturer. I know of no serious effort to find out what uses are currently being made of the data turned out by government or, in particular, of the existing figures on employment and unemployment.

1. The Unemployment Insurance System. Congress has over the past few years legislated provisions for special unemployment compensation or special public job programs with specific references to indicators of unemployment. Such uses of the unemployment rate, as a "trigger" to set off action programs, have two major problems.

First, the total count of unemployment in the country does not correspond to the number of unemployed people who are entitled to unemployment insurance benefits. Second, although legislation has been written in terms of specific localities where unemployment warrants special attention, the present data system cannot provide timely and accurate measures of local unemployment. Each of these deserves brief comment.

First, that the unemployment rate does not measure insured unemployment reflects, of course, the fact that

not everyone out of work is eligible for unemployment compensation. When Congress has enacted special unemployment insurance benefits, or special programs for those who have exhausted their benefits, with a trigger mechanism referring to a specific rate of unemployment or to specified levels of unemployment, it is not always clear that legislators understand the difference between unemployment and insured unemployment. In this they resemble most people in the country, who have little or no understanding of the unemployment insurance system. But it is also impossible to estimate, nationally, insured unemployment. The figures must be built up from different states' estimates.

The rule of thumb used by the employment security offices who must plan to carry out congressional wishes has been that insured unemployment amounts to one-half the total unemployment rate. This may indeed be true in some states and at some time, but the following table casts doubt on the ratio.

Table 1

Unemployment and Insured Unemployment, 1970-1976

	<u>Unemployment Rate</u> ^a	<u>Insured Unemployment Rate</u> ^b
1970	4.9%	3.4%
1971	5.9	4.1
1972	5.6	3.5
1973	4.9	2.7
1974	5.6	3.5
1975	8.5	6.0
1976	7.7	4.5

^aUnemployed as a percentage of the civilian labor force.

^bInsured unemployment as a percent of average covered employment.

Source: Employment and Training Report of the President, U.S. Department of Labor, Washington, D.C., 1977, Table A-2, Table D-5.

Between 1970 and 1976 the insured unemployment rate varied between 55 and 71 percent of the employment rate. Nor does there appear to be any particular relation between the two numbers. Given that insured unemployment depends not only on unemployment in general but also on the extent of covered employment and the eligibility of particular workers, there is no reason why there should be a valid relationship. At present, insured unemployment rate is calculated by each state because eligibility rests with the states.

The second problem is that accurate unemployment figures for specific localities do not exist on a monthly or quarterly basis. The Current Population Survey that originates the unemployment data does not have a sufficiently large sample to provide reliable periodic data for states, labor market areas, or any other geographic entities within the country. Accordingly, local unemployment figures on a monthly basis must be calculated by using monthly national unemployment figures and data derived from the state unemployment insurance system. The easiest way to remedy the inaccuracies that plague the present system is to enlarge the sample used for the Current Population Survey. The Bureau of Labor Statistics has already requested funds and has underway a program to enlarge this sample, but not to the extent needed to provide all the data that are required by current legislation. I hope this Commission will support the Bureau of Labor Statistics' programs for enlarging the sample size and will reduce the amount of calculation at the state level.

It is also probable that unemployment data should be available, on a monthly basis, for areas that do not conform to state or local political subdivisions. This topic also involves unemployment insurance, which is a state-federal system. The individual states determine eligibility requirements, the benefits payable, and the funding provisions financed by employers within the state. Of course, considerable mobility exists among workers who live in one state and travel to another. Since the unemployment data originate in a sampling of households, they will not accurately reflect the unemployment of a particular state or of contiguous states if a high level of mobility exists. The obvious solu-

tion is to look at labor market areas, or at least SMSAs, as the relevant unit for analyzing both unemployment and unemployment insurance. Thus, the data could be collected for the Kansas City area to encompass residents of both Missouri and Kansas in the St. Louis area. On a monthly basis, these are the data to determine programs to relieve unemployment. Table 2 shows such data on an annual basis to illustrate the sizable discrepancies between state and local unemployment rates.

Table 2

Selected Unemployment Rates, 1975^a

<u>Area</u>	<u>Unemployment Rate</u>
Kansas	4.9%
Wichita	5.8
Missouri	7.7
Kansas City	8.1
St. Louis	8.6

^aEmployment and Training Report of the President, 1977.

To use these figures programmatically, however, would require considerable revision in the present unemployment insurance laws, with federal eligibility standards imposed for eligibility and benefits. Obviously, uniform funding measures would follow very rapidly. Nevertheless, an examination of the existing data and the way in which they are distorted leads one to this kind of policy conclusion.

2. Alternative Measures for Employment and Unemployment. The second topic I wish to discuss briefly deals with the different goals of those who use statistics. Clearly, no one indicator can or should be used to serve a variety of different purposes. The Commission will, I hope, make it clear that neither the present system nor an altered one can produce a single figure which is the most significant and meaningful measure.

I believe the public should know more about the other data on employment and unemployment that current-

ly exist and are insufficiently used. I believe that for what such figures tell about business conditions, the series on duration and causes of unemployment, the occupational distribution of the unemployed and their methods of job search deserve much more attention than they now receive.

If the need for data as business indicators continues, I would urge the Commission to amplify the use of employer surveys, presumably on an establishment basis. The present household survey picks up the numbers of people who would like jobs, i.e., the demand side of the market for jobs. And, by the way, I do not think we do a very good job at picking up information enabling us to analyze this demand.

Presumably the demand for jobs, like that for anything else, reflects purchasing power, the available substitutes, and tastes and preferences of the individuals concerned. The continued emphasis on demographic analysis for jobseekers--the demanders of jobs--provides no information on these determinants. I have truly never understood why economists in this area have adopted the sociological approach of examining demography rather than working within the powerful analytical structure offered by consumer theory. For example, we need serious investigation of the demand for jobs in terms of the available substitutes. Such substitutes for paid employment include, at the very least, leisure, crime, education, investment in one's own human capital, recreation, and various types of unpaid production including child-rearing. I think the Commission would benefit everyone by some preliminary analysis, at least, along these lines of the individual demand for jobs.

To return to my previous suggestion, the need for more employer information becomes sharply apparent once we look at the market for jobs. The supply side, that is the jobs available, has not been documented fully. We need a counterpart to the household survey that would provide more detail. Business analysts currently use relatively poor substitutes, like the index of want ads or impressionistic measures of tightness or slack in the labor market. Information on job opportunities within a local labor market area should play a primary role in manpower programs, so what would improve the

data for forecasting or analysis would also have an impact on policy.

Unemployment data also appear in the course of designing programs to alleviate the hardships of unemployment. Because such programs are costly, they should be undertaken only after careful scrutiny of the likely benefits. These consist of two: the income (real and psychic) earned from employment by the worker, and the output enjoyed by the rest of us from the work. Let me comment briefly on each.

For most people in this country earnings from employment make up the largest source of income; paid jobs therefore constitute the major form of income maintenance in the society. But paid employment gives the worker not only purchasing power or a command over real goods and services, it also yields psychic income, and this deserves far more attention than it has so far received. Although Freud said that work was essential to the mental health of a human being, Harvey Brenner has estimated the lack of work in terms of mental health and the subsequent costs to society. The welfare implications of unemployment include the pathology that sets in when people are deprived of employment. Dr. Brenner's study suggests a number of avenues this Commission may follow in strengthening our understanding, not least that social pathology may require a different strategy than simple income loss.

The hardship attendant on loss of employment, when this means loss of self-esteem, can scarcely be measured by a hardship index dealing with monetary income and any kind of living standard measure in money or commodity terms.

The chief defect of such a hardship index, of course, does not concern its neglect of psychic income, but rather its failure to deal with the phenomenon of the two-earner household. I have been asked to specify what data we need to express the meaning of employment and unemployment for families and households, and my answer has consistently been that we need none. The living arrangements of a worker form part of the consumption pattern of that individual. But work is an individual activity, one is paid for one's individual performance, one contributes to output or to productive activity by reason of one's own personal attributes.

Consequently, the facts of employment or unemployment relate solely to individual workers.

I have already suggested that demographic analysis has been overworked, and I mention two specific problems with this approach. First, most demographic characteristics cannot, by definition, be altered: the unemployed black teenager is not helped by learning that he is black and that he is a teenager. To design policies one must learn about other characteristics of the unemployed that can be changed. Second, demographic classification obscures the sizable variety of other characteristics within any one demographic group. It is not true that all teenagers are unskilled, or that all older reentrants into the labor market lack experience. Age, sex, and race are not good proxies for factors which truly affect productivity.

Household characteristics, or marital status, share the defects of the demographic characteristics and, like them, they have been overanalyzed. One major difference exists, however. Unlike race, sex, and age, marital status is something that can be altered and very swiftly too. Using the family or the household as a unit of analysis obscures the fact that the individuals involved may be entering, remaining in, or leaving the unit over a very short period of time. Yet it is, of course, the individual to which employment and unemployment refer. Families do not lose jobs, nor do households get displaced from the labor market.

In the United States of May 1978, most adult wage earners are married to other adult wage earners. The fact that the two-earner household is the modal type has yet to penetrate the consciousness of many observers, and of many policymakers who should know better. But because this type of living arrangement has become the norm in this country, it makes "the household" or "the family" more and more irrelevant to any kind of analysis of employment or unemployment. Judgments about such families have been made in the past, erroneously distinguishing between workers as primary and secondary earners. With the 1980 Census' dropping the term "household head," such distinctions will, one can hope, disappear. After all, as far back as 1972 a study of unemployment recognized that "the

multi-earner family appears to be the prevalent situation among worker families now. Such households can no longer be treated as unimportant exceptions ... women beneficiaries with working husbands cannot be dismissed as secondary earners."²

The two-earner family also means that no credence can be given to any attempt to establish a relationship between job loss and income loss, when income refers to family or household purchasing power. It is also incorrect to view the two-earner household as somehow less "seriously" affected by the loss of employment than the one-earner household. The one-earner household may or may not have other sources of income like transfers, property income, short-term capital gains, or dissaving. So may the multi-earner household. There is no reason to single out earnings as a special source of "additional" income. This was clearly understood by analysts of the unemployment insurance system who point out that the loss of a wage constitutes the loss of a wage, and that "to allow this other income [that from another earner] to assume, partially or sometimes fully, the proper role of Unemployment Insurance ... seems to do violence to the link between benefits and wages that is so important to the earned-right character of the program and its public acceptance."³

Unemployment, therefore, deprives the worker of income. But it also deprives the rest of us from consuming or investing what the unemployed worker would have produced. Here, in fact, a hardship index might be useful. The unemployed population of the country represents a loss of potential output, and each of us suffers and is made worse off in consequence. To digress for a moment, let us agree that estimates as to the size of this loss of output depend on assumptions about capacity utilization and the employability of the unemployed. The concept of underemployment, controversial as it is, is one attempt to analyze some part of this loss. But clearly the measure of joblessness developed at the Urban Institute⁴ is far more powerful than any based on current conventional measures of labor force and employment.

The hardship from lost output must, however, be estimated in relative terms. Workers are not all alike in terms of the value they produce. Although every

unemployed person represents a loss of potential output, the amount of this loss varies by the type of potential employment, and the use of the potential output. So we can, conceptually, differentiate types of output, and classify them in terms of a kind of essentiality, the amount of hardship that is threatened for people when this output is not forthcoming. We classify first output, in these terms of relative hardship, and then unemployment, by identifying each jobless person with a potential contribution to a given type of output. We might, for example, point out that an underemployed physician may cause more hardship to society than an idle economist. Ultimately, however, we can construct a hardship index of unemployment, weighted by the social costs of doing without specific types of output.

I will not continue the illustration except to draw the very strong conclusion that the methodology for determining relative hardship has not been determined either for output or for income, because economists rightly shun the subjective and value-loaded concepts of essentiality.

Let me conclude this section by pointing out that looking at business indicators, or worker costs, or social costs, clearly requires totally different types of data. I believe the Commission should, during the period of its deliberations and the review of its recommendations, give wide publicity to Julius Shiskin's illuminating article on this topic, and that the Commission should also urge wide use of U-1 through U-7, rather than U-5, as measures of unemployment.

3. Public Understanding. My last topic deals with the ways in which data can be presented, distributed, and explained. I believe it is the duty of this Commission not merely to recommend revisions in concepts, procedures, and analysis, but also to work for an improved public understanding of the phenomena reported by the employment and unemployment statistics.

If you start with the press release that goes out monthly from the Bureau of Labor Statistics ("The Employment Situation"), add to that the BLS' director's testimony for the JEC, and turn to the newspapers and weeklies that discuss these events you will have covered the information sources of most Americans. The

format is depressing and monotonous. The monthly press release is probably set up in permanent type, with only the numbers changed; the JEC testimony contains the same "canned" paragraphs. The Wall Street Journal owns three graphs which it rotates for its first page fourth-column lead. "Writers" and "readers"--if they can properly be called that--can handle the material without grasping the meaning of anything. Radio or television is even more depressing, and I have one very simple suggestion. Introduce some variety into the act. Merely changing the standard format of the press release would do much to improve public understanding because reporters and commentators would have to ask questions and learn something.

I believe that my profession has a responsibility (which we are not exercising properly) to improve the general level of economic understanding. An excellent place to start is with basic economic data. I strongly recommend that the Commission enlist two consultants, one on public relations and one on communication, with this goal. Such consultants should most usefully come from the private, profitmaking sector because the Commission can usefully view unemployment and employment data as a product line needing advertising and marketing to the general public. An efficient marketing program would require both public relations and communications skills.

As I suggested earlier, a first step should be market research to find out what users and prospective users want or need in the product line. Probably one or more models should be dropped in favor of newly-designed variations. Presumably management, i.e., this Commission, plans to do this anyway; I merely suggest that it find out what customers think beforehand. Each item in the product line should be truthfully labelled and properly packaged. It may or may not need a detailed instruction booklet, but it certainly will need the best informative labelling. Some items may be adaptable to graphic or pictorial presentation and others not; illustrative examples should be included in the package.

Distribution methods need exploring and, probably, shaking up. Isn't there any substitute for the standard boredom of a press release? As for distribution

outlets, why rely on the Superintendent of Documents as a monopolist? What about public libraries, supermarkets, bus stations, vending machines, billboards, and post offices both for display and purchase? Television and radio need particular attention, since they have supplanted the printed word as the chief news source for citizens. What about case studies and examples drawn from real life to supplement figures? Even if "this week's unemployed worker" is not statistically typical, s/he can be no more misleading than many television commentators.

If such an aggressive marketing program were planned and executed, with plenty of allowance for customer returns, complaints, and product recall, the Commission would go a long way toward achieving responsibility. Although I have deliberately couched my suggestions in marketing language, I hope you will, nevertheless, regard them as profoundly serious. I am much less worried about government encroachment on First Amendment rights than I am about the lack of initiative in helping people understand the information output of government.

I think achieving a better understanding of employment and unemployment also involves topics which I gather the Commission would rather not discuss. I would like to urge, nevertheless, some explicit consideration of the following areas.

I ask the Commission to explore basic concepts starting with the word "work." Employment and unemployment statistics refer to work, defined as a paid job or employment in a business or farm, plus active duty in the Armed Forces. That is sometimes, and sometimes not, the way in which the term "work" is used in common parlance in this country. I wish the Commission would explore the extent of nonpaid employment, including political activity, management activity, investment in human capital, consumer maintenance activity, private production, and social production.

I wish the Commission would discover the extent to which the word "work" has psychological overtones in this country, such that people justify their lives, or identify themselves, on the basis of their paid jobs. I think it equally important to learn how far people judge the lives of others, or identify others, by referring to their work.

I wish the Commission would explore the significance of the term "part-time" or "part-year" employment, and then learn something about the phenomenon itself. If the president of a regional corporation with headquarters in Massachusetts serves as general chairman of the United Fund appeal in Massachusetts, chairs the board of trustees of a national university, acts as trustee of a metropolitan public hospital and a major art museum, participates in a presidential commission on social issues, and serves on an advisory committee to the governor, he clearly spends considerable time, during "business hours" or "workdays" at board meetings and other activities connected with each of these duties. He must, therefore, be a "part-time" employee of the regional corporation which pays him, yet he is not so listed. It appears, therefore, that these other activities of his must represent work, although they are all unpaid and none represents a business or farm. But then similar activities carried on by other people who do not also hold paid jobs must be counted as work, yet they are not. We have failed to give serious attention to the notion of part-time employment in connection with the word "work."

I wish the Commission would build on the concept of the labor market as one in which employers are the suppliers of jobs and workers are demanders of jobs. I have alluded to this earlier, and, of course, there are some uses of it in the literature.

Above all, I wish the Commission would be innovative and daring and push its investigation beyond the boundaries of economics and statistics into the fields of psychology, engineering, sociology, and political science. I believe that employment and unemployment are political phenomena, ideological phenomena, and phenomena that will defy useful economic analysis until society has come up with a clear statement of what society wants. But I also believe this will not happen until society has a better understanding of the existing circumstances. And this, of course, means finding out more from all the people who presently use, and misuse, the data now available.

¹Bell, "Basic Data and Economic Policy," Challenge, Nov./Dec. 1977.

²U.S. Department of Labor, Employment and Training Administration, Job Loss, Family Living Standards, and the Adequacy of Weekly Unemployment Benefits, 1972.

³U.S. Department of Labor, Employment and Training Administration, Development of Techniques for Evaluation of the Weekly Benefit Amount in Unemployment Insurance, 1976, p. 6.

⁴Smith, Ralph E., and Joan E. Vanski, "The Jobless Rate: Another Dimension of the Employment Picture," Urban Institute Paper 350-76 (1975).

CHAIRMAN LEVITAN: Thank you for a rich agenda. To show you that we have already learned something from what you have already offered, I think Mr. Moskow is going to ask you to do some work without pay.

MR. MOSKOW: I appreciate your testimony very much. The chairman, because of time limitations, told us that we cannot ask any questions. With respect to your testimony on the hardship index, you pointed out in the paper that it is a subjective index and it contains value judgments. It is something you expressed some concern about. You pointed out research that was done. I wondered if you could expand on that. I wonder if you could point out some of the things in writing after this that you think should be considered in a hardship index. This is an important question. It is one the chairman feels very strongly about, and it is one that a lot of people have given us their views on. But it would be very helpful for us to get some idea of the number of different criteria that could be included in such an index if you really wanted to measure hardship.

DR. BELL: In all fairness, I must ask why do you want to measure it?

MR. MOSKOW: Why don't we just assume that we want to measure it. I am not sure that we do.

DR. BELL: I am going back to being a good marketing person and say, where is the market for such a measure?

MR. MOSKOW: Well, I have to ask that of the chairman. But if you accept this suggestion that you do want to produce such a report, I think it would be very helpful to us. It is a very important concept.

CHAIRMAN LEVITAN: A lot of people who want to measure underemployment in one way or another are still considering economic factors.

DR. BELL: I hoped that this Commission would not be bound by the mind set of Congress as it now exists.

CHAIRMAN LEVITAN: I think that represents 535 reasons. They are important clients. You also ask us to consider the political complaints. As long as we have it in the framework of Congress, I think it is an important client since the Act that establishes this Commission mandates us also to look into that.

DR. BELL: I know it does.

CHAIRMAN LEVITAN: Well, maybe your answer to Mr. Moskow's question is that there is no need for it, and we will tell the Congress accordingly.

DR. BELL: I think that my answer to Dr. Moskow would remain, who wants the hardship measure and why? I think you answered that question very well.

CHAIRMAN LEVITAN: Thank you very much.
I think we will now take a ten-minute break.

(Whereupon, a ten-minute recess was taken.)

CHAIRMAN LEVITAN: Mr. Robert E. Lewis, Vice President of Citibank, New York, welcome. Please proceed in whatever manner you want to. Your statement is going to be produced in the record.

STATEMENT OF ROBERT E. LEWIS, VICE PRESIDENT,
ECONOMICS DEPARTMENT, CITIBANK CORPORATION

MR. LEWIS: My name is Robert E. Lewis and I am a vice president in the Economics Department of Citibank in New York. I appreciate the opportunity to appear before this Commission to discuss employment and unemployment statistics. I am not speaking as a representative of Citibank or as a technical expert on labor force statistics so much as I am speaking for business users of statistics generally. I am a former chairman and trustee of the Federal Statistical Users' Conference and a member of the Joint Ad Hoc Committee on Government Statistics, a group of nine professional associations concerned with problems of the federal statistical system, in which I represent the American Statistical Association.

One of my assignments on the latter group has been to draft the section of our report dealing with the timeliness and availability of federal statistics. Here, I am happy to say, the national employment and unemployment statistics of the U.S. Bureau of Labor Statistics have one of the best records in the whole array of economic information. Unfortunately, the regional figures are another story, which I will get to later. However, the national statistics are one of the first monthly indicators available each month, and the detailed figures generally follow promptly. In addition, I have been impressed over the years by the consistently helpful and knowledgeable assistance I have received from BLS personnel, both in Washington and in the regional offices, whenever I have had to inquire about details of the figures.

At Citibank we use employment and unemployment figures in a variety of ways. In current business analysis, the data on employment, unemployment, and the length of the workweek are indicators of the strength of the economy and the possible imminence of cyclical turning points. In our regional analysis, the employment figures provide the earliest, most comprehensive--and, in some cases, about the only--comparable indicators of how different industries are doing in different parts of the country. Figures on productivity, hourly

earnings, and unit labor costs are important in our analysis of corporate profits. In our forecasting work, the unemployment rate provides a clue to possible shifts in public policy. More than that, the unemployment rate also helps measure how close the economy is to capacity, and, thus, to some extent, the likelihood of acceleration or deceleration of inflation. Labor force projections and productivity estimates are key ingredients for assessing the potential long-term growth of the economy. In our research on potential growth and pressures on capacity, we have found that changes in participation rates and other institutional changes have made the overall unemployment and labor force figures less useful than certain components, particularly the rate for prime-age males (ages 24-54). In that respect, we are grateful for the multiplicity of detail which the BLS makes available on age, sex, race, etc., for its labor force data.

All of these uses deal with employment and unemployment as economic statistics. None of them involve such social questions as hardship, income adequacy, or underemployment. It has often seemed to me that we have been trying to make a single statistical definition of unemployment do double duty, serving as a measure of both business fluctuations and social welfare. In seeking to refine the data for one purpose, we should be careful to avoid reducing their usefulness for other purposes. Eventually, it might perhaps be desirable to develop two sets of labor force measures: a basic core of readily ascertainable, factual data for economic purposes and a set of building blocks, reflecting progressively more tenuous attachment to the labor force and greater or lesser degree of utilization of skills, which could be combined to provide whatever concept is desired for research or policy purposes.

For business analysis purposes, the current concepts of employment and unemployment probably work as well as any. Historical continuity is valuable for research purposes and essential for regression analysis. For those reasons, I would not like to see a radical change in the definitions of employment and unemployment. Certainly, if changes are made, they should be of the sort that permit recalculation of the data over an extended period, as was done when the

minimum age for the labor force was changed from 14 to 16 years. For all the problems of concept and definition, these are the unemployment rates and employment levels that business analysts, government policymakers, and the general public are familiar with. I would hope that somewhere in the array of data which the BLS will publish there would continue to be a series comparable to what we work with now.

Nevertheless, I feel certain improvements can be made. For one thing, we need a total employment figure to supplement the civilian employment series currently published. Now that we have a volunteer army and no more draft, the armed forces are competing with other employers in the labor market. For an accurate measure of how our labor force is being utilized, a total employment figure including the armed forces seems the most logical. It is possible to derive a total employment figure from the data already published, but it would be more convenient to have it presented directly.

If a total employment figure were published, it would raise the question of whether we should not also have a total unemployment rate, i.e., unemployment divided by total labor force rather than by civilian labor force as at present. The difference between the two series would be no more than a couple of tenths in most years, but in times of rearmament or demobilization the total rate would provide a more accurate indicator of the pressures on the economy.

The availability of a total employment figure would also solve the problem that we now have with the employment ratio. As published in Business Conditions Digest, it now is derived by dividing civilian employment by total noninstitutional population of working age. Logically, it would be preferable to divide civilian employment by civilian population or to divide total employment by total population. I wouldn't expect these measures to differ much from one another except in wartime, but whichever one is chosen it would be more internally consistent than the one we use now.

Incidentally, I would like to see more emphasis on the employment ratio as opposed to the unemployment rate. Both employment and population are readily determined and relatively more accurate than the concept of labor force which depends on how you draw the

line--uncertainly at times--between being unemployed and not in the labor force. Hence, the employment ratio provides a better and more accurate measure of utilization of total resources than the unemployment rate.

I would also like to see greater attention given to estimates of full-time equivalent employment and unemployment. In the present employment statistics, a person working one hour a week counts as much as a worker on overtime. Although some unemployed persons are only looking for part-time work, there are also part-time workers who are looking for full-time employment. In the seven alternative concepts of unemployment presented by BLS Commissioner Shiskin, U-4 (full-time jobseekers as a percent of the full-time labor force) and U-6 (which also makes allowance for the part-time labor force), provide rough approximations of full-time equivalent unemployment rates. Further research is certainly warranted on what might prove to be a more meaningful measure of utilization of our labor resources than the present unemployment rate.

The regional data, quite apart from their shortcomings as a basis for distributing federal funds, need substantial improvement as economic indicators. The benchmark revisions are often inordinately large, but what is worse they often represent a break in continuity with previously published data. Statistics are of limited usefulness viewed in isolation and most helpful when viewed as part of a continuous and comparable record. Thus, the prompt publication of revised regional figures would be high on our priority list for needed improvements in this type of data. In particular, when revisions for some local areas appear now, often the only figures given are the current month and the year-earlier month. As a result, considerable effort is needed to obtain the interim months which also have been revised, and comparable earlier data are sometimes just not available.

For the broader uses of labor force data, a good example of the building-block technique is the seven different measures of unemployment which BLS Commissioner Shiskin presents from time to time to the Joint Economic Committee. They range all the way from hard-core unemployed (15 weeks or more) to a measure which

includes people who are no longer looking for work because they are discouraged. The concept of unemployment can be shrunk to include only those who are eager and able to take almost any sort of work or it can be expanded to cover those who could be persuaded to re-enter the labor force if the right sort of job came looking for them. There are a lot of grey areas including the unqualified or handicapped who might desire jobs but who are extremely difficult to place, and the "subterranean economy" of illegal work or illegal workers, where the true employment status of employees or entrepreneurs may never be revealed to a government interviewer.

Because for one purpose or another a wide variety of definitions of labor force or labor reserve, of unemployed or underemployed or hardship cases are useful and meaningful, I favor an extension of the BLS' current practice of providing a highly detailed market basket of labor market information from which researchers can assemble the concept that best fits their needs. There are a number of additional items which would be interesting additions to our knowledge of this area. For instance, it would help to know how many of the unemployed are receiving some sort of payment from the government--unemployment insurance, pensions, social security, welfare, etc.--or how many unemployed are the second or third workers in their families. There are many other permutations and combinations which can be made between labor force status, income levels, education, membership in minority groups, and other variables.

The trouble is that labor force data is collected in an interview survey, and there is a limit to the amount of information that can be extracted at any single monthly visit. Remember, too, that generally one person in the household reports on all the members of the household. The finer the detail you try to get, the less likelihood that the person doing the reporting will know or report accurately the details on everyone. Thus, as with the present Current Population Survey, any extra information will have to be gathered annually or at least no more than quarterly. That still leaves us with a strong set of monthly labor force data for current economic and business cycle analysis, while

more detailed research probably will not suffer too greatly by being confined to a quarterly or annual basis.

Other statistics which many have expressed a desire to see collected are job vacancies and a measure of hours worked as opposed to the data on hours paid for as presently collected. However, there are formidable problems of definition and measurement to be surmounted.

I am not enough of a technician to be able to comment on sample design, sampling error, or other problems of that sort. I am aware that CPS is not free from such problems, as indicated for example by Alfred Tella's study of response bias,¹ which noted that Census reinterview surveys showed that a gross number equal to one-fourth of the individuals classified as unemployed was misclassified in the original interview, and, even after offsetting errors, the net understatement of employment was as much as 11 percent. I also know that this Commission is charged with looking into the question of seasonal adjustment, which has come to the point that BLS Commissioner Shiskin presents a dozen different seasonal adjustments to the Joint Economic Committee each month. I have no solutions to offer to either problem, but favor anything which will increase the accuracy of the data.

While there may be some problem of understatement of unemployment, there are also questions about overstatement. Various institutional changes have lengthened the period people tend to remain unemployed and have increased the likelihood that they will² report themselves as unemployed. Clarkson and Meiners² stress the effect of welfare and food stamp registration. Though their conclusions are overstated due to double counting, there is a problem here. It is not a problem of definition or measurement, but just that when a person today says he is unemployed it may not mean the same degree of hardship or attachment to the labor force that it did 20 or 30 years ago. This may be one of the key questions facing the Commission: How do you cope with a statistic which is being measured just as accurately as in the past but no longer means the same thing as before? The problem is one of misuse or oversimplistic use of the single aggregate figure without analysis.

It may be that a major educational effort is needed to teach government policymakers, legislators, and the media just what the unemployment figures mean. The unemployment rate is not a precision tool and should not be used as such. There are sampling and nonsampling errors and seasonal adjustment errors, all of which make it risky to read too much into movements of a single month or a few tenths of a percent.

More than that, even though the definition has been polished for over three decades, there are still some traps for the unwary. Fifteen years ago, while writing a review of the Gordon report for my bank's Monthly Economic Letter, I had some fun devising a little quiz to illustrate some of the difficulties in definition. It is appended as Exhibit I to this testimony and shows how a perfectly logical definition can produce illogical results. There have been some changes since 1963, but it still shows the difficulty of drawing clearcut lines across very complex human activities. People who are not working can be counted as employed (if they are on strike, sick, on vacation, or kept home by bad weather). Persons who have jobs can be counted as unemployed (if they are on indefinite layoff or with a new job starting in less than 30 days). Persons who have jobs can be counted as not in the labor force (if they are still in school or if the job starts in more than 30 days). I am not advocating a change in the definition, but just emphasizing how much careful analysis and understanding are required to tell what the employment and unemployment figures really mean.

Finally, the unemployment figure, which always was one of the most important statistics for business cycle analysis, has taken on a whole new order of importance because it has become the criterion which determines how billions of federal dollars will be disbursed to state and local governments. As one official observed last fall: "The Congress has responded to important program needs by passing legislation that requires data at levels of detail, accuracy, and promptness far beyond the government's present capabilities." The measurement problems of the national aggregate for unemployment are serious enough to have taken up a good deal of this Commission's time, yet in 1977 Congress

mandated that sizable public funds be allocated to approximately 40,000 units of general local government on the basis of monthly and quarterly unemployment rates for those areas. Considerably more manpower and money will have to be devoted to these local estimates before we can be sure that all these billions are being allocated as accurately as possible. There needs to be far better liaison between the federal statistical agencies and Congress before statistical requirements are written into legislation. And if statistical agencies are mandated to furnish hitherto unavailable data, they should be furnished the funds to do it as accurately as is feasible and allowed a reasonable amount of time to do it in, without completely swamping the normal work of the agency.

In short, the current set of employment and unemployment data is highly useful in business conditions analysis and in following regional trends. It is widely used by private and government analysts alike, and enough subsets of information are available to meet almost any research need. There is room for improvement, particularly in the small area data. However, in the interests of continuity, I would favor supplementing the present definition of unemployment with additional information, rather than significantly changing the basic concept.

¹Tella, Alfred, Cyclical Behavior of Bias Adjusted Unemployment, The W.E. Upjohn Institute for Employment Research, April 1976.

²Clarkson, Kenneth W., and Meiners, Roger E., Inflated Unemployment Statistics, Law and Economics Center, University of Miami School of Law, March 1977.

EXHIBIT I

Who's What in the Labor Force

Official definitions of employment and unemployment may lead to curious results. The reader is invited to designate the labor force status of the following persons:

	Employed	Unemployed	Not in Labor Force
1. Mr. A, a West Virginia coal miner, has neither worked nor looked for work in over a year, since, as he tells the Census interviewer, there is no work in his line available in the community.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Mr. B has been on strike for more than 8 weeks and under New York State law has begun to collect unemployment insurance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Three school teachers are traveling together during the summer.			
a. Miss C has a contract to return to her old teaching job in three weeks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Miss D has a contract for a new teaching job starting in three weeks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Miss E has a contract for a new teaching job starting in five weeks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Mr. F is starting a newspaper delivery service in two weeks and has hired two teenagers, who will help him at that time.			
a. Mr. F.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Tom G, who is still attending high school.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Dick H, who graduated last semester.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Mr. I was laid off several months ago and is spending most of his time job hunting, although he earned a few dollars doing odd jobs last week.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Mrs. J lost her regular job. While looking for a new job, she is helping 3 hours a day without pay in her husband's store.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Miss K, a teenager, is registered with a baby-sitting service, but had no assignments last week.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

This is how these people would have been classified according to the official definitions: 1. unemployed; 2. employed; 3a. employed; 3b. unemployed; 3c. not in labor force; 4a. employed; 4b. not in labor force; 4c. unemployed; 5. employed; 6. employed; 7. unemployed.

CHAIRMAN LEVITAN: Thank you, Mr. Lewis. I would like to start the questioning myself. We had several people testify before, Mr. Lewis, about a need for continuity. However, you are the first who has also specifically stated being in favor of continuity. I am just wondering to what extent can you actually have continuity with a system that is 40 years old? The system was designed during the depression and very few changes in definitions and concepts have been made since. You stated, for example, that the military should be included. You questioned the exclusion of 16- and 17-year-olds, but about 90 percent of 16- and 17-year-olds are going to school. Don't you think that there is a need to overhaul the system rather than be so much concerned with regression analysis and with continuity which may not always reflect reality?

MR. LEWIS: I think my point was that if you change the framework of the system, it would be helpful to be able to assemble from the bits and pieces therein something like the present concept for those that do depend on it. Alternatively, a new concept could be reconstructed historically as was done when the minimum age for the labor force was raised from 14 to 16 years. Regression analysis is an increasingly important tool in economics, and unemployment data are frequently used to introduce cyclical patterns into the results. A lot of the work that is done on measuring the potential growth of the economy and on the capacity utilization in terms of labor force does depend on analysis of long-term, comparable statistics. In fact, a variety of such figures would be desirable. For instance, in estimating potential growth of the economy, we do not use the overall unemployment rate. We use the figure on unemployment among prime-age males which has not been subject to as many long-term institutional changes as the total has been.

CHAIRMAN LEVITAN: I am glad that Dr. Bell left before you said that.

MR. LEWIS: Well, I tend to shudder when I encounter it myself, because our statisticians have defined "prime age" as 25 to 55, and I am somewhat

beyond that. But we do find that the prime-age rate fluctuates cyclically around an average of 3½ percent, whereas if you try to use the aggregate unemployment estimate, then you have an upward trend over the years.

CHAIRMAN LEVITAN: You also alluded to the \$200 billion plus transfer payment system. Regarding continuity, you keep telling me month after month in your excellent Monthly Economic Letter how the data collected does not reflect economic reality. Maybe we can start a new series and after a few years, once we collect enough data, we'll be able to start regression analysis again and correct for seasonality.

MR. LEWIS: I still am an advocate of long and comparable time series.

CHAIRMAN LEVITAN: What advice would you give us, Mr. Lewis, for selling or marketing our analysis and recommendations?

MR. LEWIS: I am not nearly as eloquent in defense of marketing as Dr. Bell was. I feel there is a definite need there, but I don't have specific public relations suggestions on what to do.

MR. CARLSON: Just one point. I think you may have answered it earlier. If you go back and change the series under any new definition, you can look back in time. That would remove the objection of making the change?

MR. LEWIS: Yes. I thought I made the point that I would not object to a new definition if you gave us supporting data for earlier years so that we can compare what we see happening in 1978 with what happened in previous business cycles. Otherwise, we have no comparison.

MS. WILLS: If we were to increase or expand the data, one question continually raised to and by the Commission is: How do you think we can pay for it? Do you think, for example, representatives of the business community would be interested in helping share some of the cost, vis-a-vis user fees or whatever?

MR. LEWIS: I think we are already helping not only through the Internal Revenue Service, but also through the Superintendent of Documents to share some of these costs, though I do not think the Labor Department is getting any benefit of these gross increases in the price of government publications. Again, Dr. Bell's remarks about removing the monopoly of the Superintendent of Documents, I believe, are most apt. The statistical agencies should be able to market their own products. I would even endorse their setting up time-sharing data banks to be used by the various research groups.

MR. MOSKOW: That is a very interesting suggestion, the last one, about the data banks. Just a couple of points, first on the marketing. The witness' expertise is not in the marketing area, but I am sure if the Commission wanted some marketing expertise, Mr. Carlson will be happy to arrange it. The selective group of marketing exists to give us their views without charge. Second of all, on the point about educating the Congress and others, you said not to be concerned about these monthly fluctuations one way or the other.

I agree with you and I disagree with you. I agree we should be educating the American public as to what the statistics mean and there's a lot of ignorance, but there are some people who are going to be using the statistics for their own purposes, for other purposes. They are going to always exaggerate or underplay a change that may actually be meaningful, depending on where they sit, whether they are running for Congress or not, or whatever. I think we just have to be realistic in our expectations as to how often indications can really be useful. It can be useful to an extent, but it is not going to settle all of our misinterpretation problems.

MR. LEWIS: I agree, and I know how easy it is when you are sitting facing a deadline on an article on what is happening in business to seize upon a minor fluctuation as something to write about.

MR. MOSKOW: One last question. This study that Dr. Levitan just referred to, in your summary you did

not include it. You mention here that when a person today says he is unemployed, it may not mean the same thing that it meant 20 or 30 years ago. I was wondering if you can expand on that.

MR. LEWIS: Just that the growth of unemployment insurance benefits, welfare, food stamps, and other benefits, as well as the growth in two-worker households diminish the amount of hardship involved in unemployment. If you think back 20 years, the unemployment benefits in some of the states were very small, indeed. Now you get economists estimating that in Massachusetts up to two-thirds or three-quarters of a worker's take-home pay is available in the form of benefits, if he is unemployed.

MR. MOSKOW: Thank you.

CHAIRMAN LEVITAN: Thank you very much. I appreciate you coming here.

We will next hear from Stanley Moses, Professor of Urban Studies.

Welcome Stanley. I see you submitted an outline summary statement with a number of points.

STATEMENT OF STANLEY MOSES,
PROFESSOR OF URBAN STUDIES, HUNTER COLLEGE,
CITY UNIVERSITY OF NEW YORK

DR. MOSES: I will try to be brief in presenting some of the major ideas I have in mind. I also brought along with me a copy of a book that I am sure you are all familiar with that appraises employment and unemployment statistics.

CHAIRMAN LEVITAN: We are somewhat familiar with that.

DR. MOSES: And I really want to respond very positively to the broad range of coverage that seems to be applied to the schedule of work and by the various documents that have been prepared by the Commission. At the same time, during the few hours I spent here today, keeping my ears tuned to some of the discussion,

I view with trepidation the pressures being brought on this Commission to focus upon the problem of local unemployment. I hope that this Commission will continue to emphasize that its concern extends beyond local data and it is with regard to some of these other matters that I would like to talk today.

This Commission is really one in a succession of many commissions that have been set up to deal with the labor market statistics. Since the 1880s there has been a continuing effort to create and revise our labor market information systems. I have written somewhat in this area, and I would be glad to send copies of an article that I wrote which dealt with the history of labor market concepts.

CHAIRMAN LEVITAN: We already have it.

DR. MOSES: One of the problems of academics is that they always cite their own work. I will try not to do that. John L. Lewis once said that if you do not toot your own horn, then it will not be tooted. But I would still rather not go that route.

My major concern at the present time is that there is a basic shift in the climate of opinions, which now affects the way economic policymakers view the future, and that this shift will have a very important impact on the work that is being done by this Commission. I am referring to the perception that inflation will continue to supersede unemployment as the major issue of domestic policy. In line with that, I think, is a notion that competing pressures between the pursuit of the goals of full employment and price stability will undermine the achievement of a real full employment policy. Consequently, there is less interest in defining the real measures of labor supply and unemployment. I refer specifically to the labor force concept which is our current measure for evaluating a full employment policy, and which I view as a restrictive approach to full employment planning.

I think Commissioner Shiskin has specifically demonstrated to us by the development of the seven ways to measure unemployment--his U-1 to U-7 measure--that there is no single measure of unemployment that is appropriate for all purposes. There are even broader

measures of unemployment than those of Mr. Shiskin. My concern is that as we assume a high period of unemployment as part of a tradeoff to the policy of price stability, increasingly we will turn our attention away from full employment and more to the goal of relief measures aimed at mitigating the consequences and reducing the tensions resulting from high unemployment in selected areas and among different specific groups in the population. We now see the development of a large CETA program more than doubling the existence of public service jobs within a year and a half and projected to go over a million within the next few months. This extension of CETA, public works, and other forms of revenue sharing is an attempt to mitigate the consequences of economic hardships that have become concentrated in certain areas, especially the central city.

We need data by which to make the determination for awarding funds, and it is the need for some kind of triggering mechanism for making selective preferential allocations that will increasingly result in pressure on this Commission to turn its attention to developing local area data with the slighting, thereby, of the larger conceptual questions of labor market employment and employment data that have been at the heart of previous reviews of other employment commissions. I believe it is important that attention be given to the need for better local data, but I believe it is more important that this Commission not allow itself to be disinterested in or distracted from the larger questions of labor supply, unemployment, income adequacy, and job satisfaction which are all central to the development of real employment policy.

Another issue which I would like to raise here, because it has vanished since the recession of 1974, is the issue of job satisfaction. Significant work was done in the Work in America study, under the chairmanship of James O'Toole, regarding the question of job satisfaction. I realize the problems related to this matter, but I think it is very important that this Commission at least raise the issue. You cannot expect to answer those issues, but at least it should be looked into. By the way, job satisfaction is returning as a current issue in my work as a professor as I witness a rise in underemployment among graduating students.

CHAIRMAN LEVITAN: Who is underemployed? The professors or the students?

DR. MOSES: The students. The students, certainly in the sense of accepting jobs below the level of their capacity, not just the pay, and less than the working opportunities they would have accepted in the past. There is certainly a lower rate of return for their educational investment than they would have had four or five years ago. I think there will be an increasing degree of job dissatisfaction in various occupational groups in the next decade or so. It is an issue that should be explored by this Commission.

One more remark on the labor force concept in the measuring of unemployment, and that is the emphasis of the Gordon Committee in examining the argument and dispute over unemployment and nonlabor force participation. In 1938, 1948, and then in 1961, all these committees and all their hearings, this was the argument: How to arrive at a definition of the labor supply which would prescribe the conceptual limits for the unemployment definition which would be the goal of a full employment policy? It is always interesting to see that depending on whom you work for, whether it is a labor union or business executive, you tend to line up on different sides. This is always the major issue and again, it is an issue that has to come back to us in the work of this Commission.

There are many ways to define unemployment. I think we should talk about these many ways, but I think we have not paid sufficient attention to estimating and studying the nonlabor force aspect of the American population. We do not give sufficient attention to the large number of "job-wanters" who are not discouraged, but are not in the labor force. We have to do much more research about these job-wanters and the nature of their shifting relationship between nonlabor force participation, unemployment, and labor force participation, and employment. Especially since we do know that many people go from nonlabor force status to employment and not from nonlabor force to unemployment. I do hope that when the next commission, which I hope we will all be privileged to attend in the late 1980s, when that next commission is appointed, I do hope that

we will have gotten the local area stuff out of the way and returned to the more enduring questions of labor market information. I am sure you all are there already. I am talking about political pressures on you. By enduring, I am talking about how many jobs are available in terms of those who want to work and also the question of income adequacy.

Summary

1. This Commission is one of many in a succession of special commissions and reviews of labor market statistics that have been created as a response to the ups and downs of the business cycle and the resulting problems of unemployment, inflation and poverty.
2. Since the end of World War II, the major concern of these studies has been with controversies and disputes related to the integrity and accuracy of the labor force approach to unemployment, with special attention to the distinction between the concepts of employment, unemployment and "nonemployment."
3. Although there is every reason to believe that the American economy will continue to remain a job scarcity economy, the work of this Commission is being initiated at a time when the political importance of inflation threatens to replace unemployment as the major concern of economic policymakers.
4. The implicit assumption governing the work of this Commission is that competing pressures between the goals of full employment and price stability will undermine the pursuit of a real full employment policy with job opportunities at fair wages for all those able and willing to work.
5. With the increased development of selective job relief measures designed to lessen the tensions resulting from the more intense pressures of a job scarcity economy, it is to be expected that there will be demands to shift the concerns of this Commission from broader issues of labor supply, full employment and unemployment to more narrow technical considerations related to the need for local area information required for the implementation of triggering mechanisms mandated by federal legislation.
6. While it is important that attention be given to the need for better local area data, it is even more

important that this Commission not allow itself to be distracted from giving emphasis to the issues of labor supply, unemployment, income adequacy, and job satisfaction which are central to the development of a real full employment policy.

7. Disputes over labor market statistics are not solely technical matters, but are deeply rooted in conflicting political orientations. Commissioner Shiskin's development of seven ways to measure unemployment--a U-1 to U-7 measure--represents an admission of the fact that there is no one single measure of unemployment that is appropriate for all purposes. However, his approach is still limited because of the insufficient attention given to the large number of "job-wanters," who, although not officially "discouraged," and not actively seeking work, would be seeking if real job opportunities were available.

8. This Commission should be a source for new ideas and developments in those areas related to the major issues involved in evaluating the performance of labor markets, such as a supply of jobs sufficient to meet the needs of those who desire to work; jobs that provide levels of income that result from a successful full employment policy; and a reconsideration of the question of job satisfaction--an issue that has been buried since the deep recession of 1974, but which is likely to intensify with expected conditions of an oversupply of educated personnel.

9. The work of this Commission will have its greatest impact to the extent that it pays attention to these broader issues of labor market statistics. In doing so, it will lay the basis for further development that will be carried on by the next employment commission which will be established by the President in 1988, at a time when these concerns will still remain the central issues of dispute and inquiry.

CHAIRMAN LEVITAN: Thank you, Mr. Moses..
Mike?

MR. MOSKOW: A couple of points. First, with reference to point number 3 in the outline where you say that this Commission is doing its work and the political import of inflation threatens to replace

unemployment as the major concern of economic policymakers. I do not know if that is true or not, but even if it is, I think that the important point is the way the Commission is structured. Of course, we are here for 18 months. We are not day-to-day government policymakers who are wound up with the changing problems that policymakers face--economic problems. We can take a longer look at this. I do not think that concerns us too much. It does not concern me at all at this point. I do not know about the other members of the Commission. I think we can focus on this in a great deal of detail and address this when we make our report 16 months from now.

I have a couple of questions. This group is not in the labor force--and you mentioned the discouraged workers as well as the nondiscouraged in the labor force--with reference to volunteer workers and household workers without pay, do you think it is important to obtain information on these groups as well?

DR. MOSES: It is very important in the sense that it represents a time use of the population. I think it is of less importance than data regarding paid employment. It is less important than the main concept. Let me restate it. When we start trying to distinguish between employment and work, then that's an unlimited issue which is really very difficult to approach. If someone can show me a more simple way to do it, I would do it. But I feel that going in that direction tends to divert the focus from more important issues which relate to the supply of available jobs with respect to those who want to work, and other questions of labor supply, income adequacy, and job satisfaction. Then there are the people with the jobs who are not satisfied, and some who choose volunteer work over paid employment. So, in theory, I'm forgetting information in all these areas, but I think it becomes very complicated, too. And since it is very complicated, I try to keep my eyes on the major purpose here.

If I might respond to your first statement, the Commission is set up at a time of great political interest in this review. This will be very important in determining the purpose of this Commission, especially the way in which Congress has increased the pressure for more local area information. Not just

Congress, but now you have that whole CETA network throughout the country. I think that does put a pressure on this Commission in a more intensely public nature, even more than was the case under the previous Gordon Committee. Then the arguments were on unemployment and over labor participation. These are broad, general arguments on a national theoretical level. Now having created laws which assume the strain of continuing high unemployment, the pressure of the political climate has an impact in a way it did not before, and I would assert that political pressure really grows out of general acceptance of the notion that we will not have a really low unemployment figure, down to 3 or 4 percent of the official labor force, and since we are not going to have that, we will have permanent structure of manpower programs targeted to areas and groups. That is where the need for data is, because that is going to be around for a long time. That is why I try to make that link. Not to disparage your work, but to try to point out some of the political pressures which I am sure you have been and will be increasingly made aware of. However, I think that from a historical perspective it results in a degeneration and lowering of the quality of these discussions in comparison to what went on in the past.

MR. MOSKOW: You mentioned the job satisfaction or job dissatisfaction area which you would hopefully address. If you were going to construct a hardship index, would you attempt to include some measure of job dissatisfaction in that type of an index?

DR. MOSES: I am not an expert in that area, but my bias is, no, because the notion of job satisfaction really is in the realm of social psychological nature of the people's assessment of their work and themselves. There are ways to do this, and I think it should be done.

The other matter which you talk about, income adequacy, is something which I think civilized society can arrive at with some degree of agreement and disagreement, developing an approximation of income adequacy, if one wanted to go that way. It is tied to providing a basic necessary level of dignified living

to the entire population and to that extent I will separate it out from the job satisfaction issue. Another reason I respond this way is I view this as a historical progression. As long as we have a very significant problem of income inadequacy and a large number of jobs that pay lower than adequate amounts of income, then to raise the issue of job satisfaction only complicates the issue.

MR. MOSKOW: Well, if you're going to measure hardship, what would you do?

DR. MOSES: I would keep out satisfaction.

MR. MOSKOW: And you would keep out employment then, too? Our chairman has talked about a hardship index that combines a measure of unemployment and a measure of income and weighs them in some way. My question to you is, would you just look at income or would you favor the type of approach that he is taking?

DR. MOSES: Non-job source of income that is not directly related to the job, food stamps, work payments, yes, I would take that into negotiation of income adequacy.

MR. MOSKOW: What about unemployment?

DR. MOSES: Transfer payments and job-related income have to be put into a job-related adequacy.

MR. MOSKOW: Are you familiar with the index?

DR. MOSES: I looked at the work that was done.

MR. MOSKOW: It is an index of hardship which combines a measure of unemployment with a measure of income adequacy.

DR. MOSES: I'd settle for the index that was put out. I like it. I thought it was a step forward. I'm sure that if it was done over, it would probably be better today, and hopefully at other things, but I would try to keep the job satisfaction out of it.

MR. CARLSON: What would you have us do in the job satisfaction area?

DR. MOSES: You are going to be on the West Coast, I believe, at some time, and I think that it would be informative to try to get Mr. James O'Toole, who was the Chairman of the Work In America Task Force, to address this Commission. We should at least try to develop a national instrument to survey American attitudes about work. This should be done on a regular basis, annually, perhaps. I think that could be done through national survey research centers. We could add on a monthly set of questions to the Current Population Survey as a start. I think these are all things that ought to be done.

MS. WILLIS: I am not sure I understand your concern about the CETA push in terms of local statistics and how we cannot get too carried away with that. I am not sure I understand your concern about that in terms of talking about the larger, macro information statistics. Obviously, your bias about a full employment society comes through. My question, though, is how do you see us being able to measure full employment? Would we agree or disagree about criteria to measure full employment without some knowledge about the macro economy? I'm not sure I understood. A national unemployment rate, one single statistic, as you well know, is part of the debate about how we measure and decide that we have a full employment economy. That one statistic may not be adequate at all. What it means in Houston may bear no relationship to what it means in New York. I am not sure, aside from the CETA issue, what your real concern is in improving the data. Do you think we need to improve the data in state and local levels to satisfy your concern?

DR. MOSES: We need to improve the state and local data, but not at the expense of concern with general overall questions concerning unemployment and full employment. Also, we are not just talking about large state or large metropolitan areas when we consider the need for local data.

MS. WILLS: Every nook and cranny in the area?

DR. MOSES: Okay, and, first, I think that the returns resulting from such a high expense operation do not warrant it.

CHAIRMAN LEVITAN: Thank you very much for your testimony and good ideas for the Commission.

Last, but not least, we have Robert Lekachman, a professor of economics.

STATEMENT OF ROBERT LEKACHMAN,
DISTINGUISHED PROFESSOR OF ECONOMICS,
HERBERT H. LEHMAN COLLEGE,
CITY UNIVERSITY OF NEW YORK

DR. LEKACHMAN: I am going to be quite brief. That is particularly easy, because I am not a labor market specialist. I am not a survey researcher. I am not even a statistician. In fact, my profession is that of a professor at a public college and a frequent classroom teacher. Thus, were I asked the question, how might the unemployment figures be improved, my answer begins with a political fact and a fact of media transmission. That is, with the possible rival only of the cost-of-living figures, the monthly unemployment figure is the single most important statistic which the government releases. It is that single number which is of trenchant political significance. So I address myself really to the various alternative measures of unemployment that now exist and might exist, then to what might be done with the single existing number that hits the public eye.

That is the number Walter Cronkite reports with authority, whether or not he understands how it is computed, or whatever its limitations might be. This, of course, suggests to me that what is involved here is of deep interest. Obviously, measures of the declining metropolis like rising unemployment are going to trigger off various kinds of reactions. It also seems to me an ideological element ought to be recognized, dealt with, and it is here that I want to say another word or two. I take it for granted that economists at birth are either tiny inflationists or infant defla-

tionists. People who worry about inflation give you the usual list of horrors that follow accelerated inflation. I do not discount them, but along with the normal emphasis of horrors of inflation is the national tendency to shun the unemployment figures, not because these individuals are necessarily hard-hearted. They are people who are concerned overwhelmingly with inflation rather than unemployment. The second group, in which I place myself, is very concerned about unemployment, not with the problem of inflation. But when asked to appraise the usual tradeoff they are much more likely to tradeoff a certain amount of inflation for a given gain in employment than people of the opposite psychological cast.

Let me be unabashed about this then. I do worry far more about unemployment than I do inflation. I therefore do not do what my conservative friends and occasional enemies do on this score. I do not emphasize the weak motivation of some of the unemployed, or the fragile nature of some young and female workers within the labor market. In fact, I cannot help thinking this gets us right to the edge of that old historical decision between the deserving and the undeserving poor. Now, fairness suggests that I concede that people on my side of the issue do tend somewhat to exaggerate the desires of some for employment. Yet, some of the exclusions, it seems to me, are difficult to justify. I agree with George Meany, for example, that discouraged workers ought to be included. I think that there is a convincing argument for the conversion of the partially employed into some full-time equivalent. My friend Stanley Moses, who just preceded me, reached into the population, and discussed large numbers of individuals who, under favorable circumstances, would enter the labor force and in times of national emergency, in fact, do so.

What does this boil down to as to practical suggestions? Let me begin with an indication both of my age and my sympathies, I suppose, by recalling Lord Beveridge's 1944 definition of full employment. Full employment means having more vacant jobs than unemployed men. He said men, I fear. Unemployed men, not absolutely fewer jobs. It means that the jobs are at fair wages. The unemployed men can reasonably be

expected to take the jobs. It means that the normal lag between one's job and finding another will be fairly short. Formulating a definition is happily beyond my intention or beyond my capacity. Rather more sensibly, perhaps, Beveridge's definition applies to the desirability of three or four adjustments that I have come up with. Discouraged workers are first. Despite the obvious difficulty of separating the discouraged from the merely shiftless, I think there is an overwhelming argument to include them.

It is worth pointing out that the 6 percent rate of general unemployment comes near the presumability of a business cycle expansion, an expansion which is now getting a little bit elderly, and for which various people are preparing funeral rites even at this point. Six percent unemployment in happier days used to be taken as a sufficiently alarming figure to evoke strong political responses. This was true essentially in the 1960s when John Kennedy was stimulated to action with a figure which we now take as warranted for substituting inflation as the number one problem for unemployment.

Secondly, part-time workers. Here, again, obviously, some people work part-time by preference rather than inability to work full-time. But there are others who are doing this only because they cannot secure full-time employment. I think that is every reason to say that two individuals, each working 20 hours, each seeking a job with a 40-hour workweek, ought to count as one unemployed person.

Thirdly, we need to pay closer attention to the young. It is a question to me, and I do not know again how well we will get at it, but I wonder how many teenagers are remaining in school and class because jobs are unavailable. Again, this presumably would fluctuate with the phase of the business cycle. But I seem to encounter in my own classroom students whose attachment to the classroom is rather weak, and whose presence is rather occasional. These are individuals who, in an active labor market, might very well shrug off the classroom (which clearly bores them into insensibility), and substitute a job for classroom work.

Finally, to the other end of the scale, one wonders how many people in their late 60s and even older who are retired to the golden years of senior citizen-

ship (which I feel approaching ever more rapidly); how many of these individuals would prefer to go back to work? It will be interesting to see what impact the new mandatory retirement legislation is going to have in coming years on their job choice.

Let me conclude by saying only this much. How we define and measure unemployment reflects the social values of the community within rather wide limits. We can have as much unemployment as we wish, and we are free to define full employment in a variety of ways. A few months ago when the unemployment figure was around 7 percent, Herbert Stein half-seriously called that condition full employment. If 7 percent was full employment, presumably we are now in a condition of overemployment, since there has been an improvement by 1 percentage point since then.

For my part, I think the most available contribution that a commission of this kind might make is to open up the ideological argument; to ask publicly what kind of full employment do we want? How, therefore, should we measure the individuals whom we call unemployed? The issues are more ideological than they are statistical. I will be prepared at any time to argue my side of the ideological debate, but I think I will leave it at that. Thank you.

CHAIRMAN LEVITAN: Thank you. Let's open the ideological argument since you insist upon it. I would like to ask you, how would you distribute the billions of dollars in transfer payments? When you come to counting unemployment, you tell us that you still count some recipients as unemployed. Would you assume then that transfer payments do not have any impact on labor force behavior?

DR. LEKACHMAN: No, I would not do that. I would assume that is what is done, among other things, is to enable people to be somewhat more selective over their choice of employment, over the kind of jobs that they will take. That is not to say there is no effect, and here we come perilously close to the distinction between voluntary and involuntary unemployment. The interval between jobs does, of course, have some effect. I would judge, on the whole, that it probably

does increase the measured rate of unemployment. Of course, if you would ask next whether an extension of the transfer payments which I will, of course, favor, would have the effect of still further enlarging the measured unemployment rate, I would probably answer yes.

CHAIRMAN LEVITAN: Well, are you saying that the unemployment rate does not have any meaning in our society? That it is something that does not affect your thinking about the economy? I assume you have some favorite congressmen. What would you recommend to them, Dr. Lekachman?

DR. LEKACHMAN: I would argue first for what I would regard as a more accurate and humane measure of unemployment. The next question, of course, then relates to what unemployment figures aim at. You would aim at 5 or 6 percent unemployment; is it a reasonable approximation of full employment? That is to say, if you expand ---

CHAIRMAN LEVITAN: Aren't you coming very close to your favorite economist, Dr. Stein?

DR. LEKACHMAN: Well, I will risk that providing I am allowed to write a definition of unemployment. That is to say, a specifically generous definition of unemployment. I think I ought to accommodate a somewhat adjusted goal for economic policy.

CHAIRMAN LEVITAN: Let me try once more. I introduced you as an economist who uses the English language very, very carefully. Now, words have some meaning. It seems to me that you want to count discouraged workers as unemployed. But what if Mr. Bienstock tells you, and he knows the numbers very well, that many of them have not worked for five years? A million people are counted as discouraged, but some of them have not looked in five years for employment. Would you still want to count them as unemployed or doesn't the word have any meaning any more?

DR. LEKACHMAN: Without emphasis in my remarks, I did say that you are undoubtedly going to find some people who are not discouraged, but simply adverse to work, and this is going to be difficult. Actually, I wonder if this isn't simply an intensification of standard difficulties that exist even now, how sincerely some of the people who look for a job, look for a job. There are troubles even in the conventional definition. I do not know. You and Dr. Bienstock know better than I whether it is possible to design an appropriate survey to separate the genuinely discouraged from the emotionally discouraged, the people who have not looked in five years. Whether this is possible or not, I do not know. But I think it would be worth a try if it is at all conceivable.

CHAIRMAN LEVITAN: I will tender you to my friend on my right, Mr. Moskow.

MR. MOSKOW: I enjoyed your statement, Dr. Lekachman. I wanted to ask you about the discouraged worker, to follow up the testimony that we had in Washington a couple of weeks ago. We had two days of testimony. The strongest argument against including the discouraged worker was a conceptual difference between a person who is now classified as being a discouraged worker with someone who is now classified as being employed or unemployed. There are specific, objective tests of a person being employed, obviously receiving salary, and if he is unemployed, then he has taken steps to find a job during the month prior to the survey week. He is registered with the unemployment service or some other thing. There are objective tests of what he has done. Whereas, on the other hand, a discouraged worker is not now looking, because he thinks there is nothing available. Now, you said that is a much looser definition. My first question is, does that concern you, that different concept between the two?

DR. LEKACHMAN: Sure it does concern me.

MR. MOSKOW: You were saying that we should first decide how we want to go about measuring unemployment, and that's really a political decision as to what

groups should be included and what groups should not be included. I assume Congress has made that decision. Then the statisticians should be the ones to figure how to measure it.

DR. LEKACHMAN: Yes, it may simply indicate that I am more for an ideological decision.

MR. MOSKOW: Then the arguments, the testimony before us, and the papers that are submitted to us by people with a certain position would be that they are really arguing the ideology?

DR. LEKACHMAN: I would assume so. I haven't seen the papers, but it would certainly tell me if the general trend of the witness was not toward minimization of the actual figures of unemployment and support of the tightening of the definition. There is no imputation on my part on the face of this. We act not always consistently, but under the role in which we find ourselves. Now, all of this, as I say, is perfectly consistent with statistical honesty. The argument is over the content which the statisticians then must cope with.

MR. MOSKOW: In an ideal world, you can say that the statistical agencies should really gather building blocks of data, and that people could support their notion as to how they can go about measuring unemployment?

DR. LEKACHMAN: I suppose, resources unlimited, yes. But, of course, in the actual world where what happens focuses on single numbers which can be highlighted, I think whatever else you do depends on how you are going to define this single critical important number.

MR. MOSKOW: Thank you very much. We all appreciate you being here today.

CHAIRMAN LEVITAN: Would you agree, as an economist, Dr. Lekachman, that society can agree to a certain level of income that we should provide to anybody

who wants to work or is trying to work, however defined? Let's say we have a minimum wage and that people who work or who want to work are entitled to a certain income.

DR. LEKACHMAN: Yes, I think practically we do agree.

CHAIRMAN LEVITAN: Well, then, if you say you agree, whatever the number it is that the government uses, I imagine you want to double it or triple it--but we can agree on those little details. Can we also agree that some people who are working and who are looking for work, are making less than a certain amount are--call them depressed, call them unemployed--whatever term you want to use. Would that satisfy your ideology?

DR. LEKACHMAN: It would be a step in the right direction, certainly, because it would supplement a mere employment figure with an income adequacy figure. I think both must be looked at and both must be dealt with, which is why I and so many other economists have had this long list in the definition of a negative income factor.

CHAIRMAN LEVITAN: Thank you very much for coming and sharing those theories with us.

DR. LEKACHMAN: I will look forward to your report.

CHAIRMAN LEVITAN: The meeting is adjourned until we meet again in Chicago two weeks from today.

(Whereupon, the hearing was adjourned at 5:30 p.m.)

TRANSCRIPT OF PUBLIC HEARINGS

TUESDAY, JUNE 13, 1978

NATIONAL COMMISSION ON EMPLOYMENT
AND UNEMPLOYMENT STATISTICS

Washington, D.C.

The Commission met, pursuant to notice, at 9:30 a.m., in room 764, 230 South Dearborn Street, Chicago, Illinois, Sar A. Levitan, Chairman, presiding.

Present: Glen L. Cain, Michael H. Moskow, Rudolph A. Oswald, Samuel Popkin, and Joan L. Wills.

Also present: Arvil V. Adams, executive director; and Marc Rosenblum, staff economist.

OPENING STATEMENT OF CHAIRMAN LEVITAN

CHAIRMAN LEVITAN: This is the second leg of the series of hearings that the Commission is conducting to find out what people are thinking about current labor force statistics. By law the Commission is required to review the nation's labor force statistics and make whatever recommendations are necessary to improve them.

The labor force statistics that we have now have been in existence for some 40 years. After 40 years, Congress thought it was time to look over whether these statistics are getting too fat or too thin or are sticking to the bones. This is the reason the Commission is here: to find out what you folks in Chicago have to say about labor force statistics.

The official employment and unemployment statistics have a major impact on states, cities, and counties all across the nation. We are here to listen to views and suggestions from diverse sources instead of confining ourselves to the advice of experts on the Potomac.

To a large extent, our view of the operation of the economy and required corrective policies are tied up with labor force statistics. Besides their implications for fiscal and monetary policies, a growing list of government programs are linked to the labor force

estimates. Some \$17 billion in federal funds for employment and training, public works, urban development, and other programs designed to put people back to work were distributed last year to states, cities, and counties on the basis of state and local unemployment estimates. Despite our growing reliance on these numbers, there is an increasing awareness that our labor force measures are often misleading guides for policy formulation.

One major problem area appears to be the statistical accuracy of the estimates. Government statisticians have warned Congress repeatedly that the margin of error for many of the state and local figures is so vast as to render the estimates useless. But beyond technical deficiencies remain the basic concepts that have not changed since the Great Depression, although labor force behavior has undergone radical changes. The American economy now includes a vast transfer payment--or income support--system which has passed the \$200 billion a year mark. Second, there have been major shifts in the composition of the labor force, including the dramatic changes in the work role of women and minority groups. Also, a job, even full-time year-round employment, does not mean that a worker can always pull his or her family out of poverty.

How well do our statistics perform in measuring shifts in economic activity? How effectively do they indicate the utilization or waste of human resources? Do our numbers get to the heart of the problem and really measure economic hardship? We have many doubts concerning our present statistical system, and we have come to Chicago to listen to the concerns of the experts here. I anticipate that the testimony we will hear today will help us in our job of making recommendations to the President and to the Congress.

The Commission is very blessed in being very well represented here, with a member who used to live in Chicago, Joan Wills, and a new Chicagoan who tells me this is the greatest city, Mike Moskow, Vice President for Corporate Development, ESMARK Corporation. If you extend your territory a little further, then really a third of the Commission is from Chicago, because Professor Glen Cain of the University of Wisconsin is a native of Gary, Indiana. So you see this Commission is well represented by Chicago.

Yes, I forgot, another commissioner comes from Milwaukee, Wisconsin, which is only a stone's throw up if you throw very well.

I think Duluth, Minnesota ---

MR. POPKIN: Superior, Wisconsin.

CHAIRMAN LEVITAN: -- is a little far to claim for Chicago.

Before we open the hearing, I think it would be proper that we hear a few words from a Chicagoan, Mike Moskow.

MR. MOSKOW: Mr. Chairman, we are pleased that the Commission has seen fit to hold its hearing today in Chicago. As you mentioned, we've been to New York for a regional hearing; we are here in Chicago; we are going to Atlanta and to San Francisco.

We would like very much to extend to you a Chicago greeting and our Midwestern hospitality as well. If there's any way that you or any of the Commission members would like to take advantage of some of the finer aspects of Chicago, we would be happy to extend our hospitality to you today.

We are all very happy to be here today and are looking forward to hearing from our witnesses.

CHAIRMAN LEVITAN: Are there any other Commission members who want to make a statement right now?

We will now hear from our host for these hearings, Mr. William Rice, who is the Regional Commissioner of the Bureau of Labor Statistics for Chicago.

Mr. Rice.

STATEMENT OF WILLIAM E. RICE,
REGIONAL COMMISSIONER,
UNITED STATES DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS

MR. RICE: Thank you, Dr. Levitan.

Mr. Chairman, members of the National Commission on Employment and Unemployment Statistics: I am very pleased to be here today and to have the opportunity to participate in certain aspects of the organization of this hearing.

We in the Bureau have felt for a very long time the need for an outside objective review of employment and unemployment statistics, particularly since these data are, as you know, extremely important today as a part of formulae established by Congress to distribute last year approximately \$17 billion of federal funds to state and local areas.

As you know, Commissioner Shiskin commented in the first confirmation hearing on the serious need to establish a national commission to look at the conceptual, definitional and other problems associated with the collection, dissemination and analysis of employment and unemployment statistics.

Unfortunately, at the current time data are not sufficiently reliable for all the uses to which it has been put. Until Congress passed the Comprehensive Employment and Training Act, referred to as CETA, local area unemployment statistics were used principally for analysis of labor market conditions within a state. While this use continues to be important, it has to a great extent become secondary to the allocation of federal funds, etc.

Since the Gordon Committee report in 1962 there have been substantial changes that you are all aware of in the composition of the labor force. To briefly cover some of those, for example, women have joined the labor force in record numbers. Women are breaking into occupations, including professional and managerial, which were formerly dominated by or exclusively male. Teenagers and adult women make up over half the unemployed. Black workers' unemployment rates are double those of whites. That's really not a big change since 1962, but it continues to persist. Persons of Spanish origin are the second largest minority. They have an average unemployment rate that is somewhere between blacks and whites. Also the problems associated with youth unemployment; problems of older workers, and on and on.

I am sure all of this information has been available to you and to the Commission through a series of papers prepared by the Bureau of Labor Statistics and other interested organizations. But the critical point is that these are simply national observations, and in many instances are simply overlaid to local areas. I think that's an important point.

In any case, Mr. Chairman, I feel that my role here today is to listen to the views of information or potential information and to those outside of BLS and the federal government.

Again, the Bureau of Labor Statistics welcomes a review of its programs and is confident that the recommendation from this Commission to the President and to Congress will have sufficient impact on many of the Bureau's programs, but, more importantly, will improve the quality of local employment and unemployment statistics to meet users' needs.

Thank you.

CHAIRMAN LEVITAN: Thank you, Mr. Rice, and thank you very much for the arrangements in Chicago.

I want the record to show that the Bureau of Labor Statistics, as well as the Bureau of the Census, have made excellent preparations for the Commission. We appreciate your help to us here today.

MR. RICE: Thank you.

CHAIRMAN LEVITAN: The first witness, or advisor, that we have today is one of the reasons that we came to this great city. He is a fellow who has been in this business for many years--since these numbers were started. He has played a very important role in shaping and reporting them, so we will now hear from Sam Bernstein, who is the Director of the Mayor's Office for Manpower.

Do you still use that word, Sam?

MR. BERNSTEIN: We still use it, but I think it is subject to change.

CHAIRMAN LEVITAN: So I understand, but we will not change your title. You will talk as director of the Mayor's Office of Manpower.

STATEMENT OF SAMUEL C. BERNSTEIN,
DIRECTOR, MAYOR'S OFFICE OF MANPOWER,
CITY OF CHICAGO

MR. BERNSTEIN: I would like to welcome the Commission members to Chicago, on behalf of Mayor Bilandic. Chicago appreciates this opportunity to express our views on the issues surrounding employment and unemployment statistics. Because the role of city government has expanded to encompass all phases of economic development, our concern with the accuracy and adequacy of these statistics has the highest priority.

There are many issues which this Commission must pursue. I will not belabor those issues which others will undoubtedly stress. However, representing the City and as the CETA administrator in Chicago, I would be remiss if I did not address the importance of reliable population-based measures of need and the related issues of allocation (perhaps I should say "misallocation") formulas. The most important population-based measure of need is the unemployment rate. No other series plays as crucial a role in perception, policy and action at the national and local levels. In contradiction to its importance, we are faced with an unemployment rate which is currently methodologically unsound. Moreover, the unemployment rate is an inadequate measure of economic need. Yet, despite its shortcomings, the unemployment rate is increasingly the primary basis for fund allocation decisions.

The current unemployment controversy is only one aspect of the persistent and pernicious tendency of the statistics to underrepresent the needs of cities. Because the allocation formulas rely on these statistics, our cities, including Chicago, are consistently underfunded. This, needless to say, subverts legislative and presidential objectives to target resources to those most in need.

For years I have contended that the unemployed in our major urban centers are substantially undercounted. Frequently, the jobless are missed by official censuses and surveys. Still others of the jobless are inappropriately counted as out of the labor force. I was not surprised when the Survey of Income and Education (SIE)

showed that the Current Population Survey (CPS), used to calculate national labor force statistics, underestimated the incidence of unemployment in Chicago. For 1976, the SIE gives an unemployment rate of 15.8 percent with 205,000 people unemployed. The CPS showed only a 9 percent unemployment rate and only 114,000 unemployed. Other special surveys, such as those conducted in St. Louis and Cleveland, have also indicated that the CPS gives a significant undercount of the level and magnitude of unemployment.

I believe that the Commission agrees that it is its responsibility to recommend the development and use of data sets, like the SIE, which more accurately reflect reality and promote national objectives. With this assumed recognition, the CPS methodology for cities should be reinstated. The sample size should be enlarged to gain accuracy in urban labor force activity estimates.

Unemployment data, however, even with improvements in its accuracy, will remain woefully inadequate as a measure of employment hardships. The other population-based indication of need which is necessary for policy, eligibility, and allocation decisions is income status. By legislative mandate, a high priority is placed on the economically disadvantaged. Yet, no series exists at either the national or local level which monitors this group. The poverty series which is used as a surrogate measure fails to include those receiving public assistance. For example, in 1975, nationally, 6.3 million youths (14-21) were deemed to be economically disadvantaged (i.e., members of families in poverty or receiving public assistance), as defined in the CETA legislation. Of these youth, 64 percent are in poverty; 44 percent are in families which receive cash welfare assistance. Only 8.5 percent of those receiving public assistance were counted as in poverty. In other words, over 50 percent of those judged in need by the legislation were NOT included in the poverty series. Moreover, most (80 percent) of those eligibles "missed" by the poverty series lived in metropolitan areas. These comments give only a glimmer of the inadequacies of the poverty series as a measure of need.

Since 1975, the definition of "economically disadvantaged" used for determination of CETA participant eligibility has been altered by replacing the Office of Management and Budget poverty threshold with one that is regionally indexed to 70 percent of the lower living standard budget level (as produced by the Bureau of Labor Statistics). The result of this alteration is that the official poverty series is now even less representative of the "economically disadvantaged" population. The official poverty series is least adequate in those areas with the highest incidence of employment problems and eligibles--that is, the major cities.

At this point, it should be noted that while CETA eligibility criteria gives equal weight to employment and income status, allocations are based almost exclusively upon employment data--however poor it is. The single exception is the count of "low-income" adults used in the CETA Title I formula. The low-income adult series is utterly unsuited to its allocation (or any other) purpose. It is (1) not related to family size; (2) not regionally indexed; and (3) based upon a methodology as obscure as it is unreliable.

The relationship between allocation formulas and data, as I have tried to show, is extremely complex. Allocation formulas, as a principle, should be altered to reflect those factors used to determine program eligibility. A data series related to the legislative definition of economic disadvantage should be developed and implemented to replace the use of the poverty series.

Such a data series could be adequately developed for states and major urban areas using five-year census counts and annual survey updates. As the SIE shows, 10 year benchmarking is simply insufficient to accurately provide the variety of data essential to economic decisions at both the national and local levels.

The legislative and programmatic challenge is to deliver services to those least able to help themselves. The group is often called the structurally unemployed. It is unnecessary to use monthly or even quarterly data to monitor changes in levels of structural unemployment. A five-year census, however, would meet these needs. The apparatus is already well established.

I might also comment on the development of a "hardship measure." It is difficult to see how this concept, given the limited data available, could be applied at the local level. What is really needed is reliable information on employment status and economic disadvantage for the major concentrations of populations in metropolitan areas and in the larger cities. These two series will fit the policymaker's concepts and serve local needs for data.

Whatever the cost of implementation of these recommendations, they are far outweighed by the long-run costs of inappropriate local and national policy and of misallocating federal funds. Many billions of dollars are spent based on these statistics. The several million it would cost to improve the data would surely be dwarfed by the benefits of correct policy and allocation decisions. This must be the primary concern of this Commission in its recommendations. Without improved data sets, the economic drain on our cities will reach crisis proportions.

I now turn away from these issues to share with you other aspects of employment and unemployment statistics which need improvement. I would like to particularly emphasize the role of these statistics in forward looking employment and training planning. There was a popular phrase several years ago that catches my meaning here: matching jobs and people. When CETA first began, this is what we all thought we would do. But, unfortunately, the data were not there to support our best intentions.

On the demand side of the labor market there are three series which were, and are, unavailable or inadequate to the needs of planning employment and training services. First, an industrial employment by quarter series at the city level is essential. No such series exists for Chicago. Yet, planning requires the monitoring of cyclical, seasonal and trend factors in employment.

Second, stressing the importance of placement in unsubsidized employment of both classroom trainees and public service employment participants, monthly job vacancy data at the city level is crucial. The improvement of placement rates in all of our employment and training programs is dependent upon the provision

of timely job vacancy information. Especially in the on-the-job training program, accurate, detailed and timely data is critical to successful job development efforts.

Finally, reliable and detailed occupational data for small areas also should receive a high priority in this Commission's recommendations. The last occupational data available for Chicago CETA planning is the 1970 Census. That data is for the six county metropolitan area. To design classroom training programs based upon data which is eight and one-half years old and which was never reflective of the real pool of occupations available to Chicago is at best foolhardy. CETA prime sponsors should not be placed in that position.

On the supply side of the labor market there are two specialized data sets for small areas which would be particularly helpful. A large number of CETA enrollees come from the pool of discouraged workers. Data on this group's demographic and labor market habits would allow for better targeting to those in some ways most in need of employment and training services.

President Carter and Congress have indicated that special efforts be made to service youths. While I do not agree with the categorical approach selected at the national level, I do recognize the special importance of receiving employment and training support in one's working life. Yet, of all demographic groups, the data on youth--their family backgrounds, demographics, and labor market habits and activities--is the poorest. This data inadequacy must be redressed if we are to meet the needs of youth.

In summary, I feel that nationally developed statistical series must meet legislative objectives. Of paramount importance is the development and implementation of data series which accurately target resources to those most in need. The improvement and readoption of the CPS methodology for metropolitan areas and cities supports this objective. The development of an economic disadvantage series will greatly reduce our incorrect dependence on labor force data as a measure of need. Finally, other series, as I have mentioned, must support local planning efforts. I look

to this Commission to guide Congress towards these goals.

CHAIRMAN LEVITAN: Thank you. With Mr. Rice sitting in back of you, you are a very courageous man to say all of those things.

MR. BERNSTEIN: He's a very good friend of mine.

CHAIRMAN LEVITAN: I hope you will remain so. I forgot to mention in the beginning that since we want to hear from as many witnesses as we possibly can, we are going to have to keep it to a half an hour. There is a bell that rings after 15 minutes, and I hope that the witnesses will leave 15 minutes for the commissioners to ask questions.

We will start with your former colleague from the State of Illinois, Ms. Wills.

MS. WILLS: Sam, two or three questions. You did not suggest, and there have been some people who have suggested, that discouraged workers become a part of the official unemployment count. Was it carefully designed by Dennis that it not be suggested that it be part of the unemployment count, and, if so, why?

MR. BERNSTEIN: Well, I'm not going to tell this Commission how to define the discouraged worker. Many persons, however, would look for work if they weren't convinced before they began to look that there was no chance and that they'd be spinning their wheels. In an inner city particularly, the environment is one which lends itself to that kind of lack of motivation. I don't think there are too many of us who would have acted any differently if we were in a similar situation.

Now, I'm not suggesting, and we haven't suggested, that they be counted as part of the unemployed. We ought to know, have some idea of the numbers, what they consist of, so as to begin to realize that when we talk about training programs, when we talk about the kind of things for which possibly that is the single source of hope for these people, we ought to know what it takes to deal with them, and we ought to have some handle on just who they are.

MS. WILLS: Two other questions. Do you think we need an occupational information and job vacancy information series at the national level?

MR. BERNSTEIN: I don't think that I would favor a national series on that, but we do need that kind of data available in local areas. When I say local areas, I'm talking about certainly cities and metropolitan areas. For those areas you do need vacancy data. For those kinds of areas, where central city is a large city, I do favor it.

MS. WILLS: I'll stop now. Sam knows full well we could talk all day long by ourselves, but I'll let other people ask questions.

CHAIRMAN LEVITAN: The new Chicagoan, Mike Moskow.

MR. MOSKOW: Sam, a couple of questions. One, you mentioned in the statement that allocation formulas, in principle, should be altered to affect those factors used to determine program eligibility. I wonder if you would mind giving us some examples of programs where you think that you would like to follow that principle.

MR. BERNSTEIN: Well, take the CETA program itself. The allocation formulas are based mainly upon unemployment data, yet when we talk about the people for whom the programs are designed and who would be eligible, we're talking about people in a category which has added to it income criteria. Not only are they unemployed, but they are also low income persons. So what I'm suggesting is that if you feel that these are the people for whom the program ought to provide opportunities, that we ought to be using the same criteria in terms of measuring the allocation of resources to deal with those people, and in order to do that we need data that we don't presently have.

MR. MOSKOW: So, in this case, the CETA case, you take low income or economically disadvantaged, as you said, plus some measure of unemployment ---

MR. BERNSTEIN: That is correct.

MR. MOSKOW: --- and combine them together for distribution purposes?

MR. BERNSTEIN: This is correct.

MR. MOSKOW: Would this economic disadvantage series that you suggest be applicable to other types of programs as well?

MR. BERNSTEIN: Yes, but only if income is used to determine those who are eligible for benefits under that particular program.

MR. MOSKOW: Thank you.

CHAIRMAN LEVITAN: Mr. Popkin.

MR. POPKIN: At the same time, sir, that you talk about adapting eligibility requirements and data, to Mike's question, you say that you don't think the hardship index is a very good idea because of the problems involved in giving it to cities. I feel there are the same problems with your suggestions vis-a-vis CETA that there are with the hardship index, so I'm a little concerned about the consistency of your suggestions.

MR. BERNSTEIN: Well, our feeling is that they are different problems. If you want the technical reasons as to the difference in the gathering of data for establishing the hardship index and the data which deals with disadvantage, I'd have to refer to my technician here.

CHAIRMAN LEVITAN: Would you want to supply that to us later?

MR. BERNSTEIN: Yes, we'd be glad to.

MR. POPKIN: To keep things moving on, there are two things in addition that I would like you to send us a note on later, sir. That's one.

The other two are some specific suggestions as to why you think that the Survey of Income and Education does so much better a job.

MR. BERNSTEIN: We'd be glad to.

MR. POPKIN: Secondly, a short memo on how you think regional indexing can best be done.

So, there are three things I'm asking for, regional indexing; why the Survey of Income and Education does better; and why you think that the kind of eligibility criteria data you're interested in would be so much easier for local ---

MR. BERNSTEIN: Than the hardship. Sure. We'd be glad to provide it.

MR. POPKIN: Thank you very much.

CHAIRMAN LEVITAN: Sam, I would also like to ask you a few questions, but the time will not permit answers right now. I hope you will supply us with that information.

By the way, I do not believe what you said concerning your not being a technician or an expert in Washington. We will call that statement an understatement.

MR. BERNSTEIN: I assure you that I've never been known to be modest. If I had any right to proclaim this, I would have made it.

CHAIRMAN LEVITAN: Well, based on our earlier conversations, I would definitely qualify you as an expert.

MR. BERNSTEIN: Thank you.

CHAIRMAN LEVITAN: On that condition, could you please supply us with some additional information. You talked about increasing the CPS. Are you concerned about the problem of bothering more and more citizens and asking them more and more questions? You mentioned only the cost to the federal government. Would you

also care to comment about what it would cost in terms of citizen complaints about the government asking a lot of personal questions--for example, how much income they make? These are the types of questions that you are suggesting.

You also ask for occupational data. Can you be a little more specific as to what kind of data you would want? How would you use it? You have a very general statement on page 10 in your presentation, but can you get your staff ---

MR. BERNSTEIN: We will be glad to. We'll be very happy to do that.

CHAIRMAN LEVITAN: And I do hope that you would also elaborate a little more on this question: What is the difference between what you are suggesting and the hardship index? How would the data collection that you are suggesting differ? That's the same thing that Sam Popkin was asking. I am underlining this point.

Thank you very, very much, Sam. I hope you stay around for a little while.

MR. BERNSTEIN: Here or around generally speaking?

MS. WILLS: Around in general.

CHAIRMAN LEVITAN: Thank you very much, sir.

Our next expert, our next advisor--we don't call it witness--is the Mayor of Columbus, Ohio, the Honorable Tom Moody, President of the National League of cities.

Welcome, Mr. Moody.

MR. MOODY. Thank you, Mr. Chairman.

CHAIRMAN LEVITAN: Proceed in your own way.

MR. MOODY: Thank you, Mr. Chairman, and members of the Commission. I deserve the title expert only because I truly am more than 50 miles from home.

I was unable to forward to the Commission, as requested, before this time additional copies of my remarks. I have them here.

STATEMENT OF HONORABLE TOM MOODY, MAYOR,
CITY OF COLUMBUS, OHIO

MR. MOODY: Good morning. I am Tom Moody, Mayor of the City of Columbus, Ohio.

Mr. Chairman, members of the National Commission, I thank you for this opportunity to testify about my concerns regarding the adequacy of current concepts and methods involved in producing employment and unemployment statistics, and to comment about the usefulness of currently available statistics for local policymaking, and for meeting specific requirements of federal grant applications.

There has been much testimony given in recent months before several government-sponsored committees, including your own, by representatives of cities, states, special interest groups, and experts in the use of employment and unemployment data. So if I sound repetitive of what you have already heard, I should want you to understand that I am supportive of much testimony already before you.

Many of my mayoral colleagues believe that the new method of computing area unemployment rates, using data from the Current Population Survey and improved statistics from state unemployment insurance programs, may hurt larger cities when they apply for federal funds that require unemployment data as a base for allocations. A study conducted by my staff in March 1978 revealed that perhaps Columbus would not be as seriously affected by the changes as some of the other cities. This study was limited in scope due to the unavailability of adequate labor market information below the county level. Nevertheless, we made a comparison of the unemployment rates of Franklin County, where Columbus is located, for calendar year 1977 under both the old and new methods. We also did this for each county in our metropolitan area to draw some comparisons between Franklin County and the less populated counties surrounding Franklin. We wanted to see whether there was any evidence of drastic changes in data for central cities as compared to suburbia, as we had been told. The result of this study revealed that each individual county, including Franklin, remained

consistently the same, month by month, under both methods. In fact, the annual average for each county did not vary much more than one-tenth of 1 percent. In my concern for understanding the new method, I had previously conferred with representatives of the Bureau of Labor Statistics, and was reasonably well satisfied that the new method was technically superior to the former method, and that the fears of my colleagues were not totally justified.

These circumstances somewhat relieved my fears until the proposed allocation formulas for the Comprehensive Employment and Training Act (CETA) reauthorization revealed some disturbing news. For example, the House Education and Labor Committee has recommended a formula for allocation of funds that would reduce the Columbus Title I allocation by \$1.5 million. The formula is largely based on the use of unemployment data. The public service employment allocation is also sharply reduced under the proposed formula. I do not know whether "new methodology" or "old methodology" was used to arrive at these figures, but it gave me cause to take another more serious look at what others were saying about larger cities being seriously affected by the use of the new methodology.

Surprisingly, the most significant information we found available is what is not available. What supposedly was available was either hearsay or revealed to us by our personal contacts working in federal and state agencies, and they did not want to be publicly identified. One such individual went so far as to say that the quotes from officials on the effect of the "new methodology" are as varied as the offices they represent.

What I have just stated is probably the most disturbing part of what is going on. The bottom line is that the Bureau of Labor Statistics (BLS) and their subsidiary agencies are simply not being open and candid with information. At times they are even misleading. For example, as I stated earlier, employment and unemployment information is apparently not available below the county level. Yet, a personal contact revealed that information on city unemployment is supplied by the state employment offices to BLS but not released to the cities. We have since been informed

that it can be obtained from a certain office in Washington, D.C., with a monetary charge for the information. If this information is in fact being compiled at the local level, why cannot it be directly released to the local governments who must make critical decisions in the planning and implementing of manpower programs on the basis of numbers of unemployed in need of employment and training services?

In a report prepared by the U.S. Conference of Mayors, they stated that there are serious problems with both the old and new methods of computing unemployment. One of the deficiencies in the new method that they identify is that certain population segments will be undercounted. Specifically, population groups which tend to be concentrated in cities. They are, of course, referring to minorities and economically disadvantaged many of whom do not show up as a statistic under either method because they are usually not in the work force long enough to file a claim for unemployment insurance after they have been laid off. Columbus should be included among communities that have this "nonstatistic" segment. Although the "official" data distributed by federal and state agencies provide little or no current documentation as to the numbers represented by these groups, our local CETA advisory council has historically identified them as the most significant segment of the Columbus community in need of employment and training services. It is ironic that they were only partially counted in the base data that determines the dollar amount to serve them. For the record, I would like to include among the uncounted segment the discouraged and disaffected workers. As Mayor, I cannot ignore citizens of my community in need of tax supported services even if they do not show up on the "official" federally controlled unemployment rosters. It is my hope that this Commission will address the unresolved problem of statistically identifying this forgotten portion of our population.

I would now like to comment on an additional aspect of the issue at hand. The current available employment and unemployment statistics are inadequate for definitive policymaking decisions. The official statistics too often are in conflict with my own personal knowledge about what is happening in my com-

munity. The uncertainty of the reliability of the data makes employment and training plans suspect. It likewise makes the grant funding process suspect when this questionable data is imposed upon me as a requirement to obtain federal funds. If the federal statistical services are found wanting, they certainly cannot be adequately substituted by local initiative in gathering data and still maintain a semblance of conformity to a comparable national pattern. On the other hand, it might be worthy of consideration for the federal government to provide technical assistance to local governments in order to raise their standards and to improve the quality of locally collected data on labor force and unemployment information. This recommendation is not to be considered a substitute for the present initiatives to improve the national and local data base, but rather it is an attempt to give credibility and legitimacy to labor market data collected and analyzed at the local level.

My final recommendation relates to the commitment of the President and Congress to support federal assistance to the cities in the areas of unemployment and training as well as economic development, housing and community development. It is important that they recognize their responsibility to distribute these funds in the most equitable manner. In discussions with other officials representing large metropolitan areas, it has become apparent that the problems identified in this report are far-reaching and of paramount concern to other mayors as well. Since this Commission is charged with the responsibility of advising the President and the Congress on reliable and comprehensive measurements of employment and unemployment, I am hopeful that serious consideration will be given to those recommendations presented. It might be advisable that you recommend suspension of the utilization of data gathered under the "new methodology" until it has been adequately tested and can show a substantial improvement over the old method.

I cannot emphasize sufficiently that municipal officials lack confidence in the new method because it seems to us to result in substantial decreases in our federal funds. I well recognize that a substantial part of this problem may lie in the allocation formulas,

and that that area may be the ultimate background. However, I see this as even more reason for a delay in the use of the new methodology until there has been a sufficient period of comparative testing to enable everyone to make appropriate decisions. I will not join with those who simply oppose what is thought honestly by the Bureau of Labor Statistics to be a better method. I do join with those who urge a delay in the implementation of the new method, which has already resulted in harm to 10 major cities and threatens imminently at least 18 other major cities. My city, Columbus, is not one of the 10, and not one of the 18. We have not been able to determine what will happen to us. I strongly urge upon you that a new methodology, no matter how promising, that causes such upheavals in many of our major cities, and leaves many other major cities in grave doubt as to where they are, should be delayed in implementation until a substantial testing period has been completed and the results thereof have been widely distributed and analyzed.

Again, I thank you for the opportunity of appearing before this Commission to discuss a matter of utmost gravity to all of us.

CHAIRMAN LEVITAN: Thank you.
Do you have a few minutes?

MR. MOODY: I do, sir.

CHAIRMAN LEVITAN: We appreciate the help and the cooperation we are getting from the National League of Cities.

I will start with Mr. Popkin.

MR. POPKIN: Sir, let me ask you two things that I'd like you to send us memos on later. This is not just because it is easier, but I have found that the people who make the most specific suggestions are the most helpful, and you've laid out some very important problems. You are not the first person to complain that BLS was not open and candid, that they were unable to communicate and that they were misleading. That is a charge that has been raised quite frequently. It has been raised frequently enough so I think it would be a

good idea if specific structural suggestions were made as to what could be done so that important county officials, mayors, governors, and others would not be placed in the position in the future of having to repeat these charges.

MR. MOODY: That's a fair question.

MR. POPKIN: I think it is time to ask for specific suggestions as to what can be done about that.

MR. MOODY: Let me respond to you by saying that I will have my staff prepare this. I have had only one specific encounter of this type, and that was because I did not believe my staff, and I went myself to these places and got the same answers, but I will have them prepare the laundry list.

CHAIRMAN LEVITAN: Excuse me, sir. I wonder whether you could also get from Mr. Beals the supplement for other cities. We can, of course, ask Mr. Beals the same question, so that we can get it from other cities and not just from your own personal experience.

MR. MOODY: I would see no reason why that can't be done.

MR. POPKIN: That's all. Thank you, sir.

CHAIRMAN LEVITAN: Mr. Cain.

MR. CAIN: Thank you.

I'd like to ask your opinion of the merits of an emphasis on unemployment rates versus income statistics; of course, the emphasis on low income, as criteria eight formulates.

MR. MOODY: You will be getting my opinion, and it will not be a thoroughly informed opinion, Doctor.

I think I agree totally with what Sam said, but I am not familiar enough to really have an informed opinion on this. Columbus is in a very strange position; it seems to me that on all formulas, we come out

at the bottom because we are relatively more prosperous than other large cities with whom we might compare ourselves. Our unemployment rates are lower, and so on. And, unlike most other large cities, we have lower income across the board. That is probably one of the reasons that we continue to grow and be prosperous. So I think I agree with Sam, and I am thoroughly convinced that we should have greater emphasis on low income statistics than on unemployment statistics, but I'm not enough of a statistician to know exactly why I think that.

MR. CAIN: Is it safe to say, though, that this would shift resources from cities towards more rural areas, where I think it's clearly true that incomes tend to be lower and unemployment rates also tend to be lower. So that rural areas would benefit by virtue of, so to speak, their low incomes, and not be "punished" because of their relatively low, apparently, unemployment rates.

MR. MOODY: Logically, I agree with that. I am not sure what the picture shows. I have not studied the rural areas in comparison with the city areas, but the city figures that I observed seem to me to be higher only because there is a much broader base, and a very substantial number of people making a great deal more.

This tends to obscure the enormity of the number of people who are low income within the cities, and there is no countervailing high income group in the rural areas to do the same thing there. So that seems to me to be a matter of the right kinds of statistics. I am always fearful of those averages which give Rockefeller and Moody a yacht and a half apiece.

MR. CAIN: Thank you.

MR. MOSKOW: Your statement is particularly helpful in that you pointed out this distinction between disagreeing with the basic formula itself for allocating funds as opposed to people being concerned about changing methodology for calculating. The former, obviously, could be a legislative matter; it is

basically a policy decision. The latter is one that's more concerned with the methodology of making and determining the allocation.

On the latter, I'm not going to ask you for the specific information that you supplied, but just a couple of general questions. Was the problem that you faced with BLS at the national level, or the local level, or both?

MR. MOODY: I guess it's with both levels, and this is a little bit beyond my scope. I personally was involved only at the local level, and I would emphasize that I simply did not believe my staff could not get the kind of information that we need to fill in some of the blank spaces on reports to the federal government. It seemed to me to be so ridiculous that I went to the highest possible person in the state government, and then I ran into all of--not the governor, I might add, but to somebody who would know something about it. Governors and mayors don't know these things. They simply can find the people who do.

We could not get the information because of Title 13 and some of those other considerations--at least, in their judgment. Now, the Attorney General had advised them that they were not permitted to give this to us.

MR. MOSKOW: Has the League of Cities expressed its concern about this to the Commissioner of BLS, or the Secretary of Labor, or both?

MR. MOODY: Yes, and the testimony--not testimony--advice, I guess, I've learned this morning--by Mr. Beals, at an earlier session, dealt in some measure with this.

MR. MOSKOW: I was at that session. Thank you.

CHAIRMAN LEVITAN: I forgot to introduce that Mr. Moskow is a former Undersecretary of Labor, so when you blame BLS, you know who to blame.

MR. MOODY: I have met Dr. Moskow in that regard previously. I am not unknown to the Department of Labor.

CHAIRMAN LEVITAN: Rudy.

MR. MOODY: I would say that he's one of the more perceptive and reasonable.

CHAIRMAN LEVITAN: I am sure of that.

MR. OSWALD: Mr. Moody, I think that one of the concerns has been that some of the local area unemployment estimates that once were made did not add up to the same figures as national estimates that were coming forward. Sometimes these are substantially less, or substantially more.

As a mayor, do you think that that's a serious problem, and what sort of concerns should a national commission have with the question of whether all these local data correspond with the national data or not?

MR. MOODY: Well, from the mayor's point of view, all good government is at the local level, and all bad government is someplace else above. I guess I would reflect some of that and say to you that from my perspective, the national figure and whether or not the sum of the parts equals the whole are almost irrelevant to me.

We have to make plans, we have to carry out programs on the basis of what is happening with us. And for a number of reasons which don't bear repeating, we know that a large part of our target group is incorrectly stated at both the local and national levels.

I don't have the sophistication and statistical analysis to be of aid to you or to give examples in my response to you, sir. I do feel that the crying need in Columbus and Franklin County is for better local information, and I recognize that the Congress must do some things on a national level with a whole lot of stuff about triggering points and all that sort of thing, but I would point out with Sam Bernstein, again, that with regard to the structural unemployment, those things should probably even not be a factor or be substantially reduced as a factor.

I believe that kind of triggering device had an unanticipated result when we went through the rather severe recession in the early days of CETA. Columbus

happens to lag approximately two years to two and a half years behind national cycles, so in 1973, October, I had an unemployment rate of 3.7 percent, when Detroit, Philadelphia, Boston, other cities were suffering.

It was on December 28, 1975, that I felt the first budget pinch. By that time, the Department of Labor had recognized what they thought was wholesale substitution on other municipal payrolls, and they were going to cut all that business off, and I happened to be the first one standing in line after the cutoff.

I think a lot of countercyclical activity confused a number of people, and either the statistics were not susceptible to intelligent use or the statistics were simply ignored by a lot of us who were in emotional situations, and I can't really answer that. We tried not to be confused, and that's one of the reasons that what I have had to report to this Commission that Bill Rice said made sense to me, but everything else, after I get past Bill Rice, does not make sense.

CHAIRMAN LEVITAN: I kept as the final seeker of advice a constituent of yours, Ms. Wills.

MR. MOODY: Indeed, I have been waiting for the bomb to drop.

CHAIRMAN LEVITAN: She is someplace between the cities and the big people in Washington.

MR. MOODY: Well, we have the advantage that she was locally trained.

MS. WILLS. I hope well trained. I learned a great deal.

Two questions, Mayor. You mention kinds of technical assistance, and I know Alan has talked about it also. What kind of technical assistance do you think would be very helpful to your staff? I assume you mean on the CETA staff. You mentioned here only about understanding the unemployment statistical information. I assume that that might also include information on occupational data?

MR. MOODY: Yes.

MS. WILLS: The other one is a tougher question. You heard Sam talk about the large city, and you started your comments with concern about the smaller cities, and I share that concern. And I'm sure we will be hearing about people from rural areas where there is little or no data available.

Where do you think there's a reasonable cutoff? I think frankly that's one of our tougher questions to answer. I don't--I'm not asking you to speak on behalf of the League of Cities. What do you think is reasonable?

MR. MOODY: The only honest answer I can give you, ma'am, is I don't know. My first inclination is to answer a half million, since Columbus is larger than that. I really would not know, and it is beyond my skills to even venture an uninformed opinion.

I know that the same kind of confusion and bitterness exists far below that, but when you consider that in many states in this union the largest city is barely over 10,000 persons, it becomes rather mind-boggling on a national level. I cannot be helpful to you with regard to that question at this time. I can give you all of the political answers, because I have heard all of the political rhetoric, and until about a year or so ago, the minimum population for direct membership in the National League of Cities was 30,000, or the ten largest cities in the state, and we represented those cities. The U.S. Conference of Mayors is 30,000, and it has not changed. The National League of Cities is now open to all cities.

Obviously, despite the emotions of those folks, there are not the same problems in those communities. I guess the best help that I could be to you would be to suggest that except for affluent suburbs which do not have this kind of a problem, I have not seen the sophistication of management go much below 100,000. I would count those as rare where there is sophistication and resources combined, and I recognize that will offend some of my colleagues, but that's my management decision as opposed to any other.

CHAIRMAN LEVITAN: Thank you very much, Mr. Moody. I'll transmit your testimony to the Commissioner of Labor Statistics, and if we get any reply, we'll send you a copy.

MR. MOODY: It will probably burn up in the mail. Thank you very much.

CHAIRMAN LEVITAN: Thank you very much, sir. We'll now hear from Mr. McBride, who is a senior vice president of the CleveTrust Corporaton. Maybe Mr. McBride will say something nice about BLS. Since some of my colleagues and I have to go back to Washington, we'd like to hear something nice.

STATEMENT OF NOEL A. McBRIDE,
SENIOR VICE PRESIDENT,
THE CLEVELAND TRUST COMPANY

MR. McBRIDE: My name is Noel McBride, Senior Vice President, Cleveland Trust Company, Cleveland, Ohio. I am here speaking as a council member of the National Association of Business Economists, as a private user of BLS statistics, and as Vice Chairman of the Business Research Advisory Council of the BLS. However, these views are my own and should not be construed as endorsed by any of the organizations I just mentioned.

It is my belief as a private user of the national employment data that BLS is already producing more data than is generally needed for most macro business analysis. If a problem exists, it is in the way the data is disseminated and perceived by the public and the public officials. I am aware that some would argue the need for job vacancy data; however, it is my belief that the help wanted advertising index serves as an adequate proxy for job vacancy figures. And I would be unwilling to see BLS undertake a new major statistical program which would place a further burden of reporting on the private sector and cost the taxpayers additional millions of dollars for the development of the local area data that would be required.

I believe that the employment data serve the needs for macro economic analysis on a national scale in an adequate manner. But I think it should be emphasized

that the real problem is with the local area data which were designed to fill a need for a national sample. Their limitations are misunderstood by Congress and the data are being misused for local area analysis and the allocation of federal funding.

As a member of the BLS Advisory Committee on Wholesale and Consumer Price Indexes for 15 years, I think I see a pattern developing now with the employment data similar to that which has occurred with price sampling over the last decade. There has been a substantial increase in local area price coverage simply because of congressional demand. The question with the employment data, however, is if we go down the same road, are we liable to spend all this money for expanded coverage and then find we still don't have the data that is really required to allocate federal funds?

You have been told by the staff of BLS that one of the problems with the unemployment data is that we tend to equate unemployment with poverty and vice-versa. Rightfully BLS points out that this is not necessarily true. Many persons who are unemployed are not living in poverty and quite a few persons who are employed do live in poverty or something close to it. I surmise that BLS is saying that they recognize the inadequacy of the unemployment data; but unless this Commission does something about it, they will have to go ahead with expanded coverage anyway, simply to obey the misdirected wishes of Congress. It seems very likely that even if local employment data are greatly increased, Congress will still ultimately demand a measure of income adequacy by area because only that will finally provide the means to solve the problem of how to allocate funding.

Another point I would like to make is that it is not enough for BLS to state that there is a "tendency to equate poverty and unemployment" and then to go right on publishing employment releases which continue to reemphasize that erroneous linkage in the mind of the public and Congress. The fact is that the unemployment figures do not measure poverty nearly so much as they measure labor turnover and the rate at which people are entering the labor force. And to the extent that the rates do include serious hardship they fail to provide a quantitative measure of it. For example, we

have no way of knowing each month what percent of the long-term serious unemployment problem is being alleviated by federal programs already in existence.

Now I would like to show you some examples of how, in the course of disseminating employment and unemployment information to the public, BLS maintains a state of economic illiteracy with regard to the nature of the problem.

In this room nearly all of us know that the definition of unemployment includes people who lost their last job, who left their last job, who are reentering the labor force, and who are looking for their first job. But I wonder how many of us, even though we know it, really have thought about those differences. There must be a substantial difference between a person leaving a job voluntarily and a job loser. It is probably fair to surmise that most people don't leave jobs if they have no means of support or will be unable to take care of themselves while looking for another job. It is also probably fair to surmise that many, if not most, people reentering the labor force are not persons who have suddenly become poverty stricken. The same might be said for persons looking for their first job. Thus, it would seem that the most important (meaning most serious) categories of unemployment, if they were ranked, would consist of job losers, adults age 25 and over, the longer term unemployed, and the discouraged workers.

As I am sure you know, the discouraged worker isn't included in our definition of unemployment. As for the other categories, I think it would be interesting if we were to take a poll in this room of how many people are familiar with some of these jobless rates. For fear of causing a certain amount of embarrassment, I won't do that. But I would ask each of you to ask yourselves if you are aware that the unemployment rate for people 25 and over, including males, females, black, and white, was down to 3.9 percent in April, that the unemployment rate for job losers was 2.5 percent, and that the percent unemployed 15 weeks and longer was 1.4 percent.

At the end of May, I tested these questions on a group of nine Cleveland business economists who work for some of the largest corporations in Ohio. I found

that although five of the nine knew the precise number for the total unemployment rate in April, and the other four were within one-tenth of 1 percent, none of them knew the exact figure for the 15-week and over rate. One said he "guessed right" on the job losers, and nobody knew the figure for 25 years of age and over. Interestingly, both the average and the median of their guesses on these numbers were well in excess of actual. On the 15 weeks and over, the average and the median guess was 2.1 percent versus the 1.4 percent actual, and the 25 and over was 4.4 percent versus the 3.9 percent actual.

In summary, this group of practicing economists didn't know the figures, and although they were able to guess in the right direction, they overestimated the actual rates by as much as 50 percent.

If this is true of practicing business economists, what is the level of understanding of the public and Congress? I turned to the BLS "Employment Situation" release for April and discovered that nowhere in the text does it mention these rates except to say that "the median duration of unemployment decreased ... due to ... a slight reduction in those unemployed 15 weeks or more." In fact, only those persons who received the release and plowed all the way through it to page 10, Table A-7, will find the data. That means, of course, that these rates never get communicated to the public because the press publishes the story in the release for the most part and does not attempt to interpret for themselves.

My curiosity aroused, I next asked my staff to go over all the texts of the employment releases for the last six months and see if BLS ever mentioned the unemployment rate for all adults 25 and over, for job losers, or for those unemployed 15 weeks and longer. The answer was no, not once!

The interesting thing about it is that the writers of the release are aware of the changes in these categories. They just do not seem to like to talk about these particular unemployment rates. For example, in talking about December unemployment, they said, "The level of unemployment fell by 480,000 to 6.3 million s.a., in December. Most of the improvement took place among persons who had lost their jobs." Actually, the

number of job losers remained relatively unchanged at 2,733,000 in November and 2,749,000 in December, although the number of job losers not on layoff fell from 2,098,000 to 2,012,000.

The only other reference to these sets of numbers over the entire six-month period was in April when they mentioned that "The median duration of unemployment declined from 7.0 to 6.2 weeks in March, reflecting a drop in the number of persons unemployed 15 weeks or longer." Far be it for BLS to inform the U.S. taxpayer of the fact that there were only 1,463,000 people in the U.S. unemployment figures who had been unemployed all winter.

Without going into the petty details of how it all began, I am sure you are aware that each month the Commissioner of BLS is asked to appear before the Joint Economic Committee to describe and interpret the employment data release. Here then, I thought, must be where BLS really educates the Congress on all the nuances of the employment data. Alas, that isn't entirely right. If you examine the prepared statements of BLS before the JEC you find that while they give Congress the total unemployment rate calculated 13 different ways, and constantly talk about the high rates for blacks and teenagers, not once in the last six months have they mentioned that the long-term unemployment rate was below 1 percent or that out of the total unemployed less than 2 million had actually lost their jobs, or that the other 4 million largely represented frictional unemployment.

Probably, if you ask BLS why this is, they could point out that first they have thousands of numbers so why should they focus on the ones I have selected. And second, it is their job to point out problems in unemployment and so they focus on the highest unemployment rates.

I think, therefore, we may have an important organizational problem. Should you recommend merely that BLS present the numbers in a better perspective than they have been doing? BLS, despite its claim and reputation of impartiality, is still a part of the Labor Department. Therefore, the question arises as to whether or not the employment situation release should be prepared elsewhere. If I were the Commissioner, I

know that I would think twice before I antagonized my boss' constituency by belittling a problem that is perceived by Congress as requiring billions of dollars of federal aid.

Yet it seems clear that public, congressional, and presidential misunderstanding of the magnitude of unemployment, or the lack thereof, has been the prime contributor to the excessive budget deficits and the excessively easy monetary policy that has caused the inflation over the last decade.

CHAIRMAN LEVITAN: Thank you, Mr. McBride.

Mr. McBride, I wonder if I might ask you a few questions.

First of all, you made the point about the cost to a business firm in filling out the statistical reporting forms. Would either one of your colleagues or you have any information on the cost of filling out the BLS forms? Would you know of any way that we could secure that information, at least for a few representative firms?

MR. McBRIDE: I could take a crack at it. I can't promise you.

CHAIRMAN LEVITAN: Would you, please?

MR. McBRIDE: Yes.

CHAIRMAN LEVITAN: Thank you.

Could you suggest to us now or later in a memo as to how BLS should present the monthly data? As you say, there are thousands of numbers. What would be your choice of numbers for presentation before they get to U-1 or U-7? We will send you, if we haven't already, a copy of our Commission report outline, especially a whole section of the report that deals with data presentation. That certainly would help us very much.

MR. McBRIDE: I think, if I didn't make it explicit here, the things I would stress are what I consider to be the important unemployment problems. I would find some way to redefine unemployment and put

the emphasis on adults--if you can separate what's really off in that mass of discouraged workers--and treat the frictional part as a phenomenon that goes on in our labor force and is really not a very serious social problem.

In fact, what it really represents is people working their way up the ladder, so that in the release I think I would try to put a better perspective on the whole thing and point out the problems, but also point out the fact that once you get adult unemployment down below 4 percent, you are verging on creating a lot of inflation in the labor force, and by not talking about this to Congress, BLS continues to let Congress go on widely unaware of how close we really are to operating at capacity as far as this goes.

CHAIRMAN LEVITAN: My final question, Mr. McBride, deals with local data. If you listened to our two earlier advisors here this morning, I'm sure you heard that this is a major concern of the Commission as well as many other people.

I was wondering to what extent does an economist working for a business firm use local data? What kind of data would a business economist need for purposes of his or her analysis?

MR. McBRIDE: Well, one place we use it is an econometric model we use for branch location, and we do find that if you can throw an unemployment rate in there, local data, it does help in analysis projection.

But in my own organization, we frankly use it very little aside from that. We do use a macro unemployment rate for our projections for loan demands. That's about it.

CHAIRMAN LEVITAN: Thank you.
Mr. Cain.

MR. CAIN: You've emphasized, I think, in your paper levels of unemployment rates for specific types of groups which tend to be lower than the overall unemployment rate. But isn't it--I am not sure if I am making a comment now or asking a question, so if it comes out as a comment, you can comment on it--isn't it true that we tend to use the unemployment rate, and

indeed, we've used several of them, as relative measures of performance of the economy and the labor market and so on where the relativity is with respect to what we've done in the past? In a sense, that's the only thing we really have to go on, and if that's the case, how do we know that the unemployment rates that you've talked about won't show more worsening of conditions than the overall unemployment rate?

Let me give you a specific example. Let's say that in 1975 the unemployment rate was 9 percent overall, and we compared that with a situation X years before when it was 4 and a half percent, so we could say that the overall unemployment rate doubled. Things are twice as bad off in some sense. That, to me, would be perfectly consistent with an unemployment rate in 1975 for job losers, say, 3.6 percent, where the comparable unemployment rate for job losers when the overall unemployment rate was 4 and a half percent was 1.2 percent. These are hypothetical figures, but they're not really unrealistic, which would indicate, then, that the job loser rate had tripled, whereas the overall unemployment rates have doubled. Would you be happy with the BLS making that use of that?

MR. McBRIDE: Absolutely.

MR. CAIN. You would be?

MR. McBRIDE: That would give you a far better measure, then, of how serious this is, because that would mean that the job loser category had gone from 2 million to 6 million.

On the other hand, I wonder how many congressmen would vote for a \$60 billion deficit this year if they knew the number of job losers in the country was on the order of 2 million people.

The other 4 million are, by and large, the people I'm talking about who are coming into the work force looking for jobs, leaving one job for another for some reason, and so forth. So when you begin to look, to zero in on the true unemployment problem, then you begin to ask yourself questions about how should we go about taking care of this, and you find that if you've only got a million and a half or 2 million that really

are the serious problem, you can take some kind of a direct shot with benefits or negative income taxes or something like that far more cheaply than all these federal programs.

MR. CAIN: Of course, some of the job losers would be people on temporary layoff, isn't that right, and they would be more likely to be covered by unemployment insurance, perhaps. Do you think it's correct to say that the job losers are more of a hardship case on the average than, well, say, people who are discouraged workers?

MR. McBRIDE: I think there are probably discouraged workers that are far worse off, because they run out of unemployment. They don't know how to find a job. But it's ludicrous that with all this data we're sitting here asking each other these kinds of questions. We don't know.

MR. CAIN: But you implied you did know. I take it your preference would be to stick with a job loser rate and just give emphasis to that?

MR. McBRIDE: No. I would look at a number of rates, but I would try, I guess, as I said before, to put them in better perspective. When you publish the rate that teenage black unemployment is 38 percent, you should also mention the fact that the unemployment rate for skilled workers is 2.5 percent. It tells you something about how much more macro stimulus you can apply to the economy. You had better say, whoa, we can't do it that way, we're going to have to design a program specifically for this particular pocket problem.

MR. CAIN: Fine.

MR. MOSKOW: It's a very tough problem, as you point out, because, obviously, the analysis that you're talking about could be done, and it doesn't have to be done by BLS. It could be done by congressional committees, by the executive branch, as background analysis, preparing for legislative proposals or other types of policy initiatives.

I think that the question is, in the release itself, how is it best to present an objective view of what's happening in the labor market? I don't personally agree with your statement in here where you said, "Secondly, it is their job," referring to BLS, "to point out problems of unemployment."

MR. McBRIDE: I'm just speculating as to how they might reply.

MR. MOSKOW: I think, if I were Commissioner of BLS, I would disagree with that, as to it being their job to present an objective view of what's happening in the labor market, both the employment side and the unemployment side. Perhaps as to how it's carried out, that's probably something to disagree on, too. But I think there's no question that you're focusing on an appropriate problem; how is it best to present these data. There's a public education purpose here as well as a need to help policymakers.

I'd like to ask you, is this something that either the National Association of Business Economists or the Business Research Advisory Committee to BLS has addressed? Have they made a specific recommendation?

MR. McBRIDE: I don't think we've ever talked about it. In fact, I didn't know this problem existed until I started writing this paper, and I had my staff go back and read all these releases to see if these rates were there. Then I called a friend. I couldn't find the release they published for the Joint Economic Committee. I called a friend at GM, and he had his office go through all the releases they had on that, and it was never mentioned.

I think we will bring it up now, though.

MR. MOSKOW: I think it's a very appropriate topic for both the Business Research Advisory Committee and the Labor Advisory Committee, and for other interested citizens to address, too. I think there's a very legitimate public education purpose here.

I have two other specific questions I wanted to ask you. One, on the job vacancy series, which you said you didn't think was really necessary to have. Is

this something that either of the groups that you mentioned has taken a position on, a public position on--either the Business Research Advisory Committee or Business Economists?

MR. McBRIDE: The Business Research Advisory Committee years ago, I think, did take--has studied it. I can't remember what the recommendation was at that time.

NAB does not take positions on that. We cannot speak for the membership, but I think that Frank Schott expressed wanting such a series.

CHAIRMAN LEVITAN: Dr. Schott, the president of NAB, definitely recommended a series on job vacancies.

MR. MOSKOW: The other question I had relates to persons aged 16 and 17. As you know, the current definition of employment includes 16- and 17-year-olds. There was a time in our history when the definition covered 14-year-olds, and then there was a change made back in 1967 to exclude 14- and 15-year-olds. Some people have suggested that the definition be changed again, and exclude 16- and 17-year-olds, cut it off at 18. The rationale given is that 90 percent of that group is in school. It's not representative to separate them from the rest of the labor force in terms of getting a view of what's happening in the labor market.

I was wondering if you had a personal view on that that you'd like to express to the Commission.

MR. McBRIDE: I guess my view is that I would think long and hard about doing away with the total unemployment rate number and publish a variety of unemployment rates, or if you want to publish one for 16- and 19-year-olds, fine. Publish one for blacks, for whites, for skilled, and so forth, but if you want to do it--if you're convinced you can't do away with the total unemployment rate, then I'd say maybe you should take that out, because they really don't have a full-time attachment to the labor force nowadays, most of them. And, secondly, they just distort the hell out of the numbers when school is out and when school starts. The seasonal problem it creates is just enormous.

MR. MOSKOW: Thank you.

CHAIRMAN LEVITAN: Mr. McBride, I find some difficulty with your answer. Although I'm sure you'll say with such friends, who needs enemies, may I act as a defender of BLS? You stated before that your nine business economist colleagues and you never go to U-1 or U-7 which is on page 8.

Now you tell us that you want a series of numbers, and you want to do away completely with the single number. What would BLS release, and what do you think your favorite 7 o'clock announcer will report on every Friday of the month? What figure would he use, or wouldn't he use any figures?

MR. McBRIDE: He'd be in real trouble.

CHAIRMAN LEVITAN: Would you care to advise Walter Cronkite, or whoever your favorite announcer is, which number he should use, assuming that he has only 63 seconds for the monthly release?

MR. McBRIDE: Well, if you can redefine discouraged worker and bring that back into the labor force, or a portion of it, and the job losers and people over 25 or the people who are breadwinners, male and female combined--I'm close to being accused of being chauvinistic, I might be before I finish this--and come up with some kind of a rate that is composed of the people who are living in a state of hardship as a result of unemployment.

CHAIRMAN LEVITAN: Thank you very, very much. We'll take a ten-minute break now.

(A short recess was taken.)

CHAIRMAN LEVITAN: Although the Bureau of Labor Statistics keeps on telling me that the numbers they produce are completely impartial and have no political intent, I sometimes get the impression that management uses the figures differently than labor. We just heard from management. Now we will hear from representatives of labor.

Our next advisor is Mr. Howard Young, special consultant to the UAW president.

Mr. Young, proceed in whatever way you want to.

STATEMENT OF HOWARD YOUNG,
ASSISTANT TO THE PRESIDENT, UNITED AUTO-
MOBILE WORKERS INTERNATIONAL UNION

MR. YOUNG: My name is Howard Young. I am Special Consultant to UAW President Douglas Fraser. With me is Lydia Fischer, a staff economist at our Research Department. We appreciate the opportunity to be here this morning to convey our union's views on the official employment and unemployment statistics system, to recommend some changes, and suggest new programs.

A system of federal statistics should assist and guide the formulation of public and private policies by providing the most accurate description possible of social and economic events. More specifically, labor market statistics are generally designed to show the extent to which human resources are being utilized, as well as the extent to which the economy is providing for the well-being of the population--thus uncovering directions for public and private action.

As pointed out in your agenda, the goal of producing statistics that provide a faithful description of current problems and conditions conflicts to a certain degree with the need for data continuity. In our estimation, continuity is one of the most desirable characteristics of a statistical system. Although blind use of historical data can be misleading in the face of drastically altered conditions, there can be no serious reference to the past unless consistent, uninterrupted series are at our disposal. A comparison between the unemployment rates in 1948 and in 1978 may need some qualifications, but it is still necessary and useful in appraising economic trends. Rather than losing continuity in key statistics, our preference is for expanding the array of data that surrounds it. We commend the Bureau of Labor Statistics for their accomplishments in this direction.

Data need to be timely, although not necessarily produced on a monthly basis. In many instances, as when data on earnings are sought, greater frequency

appears to work against respondent cooperation and thus accuracy. The need for more timely statistics is most obvious in the case of state and local statistics, where large sums of federal money are at stake.

The absence of accuracy, besides being the mark of a poor system, has an undesirable impact on the public's credibility. Thus, current seasonal adjustment methods which result in substantial revisions of the overall unemployment rates at the end of each year should be carefully reviewed by this Commission. Again, state and local unemployment statistics are an example of highly visible data frequently subjected to a good deal of revision.

Finally, we need data which are sensitive to changes in conditions and policies. While our labor market statistics cannot generally be faulted on this measure, there are some woeful exceptions. Current statistics on unemployment of black youth are probably neither accurate (because of the undercount of the population) nor sensitive to fluctuations (because of the large proportion outside of the labor force), so that their relevance and utility is naturally questionable.

Uses of Labor Force Data

1. The current system of labor market statistics, based on the household and on the payroll surveys, provides the public with reasonably good indicators of economic activity. The unemployment rate shows a good tracking of the business cycles, though its troughs tend to lag the cyclical trough. The fact that the average duration of unemployment is included among the Bureau of Economic Analysis' index of lagging indicators attests to its good record.

There is still room for improvement. One of the questions that comes up often and clouds the short-term analysis of the economy is the discrepancy between the two employment series, one derived from the household interviews and the other from the payroll survey. In the last year, employment as reported by households increased by 4 million, while the total increase reported by establishments only reached 3.2 million. Very little of this difference, about 0.1 million, is

accounted for by agricultural employment. The self-employed are another piece of the difference, having increased by 0.4 million, and raise additional questions, as it is puzzling that this group would experience such a jump at this point in the recovery.

The relationship between economic activity and the size of the labor force must be further explored. The estimation of the potential labor supply depends on a better understanding of labor force growth and its reaction to different levels of GNP, changing demographic and family patterns, kind of work available, etc. As we move toward full employment, a better understanding of these links would allow a more accurate estimation of the number of people traditionally outside of the labor force who would be lured into it were jobs to become available. This knowledge is especially necessary if the goal of a fuller employed economy is partially pursued through government manpower activities such as training programs and public service jobs. Just as important is the ability to measure the number of people who retreat from the labor force because the economy enters a downswing--and thus the true costs of a recession.

2. As a measure of labor force utilization, the employment and unemployment statistics need improvement. Discouraged workers should be part of the official unemployment count. The fact that they are left out gives an inaccurate picture of the unemployment problem among certain groups, particularly black males. Discouragement should be defined on the person's perception that no jobs are available rather than on some requirement for a test of the labor market. A teenager from the inner city does not have to embark on a job search to know that he will not get employment.

There is some merit to the concept of adjusting the unemployment rate for the time lost by those on involuntary part-time schedules. This is partly the reason for BLS compiling U-6 and U-7, two of the alternative measures of the unemployment rate published monthly in The Employment Situation, as well as the measure "Labor force time lost" which appears in Employment and Earnings. Outside of BLS, the AFL-CIO computes its own version of the unemployment rate which includes workers on involuntary part-time schedules.

While it is useful to have a complementary statistic such as U-7, we are inclined towards keeping the involuntary part-timers outside of the official unemployment rate. At the same time, more information on the extent of job search by those on involuntary part-time schedules, as well as on additional number of hours of work sought, would aid users in the construction of their own measures.

Our preference is to continue classifying people as employed when they hold a job, regardless of the number of hours worked. By the same token, individuals should continue to be counted among the unemployed if they are searching for or would like to hold a job, regardless of the number of hours of work they are looking for. Data on the number of persons at work 5 to 8 hours should become available, as well as the number of hours of work sought by the part-time unemployed.

There is no need to change the definition of full and part time in the Current Population Survey. The current definitions of 35 hours constituting full time, 34 hours or less part time continues to be relevant and useful. Although average hours worked have declined in the last 30 years, this is mostly due to the increase in part-time work. The proportion of persons reporting full-time jobs of 35 hours or less is only about 2 percent of total. The discontinuity in the series arising from the different cutoff number is not justified at this point, although we hope it will be needed to reflect a changed reality in the future. In preparation for that, BLS should begin collecting data on hours worked by a finer breakdown in the 30-to-40 hours range.

No change should be recommended by the Commission in the current age cutoffs of labor force statistics. Raising the minimum age from 16 to 18 goes contrary to the common observation of more young people who are on their own, and tends to blur the problem of teenage unemployment and of high school dropouts. The maximum age should not be limited, especially in view of recent congressional action raising the mandatory retirement age.

3. Two decades ago, there were fairly good reasons to equate average household well-being with the

overall unemployment rate, which was largely influenced by the unemployment rate of married men. The changes, among others, in the demographic and family patterns which have taken place during the 1970s suggest the need for a complementary measure of how adequately the economy is providing for those in the labor force.

Data on labor force characteristics and income will now be collected on a regular basis, as BLS is developing a quarterly series on distribution of weekly earnings which can be tied to hours of work, demographic and family characteristics, occupation, industry, etc. Therefore, the information will be available to compute an index of earnings adequacy more frequently than once a year.

Several indices have been suggested to accomplish the task. We favor an index whereby economic hardship is recognized whether an individual 16 years of age or older is unemployed, discouraged, or working part time for economic reasons. Additionally, there should be referral to a standard of income for the household, and a standard of earnings for its individual members, irrespective of sex.

It has also been proposed that a measure of economic hardship should include those who are underemployed. Though useful, the concept of underemployment is difficult to measure. As already suggested by the Gordon Committee, this is a topic that could and should be explored through annual surveys of occupational history, training and previous income, perhaps within the framework of special labor force studies.

4. We are deeply concerned about the quality, timeliness and scope of the state and local labor force statistics, given the important political and economic decisions which increasingly hinge on them. However, our comments will be brief, as we are aware that the Commission is receiving substantial testimony on this matter from many sources.

Reliable labor force statistics should be produced for the central cities of metropolitan areas, where much of the hardcore unemployment is embedded. If jobs and training are to be provided to those who need it most, the proper public and private agencies must be able to zero in on the distressed areas on a current basis.

The Administration has just proposed a Targeted Employment Tax Credit whereby employers will be subsidized to hire individuals between 18 and 24 years of age who are members of low-income households. It would be desirable to estimate the potential impact of this credit on central city unemployment, yet relatively little is known about the labor force characteristics of minority and poor youths in those areas. Questions by a particular firm as to how many young people, of approximately what skills, work experience, and family income can be found in a local labor market, can simply not be answered by government-supplied employment and unemployment statistics.

As stated earlier, there is great concern that--high as it appears to be--the unemployment rate of blacks, especially young blacks, is still underestimated: many youths seem to have disappeared from the system. A larger sample is clearly part of the answer to this problem.

5. Overall unemployment and employment statistics from the household survey are utilized in collective bargaining only as they set a climate for negotiations. Unemployment rates for several industries--including a breakdown of the manufacturing sector into 19 different industries--calculated from data from the household survey are regularly published in Employment and Earnings on a seasonally unadjusted basis. However, these rates are subject to an unknown amount of inaccurate reporting. In our main industry, auto, the worker whose last job was as a mechanic at an auto dealership may state that he was in the motor vehicle industry when he really belonged in retail trade. This and the fact that labor force figures share the general volatility of the industry results in lack of reliability of the unemployment rate. Users' understanding of unemployment by industry would be improved by publication of the corresponding employment figures. More basically, perhaps the questionnaire could be improved to yield more accurate information.

The establishment survey, which collects data on employment, hours, and earnings by industry, is a more frequently consulted source in collective bargaining than the household survey. Still, the information presented is too broad to be of wide use.

Additional data collection from establishments should be recommended by the Commission in the following areas: (i) agricultural workers; (ii) hours and earnings of nonproduction and supervisory workers; and (iii) finer geographical breakdown.

Analysis and Presentation of the Labor Force Statistics

The Bureau of Labor Statistics issues many documents providing information on the labor force status of the country's working-age population. Basic to our needs are The Employment Situation release and the monthly Employment and Earnings. We use a substantial portion of the data in these documents on an almost daily basis. Those of particular importance and relevance are the statistics on the sex, age, race, descent, marital status, family relationship and residence of persons in and out of the labor force, and the occupation and industry attachment of those in the labor force. We are also concerned with the reason for job loss, length of unemployment, reason for less than full-time work, and reason for nonparticipation in the labor force.

Although these data are useful for studying labor force developments, gaps exist which need to be filled.

(i) Presentation of Data by Race, Age, and Sex. In series such as employment by occupation, persons outside the labor force, and unemployment by reason, data are currently displayed by sex and age group, and race and age. The detail should be expanded, e.g., to show the age distribution for each occupation and sex/race combination. This would, for example, enable us to determine the number of 20-24 year old black and other minority women employed in professional and technical jobs. The present data are limited to adult women and black and other minority women.

In addition to the data included in the regular monthly report, the Bureau annually publishes a detailed classification of occupation of employed workers by sex, and by race. The advantage of these data is the considerable amount of occupational differentiation that they show. These data would be more useful if for each sex/race combination across the detailed occupation types, the age distribution were revealed.

(ii) Persons Outside the Labor Force. About one-fifth of the persons not in the labor force who want a job have "other reasons" as a reason for not looking for work. If possible, the Bureau should present a breakdown of the characteristics of this sizable group.

(iii) Central Cities and Poverty Areas. Labor force data on central city residents are given by sex and age, and separately by race. The category of race should be merged with the sex/age combination, and the age distribution expanded. If this were done, for example, the unemployment rate for 16-19 year old black and other minority men living in the country's central cities would be available. Currently, the data are limited to 16-19 year olds and blacks and other minorities.

Two sets of data are presented for the population living in poverty areas: complete labor force detail by race, and separately, unemployment rates by race, sex, and age. All data should be presented by race, sex, and age.

(iv) Minority Population. Some 11 percent of the black and other minority population consists of minority groups other than blacks. Labor force detail is available separately for blacks, but no detail exists for the other minority groups. Since any understanding of other minority groups is based upon data that primarily reflect the status of black Americans, separate labor force data for the other minority groups should be developed. Similarly, additions to current labor force detail for persons of Hispanic origin are needed.

(v) Industry Employment. We have already referred to the need for data on agricultural workers and on hours and earnings of supervisory workers. Data on female employment by detailed industries, obtained from the Establishment Survey, are limited to total employment. Female production worker employment should be separated from the industry totals. Occasion arises, for example, to determine the number of female production workers employed in the motor vehicle and equipment industry.

In addition to these specific data recommendations, we urge the Bureau to publish a comprehensive reference volume which would include historical data on

the labor force in great detail. At present, we waste considerable time searching for consistent historical series. Such a volume, issued periodically, would save time and assure consistency.

Not all the data gathered in the household survey are published. At times, as a result of researching a question, we have received unpublished data from BLS. For instance, while studying long-term joblessness we received unpublished data on persons unemployed for 15 weeks or more characterized by their age, sex, and household relationship. Rather than having to learn of unpublished series on an ad hoc basis, the Bureau should issue a periodic list detailing the unpublished data and their reliability.

New Set of Data Needed

The UAW has become increasingly concerned about the problems of plant closings and relocations, which have resulted in scores of thousands of displaced workers, economic and social hardship for them and their families, and frequent impoverishment of communities where plants had been located.

To help translate concern into action, well-informed policies must be developed. Yet, in spite of the widespread attention that this type of economic dislocation has received, a system of pertinent data collection and interpretation has not been developed.

BLS is naturally the best suited of all federal statistical agencies to put this system in place. One end output would be a matrix representing net changes in employment resulting from plant closings and relocation by state or region and industry; data on earnings would also be necessary; information on hours, occupation, race and sex would be important complements.

A statistical program yielding this information doubtless offers its share of problems. Some of these are definitional, e.g., how to distinguish between the various reasons for a reduction in the work force, how to classify a termination and a start of operations, etc. The difficulties cannot be insurmountable. We urge this Commission to recommend that BLS establish a program of collection and processing of data on plant closings and relocation. The UAW would be happy to offer assistance and advice in this endeavor.

Special Studies

There are several topics that we would like to see researched by BLS technicians, and which belong in the category of special labor force studies. A brief list follows:

(a) Still on the subject of plant closings, one hypothesis is that closings have had a significant impact on the declining labor force participation rates of male workers in the higher age brackets. That is, part of what is taken to be the effect of early retirement has been forced upon workers by the disappearance of their place of work when they were too old to gain new employment in a community which had been additionally adversely affected by the plant closing.

(b) As women have entered the labor force in greater numbers, they have become employed proportionately more often in part-time jobs. The hypothesis here is that women have suffered from comparatively more severe underemployment as a result of having left the labor force for a number of years or entering it at an older age. Any projections on the future role of women in the labor force must deal with the issue of underemployment.

(c) Another factor in the labor force participation of women is the availability of child care facilities. In a special labor force report some time back, BLS reported on the topic of children and working mothers. An inquiry into the type of care available to these children, its cost, extent, etc., would aid in the formulation of policy and in developing projections of women in the labor force.

* * * * *

We have summarized our views on those aspects of the Commission's agenda which are most pertinent to us not only as a collective bargaining organization, but also as a progressive social institution in our society. We will be glad to answer the questions you might have now and to be of assistance before the final report of the NCEUS is delivered to the President.

¹This was especially true during the last recession, due to the severity of the downturn. While BLS calcu-

lated a May 1976 unemployment rate for auto of 5.7 percent, had the labor force stood at September 1974 levels, the estimate would have soared to 20.6 percent.

CHAIRMAN LEVITAN: Thank you, Mr. Young.
Mr. Oswald.

MR. OSWALD: The presentation that you gave spells out a number of problems. One of the questions that is unique in terms of the recommendation that you have made deals with plant closings. Are you suggesting that the data, for example, that is collected by the unemployment insurance system in terms of firms going out of business would be a type of source data for showing plant closings by giving previous employment in terms of total employment by previous quarters? Is that the sort of information that you are suggesting?

MS. FISCHER: There is right now some kind of obligation, or at least it's in the law, I think, that a firm should report to the unemployment insurance commission when they have substantial layoffs. This is what I understand, and this is something that just is not generally reported and is not enforced that could be a source of data. I would feel more comfortable having at least looked into this problem and seeing how the whole program could get together. I think that certainly the unemployment insurance agency would have to have some responsibility in this, but it should be BLS' overall responsibility, it seems to me, to develop this program.

MR. YOUNG: Without specifically defining the data needed, the kinds of questions to which we would like to find answers are: How many people, in fact, are out of work for substantial periods of time because of plant closings rather than other reasons? What's the net effect when a plant closes somewhere, and perhaps a related plant opens elsewhere? Those kinds of questions; and we think that the data should be designed to lend themselves to answering those.

CHAIRMAN LEVITAN: Wouldn't that require tracking down individuals in the case of a plant closing? Do you see any other way that you would be able to do that?

MS. FISCHER: Yes, you would think that a first crack at this could be taken with some longitudinal study where you do take a bunch of people who have been displaced and attempt to find where they have gone. Also, it's not only the displaced people we are interested in; we would like to see the movement of plants. We would like to see how factories perhaps disappear in some sections of the country while they later crop up in other sections.

CHAIRMAN LEVITAN: Don't they usually crop up under different names and different corporate identities? How would the BLS or Census or Commerce be able to find them?

MR. YOUNG: They don't necessarily come under different names, in that the same firm may move a plant. Going back to the question of tracking individuals, I don't foresee a great deal of trying to find an individual person who lost his job in that plant and then was rehired when the firm opened the plant elsewhere because that rarely happens. So that it would be a question of tracking an individual at the time but not seeking him out in a different geographical location.

MR. OSWALD: If you have specific suggestions in terms of various approaches that you might suggest in terms of either using unemployment insurance statistics or some other type of statistic as a means of trying to get at this information, I would be very interested in trying to see how that sort of information could provide a better understanding of what is happening in terms of the total employment and unemployment questions.

MR. YOUNG: We will send you some more material on this.

MR. MOSKOW: This is a very comprehensive statement. I have just a couple of quick questions.

One, on page 10, your reference to this comprehensive reference volume, I assume there you are thinking of something more comprehensive than the present Handbook of Labor Statistics?

MS. FISCHER: Yes, definitely, and, as I understand it, the Handbook of Labor Statistics is not prepared by BLS itself. It is prepared outside of BLS. The problem with that is that many times you have a question, and you cannot get a response from BLS, from the technicians at BLS themselves, because they don't feel responsible for the Handbook of Labor Statistics. If now you want, for example, lots of information on participation rates, you will have to go to the Manpower Report of the President rather than to the Handbook of Labor Statistics.

MR. MOSKOW: On that same page, your reference to the desirability of having a periodic list detailing unpublished data and their reliability is a good suggestion certainly.

Going back to page 2, you raise the question as to whether we need all of the data--I assume you are saying all the data we now receive on a monthly basis--whether it is necessary to have it on a monthly basis. We have had some other testimony to this effect, too, where people have suggested that some series be published quarterly or less frequently than that even. Do you have any specific thoughts as to which ones you think--you mentioned earnings here--but are there any others that you think it would be necessary to have on a monthly basis?

MS. FISCHER: That would be necessary to have on a monthly basis?

MR. MOSKOW: No, I say that would not be necessary. The most frequent would be monthly. Are there any that you would like to suggest should just be put in quarterly or annually or semi-annually?

MS. FISCHER: When we talk about a finer breakdown, for example, or more comprehensive classification--we referred to age, sex, and race--in several of the series, some of them are in themselves quarterly. Some are monthly, and perhaps a quarterly frequency would suffice there. Other than that, I can't think of any others. Earnings seems to me the more typical measure that is difficult to collect on a frequent basis.

MR. MOSKOW: Which earnings series are you referring to?

MS. FISCHER: I am talking about the series of weekly earnings that apparently now BLS is going to start collecting from the sample, from a fraction of the sample, and that they are going to publish on a quarterly basis; and for a long time, there has been a discussion within the Labor Advisory Committee as to whether we should have monthly rather than quarterly earnings series. I think that quarterly data would be very adequate.

MR. MOSKOW: Thank you.

CHAIRMAN LEVITAN: Thank you very much, Mr. Young, and Ms. Fischer, and I do hope that you will respond to the question raised by Mr. Oswald.

One of the problems that we are concerned with is data. It is only proper that Ms. Cerda should follow Mr. Young and supplement his brief statement on that subject. Ms. Maria Cerda is the Executive Director of the Latino Institute.

STATEMENT OF MARIA B. CERDA,
EXECUTIVE DIRECTOR, LATINO INSTITUTE,
PRESENTED BY MARY FOREMAN

MS. FOREMAN: Good morning, Mr. Chairman, members of the Commission.

My name is Mary Foreman. I am representing Maria Cerda. I would like to read the testimony that she would have given to you had she been able to come.

The Latino Institute is a three-year-old technical assistance through leadership training agency which works with organizations and individuals in the Latino communities of Chicago for the purpose of improving the quality of life in those communities.

Through our involvement with Latino organizations and through our efforts to provide information on Latinos to business concerns, agencies and individuals who request such information, we quickly became aware that government agencies at all levels have failed to adequately document the pertinent employment and unemployment data on Latinos in general and national origin groups in particular. Since the nature of utilization of employment and unemployment data has radically changed and broadened in the last ten years, it is essential to the Latino community that sound and accurate statistics for each national origin group be collected and made available.

This Commission is aware of the importance of statistical data for the determination of policy regarding every aspect and area of our socioeconomic existence.

This Commission is also aware of the documented weaknesses in the data retrieved and methods utilized for collection of data. Nevertheless, in spite of the deficiencies, extensive data is available for the majority population and some minority groups.

Latinos, however, do not have any statistical data to influence policy, document needs for funding, and for development of program designs.

The different Latino nationalities have very different population characteristics and needs which must be identified in order for them to be addressed adequately.

Let me give you an example of these special needs:

The Latino population in general is younger than the rest of the population. The median age for Latinos is 20.9 years as opposed to 30.5 years for the rest of the population. This means that the Latino labor force is very young and due to factors such as lack of marketable skills, language barriers and blatant discrimination; unemployment among Puerto Rican males 40 years and over is way higher than the national average, creating a critical dependency on the young group,

18-35, for a livelihood. In the U.S. Commission on Civil Rights report of October 1976, the report states that among women, the national unemployment figure was 6.6 percent compared to 17.6 percent for Puerto Rican women. The report continues to state that 28 percent of Puerto Rican families are headed by women.

Families headed by a woman tend to earn far less than those headed by a man. In 1975, for example, median income for male-headed families in the U.S. was \$12,965, compared with only \$5,797 for families headed by a woman. Women tend to be concentrated in low-status, low-paying jobs, and thus earn less when they are working; they are also less likely to be employed or actively seeking jobs.

Lack of day care facilities, cultural pressures against working women, and other negatives have left the majority of the Puerto Rican labor force discouraged and uncounted.

In the past year I served on the Manpower and Employment Committee of the Bureau of Labor Statistics' Business Research Advisory Council and have had the opportunity to meet with various staff members of the Bureau, individuals who are very much aware of the magnitude of the problem and committed to deal with the challenge. Nevertheless, I keep hearing all kinds of reasons why changes cannot be effected--that it's too expensive, too complicated, etc.

I hope that out of this Commission some positive and forceful recommendations for what must be done in order to obtain the information needed for those purposes already stated will come forth. If not, I respectfully request that a strong recommendation to the President be made that the data collected by the Bureau of Labor Statistics be limited to very specific uses and not be considered valid for determining allocations for funding and program planning and policy-making.

The following are some specific recommendations the U.S. Commission on Civil Rights has made to the Bureau of Labor Statistics to improve its data collection which should be followed:

1. To undertake studies in target cities, similar to those conducted by the Bureau of Labor Statistics Middle Atlantic regional office in poverty areas of New York City.

2. To rectify inadequacies by such means as those proposed in the Middle Atlantic regional BLS office report, "A Program for Developing Social and Economic Data on the Population of New York City and Area from the Current Population Survey and Other Sources."

CHAIRMAN LEVITAN: Thank you.

Just to correct the record, on page 2 where you refer to Puerto Rican males of 40 years and over, is their unemployment rate higher than the national average or below the national average?

MS. FOREMAN: Below, below the national average.

CHAIRMAN LEVITAN: Then how does it follow that there is greater dependency on younger groups?

MS. FOREMAN: Since the older males are unemployed, they depend on the younger males for their livelihood.

CHAIRMAN LEVITAN: But their unemployment rate is higher because you have ---

MS. FOREMAN: I am sorry. I meant employment rate is lower. Of course, unemployment rate, yes, is higher. Excuse me.

CHAIRMAN LEVITAN: Thank you.

MS. WILLS: Two things. One, on a personal basis, be sure to tell Maria hello for me.

Secondly, do you think that the data, for example, in terms of the Latino population, is needed in the monthly unemployment statistics? Would it be better to get thorough and specialized data once a year, perhaps twice a year? Quite frankly, we haven't thought this through, and let me tell you--and I am going to use Rudy's example, honestly based upon the CPS survey he pointed out--in this case it's a humorous problem, of construction workers, female construction workers, 60 to 65 years of age, who had gone out of the labor force to go back to school. Obviously, the cell is so small

that you report a totally illogical, irrational kind of statistic. Now, that's not going to happen for all parts of the population, but there is a survey, sample size, credibility of statistic size problem. Would we be better off--and I want you to give us some advice--with perhaps a yearly survey or a monthly survey with less detailed data than what now currently is being published or attempting to be published on a monthly basis?

MS. FOREMAN: We feel very strongly that we need as much information as possible on the statistical information on Latinos, with a breakdown of the national origin groups because of their differences, whether it's monthly, bimonthly, quarterly, bi-yearly, yearly. We would prefer monthly if possible. We find that the sampling, the 5 percent sampling, throughout the country that the Census Bureau is doing now is inadequate, for example, to meet the needs of Chicago which has a unique population situation of Latinos. I don't know whether that answers your questions.

MR. OSWALD: Could I maybe follow through on that question? BLS published about six months ago a detailed study of Latino employment and unemployment. Do you think that was a good sample of the sort of things that you would like to see them publish on a more regular basis?

MS. FOREMAN: Did it have the breakdown of Cuban, Mexican, Puerto Rican, national origin groups?

MS. WILLS: No.

MR. OSWALD: My recollection is that it had some breakdown.

MS. FOREMAN: That is what we are interested in, you see.

CHAIRMAN LEVITAN: We can't settle this here, so ---

MS. FOREMAN: But that is what we are interested in. Yes, the information that was in there is good, but we need the breakdown because the needs are different for each national origin group.

CHAIRMAN LEVITAN: Sam.

MR. POPKIN: Yes, two things.

I would like recommendations from the Institute on exactly what questions should be asked of people to ascertain the size or the background of the groups.

The other thing is that I am not quite convinced yet of being able to separate all the Dominicans, Puerto Ricans, and Mexicans. Nothing I have seen yet has shown me that there is a need to separate all the different groups. I have never heard a specific example given to the Commission that shows that we need to separate Caribbeans from people from other areas. I am curious as to exactly what evidence anybody has to show that there really is a need to separate Puerto Ricans and Mexicans, for example.

MS. FOREMAN: There are historical differences for one. The cultural differences are tremendous. The length of residency in this country, for example, of Puerto Ricans as opposed to Mexicans as opposed to Cuban groups plays a part--the educational level--there is a whole range of variables that enter into the differences that don't exist among blacks, where historically we are talking about a group that has been here in this country.

MR. POPKIN: I believe there are differences in the groups. I am not at all clear why the data is needed and for which policy purposes. Which policies or programs are so well refined that we need to separate this out?

MS. FOREMAN: We will be glad to send you detailed information on that.

MS. WILLS: I would really like to reemphasize that because we are really struggling with that in terms of the social policy implications and want to be as helpful as possible.

CHAIRMAN LEVITAN: I would like to add one more question to that. What instrument would you use? Would you use the CPS, would you use special surveys, or would you just use special studies for these populations?

MS. FOREMAN: We would use all of the instruments that you have ---

CHAIRMAN LEVITAN: I know this is not an answer you can give just like this. So, if you can supply this information to us, I think it would be very helpful to the Commission.

MS. FOREMAN: We will do that.

CHAIRMAN LEVITAN: Thank you very much.

We hear a great deal these days about hidden economy, and that, of course, affects very much the composition of the labor force. One of the people who was dabbling in this business long before it became very fashionable is Professor Louis Ferman, who is Professor of Sociology at the University of Michigan.

Professor Ferman, would you come forward, please, and tell us what you found out in your studies of the irregular economy as far as it affects counting of groups that do not appear in the regular CPS labor force statistics.

The Professor prepared two statements, not one. We will include both of them in our record.

STATEMENT OF LOUIS A. FERMAN,
PROFESSOR OF SOCIOLOGY,
UNIVERSITY OF MICHIGAN

DR. FERMAN: The irregular economy is defined as the area of economic activity that uses money as a medium of exchange and is not registered by the economic measurement techniques of the society. Past and current research does not reveal irregular activities to be restricted to one particular group or locale. It is not a "poor peoples' economy" nor does it exist solely in ghetto economies. Rather, the irregular economy is quite pervasive, permeating and

affecting all levels of our society. Techniques to measure its magnitude are quite primitive and really estimates. Peter Gutman, a New York-based economist, has estimated the magnitude to be in excess of \$176 billion; although he freely admits that his estimates include unreported criminal income. The Internal Revenue Service suggests that the magnitude is lower, probably not exceeding \$120 billion. In rural areas alone, the Internal Revenue Service estimates the magnitude of unreported income to be \$10 billion in 1977. Even with some exaggeration, these are not modest sums.

We have been talking about unmeasured economic activity that involves a cash exchange. We called this the social economy. In our study in Detroit in 1975, we found that 60 percent of the total transactions studied did not involve money exchanges but rather represented exchanges of services between friends, relatives, neighbors and coworkers. When we add social exchanges to irregular exchanges one can suggest that conventional methods of labor force measurement exclude significant sectors of productive economic activity. Our statistical record of the provisioning of our society (i.e., how people obtain services) is deficient. Since these statistics are frequently used for policy and program planning, this measurement gap has more than passing interest.

Typology of Economic Exchanges

We have developed a simple typology of economic exchanges based on two criteria:

1. Registration by the economic measurement techniques of the society.
2. Use of money as a medium of exchange.

Exchanges can be categorized as belonging to one of the three modes of economic activity: social, irregular or regular according to the presence or absence of these features (Figure 1).

All economic activity, production and distribution of services and goods can be conceptualized as belonging to one of these three types of economic activity. For expedience we shall refer to each type of economic activity as a distinct economy, as defined below.

Figure 1. Typology of Economic Exchanges

Types of Economic Activity	Registered by Economic Measurement Techniques	Money as a Medium of Exchange
Social	-	-
Irregular	-	+
Regular	+	+

The Social Economy encompasses that sector of economic activity that is not registered by the economic measurement techniques of the society and which does not use money as a medium of exchange. Social Exchanges are those in which there is no monetary payment for services or goods produced or exchanged. Some examples of social economic activity are: household members working together to paint or repair their home, a friend or relative watching one's children for an afternoon or evening as a favor, neighbors exchanging labor in gardening or lawn care.

The Irregular Economy encompasses that sector of economic activity that is not registered by the economic measurement techniques of the society and which uses money as a medium of exchange. Irregular exchanges are monetary transactions in which the services or goods rendered are not recorded by the economic measurement techniques of the society.

Examples of Regular Economic Activity are: formal employment for wages or salary by a firm or business, purchase of an automobile from an authorized dealer, construction of a new building by a licensed contracting firm.

This three-part typology is strictly analytical. Real economic activity seldom fits neatly into theoretically defined categories. The determination of the classification of a particular exchange is, at times, problematic even when we know the surrounding circumstances. Is an exchange really irregular rather than social when only a token payment is made? The same activity can be both regular and irregular depending on whether the income is reported, e.g., domestic house-

cleaning. The difficulties are compounded when some aspects of these transactions are unknown. If, for instance, we know that a plumber is unlicensed and paid in cash, can we then automatically assume that he does not report this income for tax purposes? The classifications in this report are estimates, our best judgments, according to the data available to us. It is probable that a number of classifications would be altered had we access to all pertinent information; yet even then, reality would not perfectly mirror the theoretical structure.

Relationship of the Irregular Economy to the Regular Economy

Regular, irregular and social economic activities combine forces in the process of provisioning the society. While most of the services and goods that are crucial to the maintenance of the economic level of the society, as measured by the gross national product, are produced and distributed to a mass market through the regular economy, the day-to-day process of distribution operates through social or irregular channels. Services and goods are at least partially exchanged with relatives, neighbors, friends, and acquaintances daily. While any one exchange may be small and of little consequence on a macroeconomic scale, taken as a whole they may become important both in the provision of goods and services that are unavailable or difficult to obtain through the regular economy and in the distribution of products produced in the regular economy to local or marginal markets.

Range and Nature of Irregular Economic Activities.

The range of services and goods represented in the irregular economy is very broad, extending from a child's lemonade stand to the empires of organized crime. We have isolated seven types of activities that characterize the irregular economy.

1. Sale and/or production of goods.
2. Home-related services provided to consumers.
3. Personal services provided to consumers.
4. "Off the books" employment by a regular establishment.

5. Rental of property.
6. Provision of entertainment.
7. Criminal activities.

Each use encompasses a wide range of variation in terms of the size and scale of the activity, the levels of investment in time or money, the relationships between providers and users, the levels of return for work done, the frequency of the activity in terms of provision or use, and the relative availability of the service or goods through regular sources.

Activities that are under the sale and/or production of goods include such diverse enterprises as church-sponsored bake sales, garage sales, lemonade stands run by neighborhood children, production of arts and crafts, door-to-door peddling, resale of automobiles, sewing, and furniture making. All can be termed irregular if they involve an exchange of money and are unrecorded. Yet the nature of the enterprise even within one activity type can differ radically. The housewife who decorates and sells five ash trays a year to her friends for two dollars and the potter who earns over \$10,000 annually at art fairs and through galleries without reporting her income are both engaged in the irregular economy.

Similarly, diversity extends through each of the remaining categories. Home-related services range from a child mowing an elderly neighbor's lawn for fifty cents to a crew of unlicensed builders constructing a new house or garage. Personal services include such items as running an errand for a nickel, weekly house-cleaning or long-term nursing care. "Off the books" employment by a regular establishment covers a teenager sweeping the floor once a week for five dollars, a waitress working for cash at a bar while receiving AFDC and a dispatcher working for a trucking firm and depositing his cash income in an out-of-state bank while receiving total disability payments. Rental of property might be the rental of one's automobile to a local funeral home for infrequent use or the rental of a room or apartment in one's home. Provision of entertainment runs from an unrecorded two dollar bet on a baseball game to a band working regularly for cash payments which they don't report. Criminal activities also extend from the relatively minor and insignifi-

cant, such as a teenager selling marijuana cigarettes to his buddy, to large-scale, high-profit enterprises such as wholesale importing and distributing of heroin.

Almost every type of economic activity that is found in the regular economy is probably found in the irregular economy; goods are manufactured and distributed, services are provided; people are employed by others, and income is earned from capital investments. While the range of types of activities in the irregular economy reflects the same types of activities in the regular economy the nature of these activities is probably somewhat different. The size and scale of activities in the irregular economy may be generally much smaller than in the regular economy. On the whole, levels of investment in the irregular activities, both in terms of time and money, may be substantially less than in regular economic enterprises. We suspect that the relationship between providers and users of irregular services and goods is frequently grounded in personal ties, which in some cases override the economic content of the exchanges. The levels of return for work done may vary more widely in the irregular economy than in the regular, depending in part on the nature of the relationship between the parties involved in the exchange. The inavailability of goods or services through regular channels of supply, whether perceived or actual, may create some of the demand for irregular work. It seems likely that the provision of services, both home-related and personal, is a more important aspect of the irregular economy than is the production and/or sale of goods which are, for the most part, manufactured and sold through the regular economy.

New Perspectives on Labor Force Measurement

It is my feeling that the irregular economy concept has considerable implications for the work of this Commission in reviewing and hopefully revising employment and unemployment statistical procedures. A number of points from our research should be brought to your attention for your consideration.

1. The first is that irregular transactions do exist and have been documented in this study. Regardless of the number of such transactions, the immediate

implication is that there is an undercount of the economic activity that occurs in our society. Such measurements in part tell us about the state of the economy and labor market, and we must now assume that such measures contain some degree of error and give us a distorted picture of the labor force activity. Knowledge of the level of irregular activity becomes crucial if these errors are to be corrected.

2. The second point is that the study shows that conventional constructs of labor force analysis must be revised to account for unconventional patterns of work. Conventional categorizations of "employed workers," "unemployed workers" and "persons not in the labor force" have to be recognized as analytical distinctions, not wholly in step with real labor force behavior. Some employed workers in our study did far more work than was officially recognized or recorded. Some officially unemployed workers actually worked during their period of unemployment and some workers who were officially "out of the labor force" actually did some work and were actively seeking work in the regular labor market. Conventional constructs miss important blocks of labor force behavior that should be recognized in program planning.

3. The third point is that this study suggests new ways of looking at work careers. Most careers are described in terms of job changes from one regular job to another; or in shifts from a regular job to a period of unemployment; or in shifts from a work or unemployment status to a "left the labor force" status. Certainly we must now add to career analyses some concern with periods of irregular employment and the function that it plays in the total organization of the career. Adding this information may be made more difficult by the fact that irregular activities can coexist with other labor force statuses (e.g., employment or unemployment). This means that some theories of the neat stages of labor market behavior may have to be revised to include an overlay of various kinds of irregular activity.

4. Since the 1960s, questions of relative income differentials between groups have been central to manpower research; particularly the income differential between blacks and whites. Our study suggests that

questions of income gap may be too narrow a focus. One should speak of an "affluence gap" where income status is combined with some measure of resource procurement from social and irregular sources. This measure might show that in cases where the income gap was narrowing there was actually a widening of the affluence gap when access to resource networks were taken into account.

Executive Summary

All economic activity in the society is not encompassed in estimates of employment, unemployment and gross national product. These estimates are based on information that is recorded by the economic measurement techniques available and form the basis for manpower policy development and administration. A certain amount of economic activity goes on that is not monitored or recorded. Part of this activity is based on money as a medium of exchange. This is the irregular economy.

The irregular economy is widespread throughout all levels of society. It provides consumers with goods and services that are sometimes difficult to obtain through regular means and gives reproducers an arena in which to work and earn money. Some irregular activities may be criminal, but many are not. Others are illegal only in that they violate administrative codes on one or more counts. Many irregular activities are entirely legal and in violation of no criminal or civil ordinances. There is much speculation and little sound information about the type of activities that comprise the irregular economy, the extensiveness of this use, and the types of people who work irregularly and their motivations. Most of the current concern about the irregular economy is based on inferences drawn from studies focusing on other issues which hint at some types of hidden activity or from observed discrepancies in macroeconomic indicators. This report presents findings from a study aimed at exploring the irregular economy systematically.

The range of services and goods represented in the irregular economy fall into seven types: (1) sale and/or production of goods, (2) home-related services provided to consumers, (3) personal services provided to

consumers, (4) "off the books" employment by a regular establishment, (5) rental of property, (6) provision of entertainment, (7) criminal activities.

The irregular economy is intimately linked to the regular economy. It is a consumer, distributor, maintainer, and producer of materials manufactured or sold in the regular economy. The irregular economy also is intimately linked to social networks, in that they provide networks of access and the kind of trust necessary to stabilize the relationships between producer and consumer. We asked about sources of provision of 12 home-related and eight personal services.

From our survey, the irregular economy seems to be utilized more for home-related than for personal services. Slightly more than a third of the households in our sample (39 percent) had purchased at least some home-related services from irregular sources. However, less than a quarter (22 percent) used irregular sources for any of the personal services we asked about.

The majority of the services we asked about were secured for free (60 percent). Ten percent were purchased in the irregular economy, while 30 percent were purchased in the regular economy. However, nearly one-quarter (24 percent) of the services for which respondents paid were purchased through the irregular economy.

The services for which the irregular producers were used most frequently were lawn care, exterior painting, interior painting, paneling, carpentry, babysitting, and child care. These services were secured for free for the majority of the respondents. If purchased, they were more often secured from irregular sources than from established firms or businesses. In this sense the irregular economy seems to be most widely utilized for services that most people secure without monetary payment and that are usually not provided by regular firms and businesses.

About 44 percent of the home-related services and two-thirds (66 percent) of the personal services purchased from irregular sources were based on a personal relationship between the buyer and the seller. Clearly, direct personal contacts between the buyer and seller are very important in choosing to purchase services from the irregular economy. Nearly three-quarters of

the services obtained from irregular producers were purchased because of personal relationships with the producer or recommendations from persons known or trusted by the respondents. This was true of less than half of the services secured from the regular economy.

Cost may be critical in deciding to use irregular sources. As a whole, respondents did pay less for the services obtained through the irregular economy than through the regular economy. However, there is no evidence that the same services are cheaper in the irregular economy. The specific services consumers are more likely to purchase from irregular producers may be, in general, less costly than those they tend to purchase from firms or businesses. It seems likely that reasons other than price figure most heavily in decisions to use the irregular economy.

On the average, blacks were significantly more likely than whites to use irregular sources for household services. There is a slight, but statistically insignificant, tendency for whites to use the irregular economy more often than blacks for the provision of personal services.

The number of both home-related and personal services purchased in the irregular economy is not explained by either family income as a whole or by the per capita income of the household. Although there are no clear differences based on work status in the use of irregular sources for household services, personal services are significantly less likely to be purchased irregularly by unemployed persons.

There are a variety of possible reasons for persons choosing to work in the irregular economy and in most cases there is more than one factor involved. The economic benefits of participation are very important, but coupled with this may be the fact that opportunities for participation in the irregular economy surpass those available in the regular sector. Certain characteristics of irregular activities, other than their economic benefits, such as the relative freedom and autonomy and flexibility they offer, may also be important. For some participants, irregular activities may be triggered by contempt for the system of taxation and government regulation or little fear that they will be punished for not reporting them.

Participants in the irregular economy may be categorized by their relationships to the official labor force and their sources of income. We identified seven types: (1) persons also employed in the regular sector; (2) persons currently unemployed and receiving unemployment insurance, supplementary unemployment benefits, or both; (3) persons currently unemployed and without these or other benefits; (4) persons on public assistance; (5) persons receiving social security and/or retirement payments; (6) persons receiving disability payments; and (7) persons not in the official labor force and without any benefits.

The economic benefits of work in the irregular economy are especially important for those regularly employed persons who have extensive family obligations, fairly low paying regular jobs or who are only working part time, or jobs with seasonal fluctuations. Other moonlighters use irregular work to supplement their income in order to provide themselves and their families with "extras." Still others work in the irregular sector because it allows an outlet for creativity and because they enjoy it.

Unemployed persons who were collecting unemployment benefits used irregular income to supplement their income temporarily until they either returned to the same job or found another one in the regular economy. There was less likelihood of participation in irregular activities if the benefits were financially adequate, such as a combination of UI and SUB, or if there were few unmet needs in the household.

Most of the unemployed persons who had exhausted their benefits or were ineligible for them used irregular work as a way to survive, to test new work options, and for supplemental income. Most of them had few financial obligations and thus were able to make a living on their irregular activities. But all of them would have preferred to work in the regular economy if they could have found jobs that offered them good salaries and steady work.

More than one factor could account for the irregular activities of persons collecting Aid to Dependent Children. Not only were the economic benefits important, but the work also provided a way of preparing for regular employment in some cases. Particularly in

situations where people have little work experience and low confidence in their abilities, irregular work seems to provide a way of testing their options without endangering the security of their major source of income.

The elderly workers in the irregular sector usually made less than that required for reporting income to the social security office, but it was often enough to provide them with a comfortable living when combined with their monthly payments. There were other reasons for irregular work which were often more important than the economic motivation. The elderly often provided needed services which gave them much satisfaction and they also enjoyed the activities themselves. For others it kept them occupied and involved in the life of the community.

The irregular economy serves a vital function for many disabled workers because it allows them to remain useful while avoiding the stresses and strains of work in the regular sector. Because the irregular activities can be scheduled with the needs of the worker in the forefront and because the work can often be done in the person's own home, they afford a chance for the handicapped person to earn extra money and to be useful without further risk to this health.

Persons who have been traditionally outside of the official labor force either because they have never worked or haven't worked in a long time have been found to work in the irregular sector. Many of them are housewives or children and often need to work either to help support or supplement their family income. Often their opportunities for regular employment are blocked either by their own situations or constraints of the labor market. However, in turning to the irregular economy, they often face similar problems to those which they faced in the regular economy. Rather than viewing the irregular economy as a functional alternative to the regular economy, it may provide a transition into regular employment through the development of skills and work behaviors that will then be transferred into conventional jobs.

Some of the implications of this study are quite clear--others stem from informed speculation in areas that need further research before definitive conclu-

sions can be drawn. One immediate implication is that there is an undercount of the economic activity that occurs in our society and that traditional measurement techniques contain some degree of error and give us a distorted picture of labor force activity. Conventional categorizations of "employed workers," "unemployed workers," and "persons not in the labor force" have to be recognized as analytical distinctions, not wholly in step with real labor force behavior. Irregular activities can exist with all labor force statuses.

For some workers the irregular economy may be a form of sheltered employment, but for many the distinctions between regular and irregular work are minimal. It seems clear that the assumption that large numbers of unwanted workers would find full-time employment is unwarranted from the data we have in this study. We would guess that relatively small numbers of unemployed persons who work in the irregular economy would resist movement to the regular economy if jobs were available.

Irregular work is seen by the insured unemployed as a means of producing temporary income until job recall or until new work is found. Evidence in this study suggests that the unemployment insurance recipient has a two-fold goal: to maintain some stability in life style and to return to a job in the regular economy. In this context irregular income makes a positive contribution in enabling the worker to sustain his/her life-style while unemployed.

In this study the number of public assistance recipients is small. Their irregular employment was in low-skill, low-wage jobs which offer no real alternative to transfer payments as the main source of support. Income monitoring practices for public assistance recipients should not penalize these persons for short-term employment. Service and income maintenance functions of welfare could overlap with work to maintain sufficient base-line income and transition to future employment.

There is no evidence in our study to support the assumption that the irregular economy is a major employer of technically unemployed youth. Our data show few youth (ages 17-24) involved in irregular economic activity and where such involvement does occur, it is confined to low-skill, low training potential work.

While some irregular activity is conducted in violation of licensing rules and regulations, it is strongly suggested from these observations that considerable irregular activity might be carried on without violation of any licensing codes. The ambiguity and complexity of licensing regulations creates a situation where there may be technical violations of the laws which are the result of ignorance alone.

The importance of this study is not confined to the empirical findings on the populations studied. What has been developed here is a perspective that can enrich and extend the analysis of a range of manpower issues including unemployment, transfer payment behavior, income gathering and career development. In setting forth the concept of irregular economy, we have provided manpower theorists and analysts with a tool that can be used to reexamine conventional theories of labor market behavior as well as to explore new dimensions of manpower policy. It is our conviction that the study lays the basis for a better understanding of the labor market. In this sense we feel that the study makes a significant contribution to the field of manpower development.

CHAIRMAN LEVITAN: Thank you very much for an imaginative statement. It is something that had not come to the Commission's attention.

I want to ask you, how would you proceed in getting these data? You tell us the troubles we have, but you don't tell us how to resolve them.

DR. FERMAN: The technique that we used in Detroit--I think there are two ways of approaching this problem. One of them, of course, is to try to get a sample of irregular economy workers, which is very, very difficult to do directly since you don't have any universe from which to sample.

CHAIRMAN LEVITAN: You did it for 20 years and you found only Detroit. How would we find the whole United States?

DR. FERMAN: I think relatively simply. In 1975, we decided the way to approach this was to take an area

probability sample, which is what we did in Detroit in nine neighborhoods. We approached not those people that did the work, but those people for whom the work was done. What we did was to essentially go down the list, a list of 25 personal and household services, and simply ask them how would these services get done in your particular household; is it done by somebody in your household, is it done by a friend or relative, is it done by a neighbor, and then the more important question, is it done for cash, what is the nature of the exchange? We came around with a series of 12 questions, which I think can very easily be attached to the national sample, the Institute of Social Research, the Survey of Consumer Finance, or certainly the CPS could very easily--it's expensive to add those questions, but I am not talking about expense. I am talking about how it could be done.

I think it has to be done by really trying to identify the users of these services, and I don't think you can do separate studies for this. I think within a household you find that there are choices to be made, either to go to the regular economy or to the irregular economy or to the social economy. I think you have to see it in that framework, but we used two different techniques. We used this technique that I have described to do the survey. Then we sent in some anthropology students to live in the neighborhoods for a period of six months and to check out these observations, so we had two different sources of data. We found out that this survey instrument is not at all a bad method to identify the magnitude of the activity.

CHAIRMAN LEVITAN: What do you mean by survey method? How would you get to the national level, or could you get it on a national level? Get a little more practical, Professor Ferman.

DR. FERMAN: I think the CPS is indeed a survey, the monthly 4 percent sample, or is it a 2 percent sample now? I'm sorry. It is a survey of a certain number of households that are chosen, and you have a standard interview schedule by which you question a person in that household having to do with certain activities that go on in that household.

CHAIRMAN LEVITAN: Professor Ferman, I will try once more. If this Commission has a life of another 13 months, another 15 months, what do you think this Commission can recommend in terms of trying to get data so that you can write another book on the irregular economy?

DR. FERMAN: I think the two recommendations that I would favor are, first of all, that the CPS interview be expanded to include some of these questions. I mean that it be done on a monthly basis. The next one would be to undertake either through BLS or Census some special studies of selective labor markets--there are barometer labor markets they tell me--special studies undertaking exactly this form of measurement. In other words, going to the consumers in terms of almost a consumer kind of study, exactly how are these services or these particular goods purchased? Consumers don't seem to hesitate to talk to us about these things.

CHAIRMAN LEVITAN: You are saying a few more anecdotes will make you happy.

DR. FERMAN: I don't think it would be anecdotal. I think it would be heavy statistical data.

MR. POPKIN: Sir, may I follow up on that?

Have you ever found that on a survey you can ask people about income earned this way? We're not concerned about whether the GNP account is accurate or not on this. We're concerned about issues of individual earnings as they relate to unemployment or hardship. Have you found that on a survey you can find out both something about a person's income and something about how much money a person has earned through irregular economic activity?

DR. FERMAN: What we are doing on the survey, the survey of consumers, is to ask them how much they paid for the services, sure.

MR. POPKIN: No, but do you ever ask the people how much they earned?

DR. FERMAN: No, we have never done a direct study of people who are producers in the irregular economy.

MR. POPKIN: Then how much has been paid is of no value to us, because we are not interested in estimating the GNP. We're interested in estimating hardship, and we discussed in an earlier meeting the problem of people on social security and whether or not you could somehow figure something about their small earnings as it affected the relationship between--is it possible, for example, to ask people on welfare how much they made in part-time jobs?

DR. FERMAN: We have never done it. The data that we have on that are not statistical data. They are anthropological data where we have taken--I think Sar calls it anecdotes--we call it significant studies which we've asked them, and we have gotten a fairly complete inventory, but it has taken an anthropological student, say, six months to really put it together. We never attempted a survey of this.

MR. POPKIN: Either one of two things, either you just have no relevant experience or, based on your experience, only an anthropological approach builds up the trust necessary for the people to reveal the sources. Now, the differences between those two possibilities is crucial to whether or not we should even bother to ask people on a survey how much nickel-and-dime irregular income have you earned.

DR. FERMAN: We tried it on one survey in Detroit, I must admit, and the results--the trouble is you don't have any checkmark.

MR. POPKIN: You have got a checkmark now because you also have a survey where you ask people how much they paid.

DR. FERMAN: Yes. We really have not gone to the producers, and there has been a lot of hesitation about that for a number of reasons. One of which, we were told by a state attorney general, is that such information, since it is a violation of state and national tax

payments, such information might be subject to impoundment. So we decided it is not very wise to engage even an attempt to do this, although intellectually we feel it's an important issue.

MR. POPKIN: Just for the record, it is possible for us in legislation to write into the legislation that the data collected by this Commission has the same status as some of the census information which is explicitly excluded from subpoenas.

DR. FERMAN: We approach it a different way. We store our data on the irregular economy at the University of Windsor in Canada, which the University attorney assures me is beyond the reach of the Internal Revenue Service or anybody else.

CHAIRMAN LEVITAN: Just to confirm, one of my colleagues on the Commission indicated that I might have been unduly harsh. I think the record should show that you were not offended, right?

DR. FERMAN: The frustrations which I have felt all along of not going to a sample, systematic sample, of the regular producers and questioning them about the income and the magnitude of what they do with it has been very, very long run. But there are some real problems that I think Mr. Popkin indicated with trying to get this kind of data. I mean there's a lot of hesitation about it. We have not really approached the data collection on that level. It's been really on this other level. Maybe it's easier.

CHAIRMAN LEVITAN: Glen.

MR. CAIN: I have one, what I would consider, major question, but prior to asking that, two comments.

One comment is that the connection between cash paid out and cash unreported--that is, income unreported--I think is not a one to one correspondence. So the fact that there are cash payments for various services doesn't necessarily mean it is not reported.

Secondly, there is a link in which we would be interested between the income on one hand that, let's

say, in the form of cash, and the labor force status that is reported in interviews. I don't see any necessarily close link there, although you could make the argument, I suppose, that more cash income being paid is correlated with less cash income being reported received; and less cash income being reported received is correlated with less employment being reported. But these are all, I think, very, very, blurry linkages.

My major question, though, is what evidence do we have that this type of activity is growing over time. I would say that we are all realistic about these things, and we know that no statistic at any point in time is fully and perfectly comprehensive and so on, but I don't necessarily see why that in itself is all that damaging to our uses of these statistics which usually involve changes over time. So what is the evidence that this is a growing problem?

DR. FERMAN: There is a special tabulation that was done in BLS which makes the point that we increasingly--I forgot the exact details of measurement, but I could dig the article up for you--that increasingly we seem to be moving back to, at least significantly in some depressed areas, to cottage type industry, and this was done in a special survey. As I say, I would have to check both my memory and the files, but they indicated that there had been a substantial increase in the 70s in what they called cottage type industry; that is, jobs essentially taken on and done at home and for the most part unreported. But other than that, I couldn't really indicate that there has been substantial growth.

I should note that this study of the irregular economy is probably the first field effort that has ever been done on it. Mr. Gutman, Dr. Gutman of New York, subterranean economy, this is spun out of a series of records, current bank deposits, speculation, but things that I have been talking about are really based on the study of nine neighborhoods in Detroit. The obvious point is Detroit is not America and America is not Detroit. I mean how far can you really generalize this? I think that is a very real problem.

MR. OSWALD: I was going to ask the question that Glen asked, what evidence there was that the problem was getting worse, or I think he said the problem with the irregular economy was growing; but if there is any other evidence other than the BLS reference you made --

DR. FERMAN: I have the larger reports. I just happened to bring them along in my briefcase. I think the reference is in that report. I can dig it out during lunch time.

CHAIRMAN LEVITAN: Then we will put it into the record right after lunch.

MR. OSWALD: It's a very interesting area. My understanding, based on what you are saying, is that we are undercounting, but I guess the problem is how do you go about measuring it.

MR. POPKIN: May I ask one last question?

CHAIRMAN LEVITAN: Of course. We will wait for lunch a little longer.

MR. POPKIN: I know you are getting hungry.

Do you have any sense from your studies of whether people who work, say, 12 or 14 or 15 hours or more a week in the regular economy consider themselves as employed or unemployed if you asked them on a survey? Maybe the GNP is being undercounted and taxes are being undercollected, but unemployment is fine.

DR. FERMAN: Again we have no statistical data on it. I can refer to the anthropological studies or the anecdotes.

MR. POPKIN: What is your sense of it?

DR. FERMAN: My sense is they don't really see it as being a job or as income. They see it, I mean there are different phrases which I think they use. This business of a company, a legitimate company, hiring a worker for a day and paying them cash, they don't call it a day, they call it just a day's work. The whole terminology is quite different.

MR. OSWALD: But doesn't the person receiving it consider himself employed for that day?

DR. FERMAN: I think in those cases, again going back to these studies, it's an arrangement between employer and employee where the employer does not pay the unemployment insurance, doesn't pay social security contributions, and the worker essentially, you know, feels he is getting immediate return. It's different than standard income from a job. I think he sees it this way.

MR. POPKIN: The unemployment questions ask people about work, not "do you have a job?" It says "did you work?" Now, does a person who paints a house or a person who works at a lot of yard work consider himself as working or not?

DR. FERMAN: You raise a tough question. I would think that some of them see themselves as working but not having a job. That's the critical distinction.

CHAIRMAN LEVITAN: Professor Ferman, you have put your finger on a very important point. Whether Professor Gutman is right on the count of 176 billion dollars or whether the IRS is right, it is still a very important point so far as counting the labor force. You can think through how the Commission can attack this problem except for saying it's a problem and leaving it there. Then we would be forever indebted to you because nobody else mentioned it, and I don't know that we have any other witness or any other advisor who will talk about this subject. So we are at your mercy, Professor Ferman, and unless you advise us what to do, I am afraid we will remain ignorant.

With this very pessimistic note, we will take a 60-minute adjournment for gastronomic intake, and we will meet here at 1:30, Chicago time.

(Whereupon, at 12:30 o'clock p.m., the hearing was recessed, to reconvene at 1:30 o'clock p.m. the same day.)

CHAIRMAN LEVITAN: We will resume our afternoon hearings, and our first witness is Mr. Hartley Jackson, Director, Bureau of Research and Statistics, Wisconsin Department of Industry, Labor and Human Relations.

Mr. Jackson, you have 15 minutes to summarize your statement or to read it, whichever way you want.

STATEMENT OF HARTLEY J. JACKSON,
DIRECTOR, BUREAU OF RESEARCH AND STATISTICS,
WISCONSIN DEPARTMENT OF INDUSTRY, LABOR
AND HUMAN RELATIONS

MR. JACKSON: I will try to be very brief and allow as much time as possible for questions, either on what I speak or anything else you may want to ask questions about.

First, our labor market data represents observations of the real world. We should build new theories based upon these real world observations.

Second, with all the detail needed, including detail for local labor markets, we will not be able to get the information from neat statistical surveys. We are going to have to use operations data.

Third, since we must rely upon operations data, we should not consider it only a free byproduct of operations. We need to deliberately improve operations data as a product.

Finally, I believe these three things have meaning in terms of definition and use of local unemployment statistics.

1. New Theory from Observations

The academically fashionable way to develop new theory is to study existing theory, to logically deduce new abstractions from this existing theory, and then to look for new data to see if we can prove the new abstractions. If one must look at data, it is academically fashionable to look only at published national data. Traditionally, the development of new theory is the responsibility of universities.

A second way to develop new theory is to observe events in the real world, to study the real labor market that our data reflects, and to build new theory based upon analysis of real labor market transactions.

Our democratic society is not organized very well for developing new theory from real world observations and data. Government is generally responsible for gathering the statistics from thousands of labor markets. We do not expect our government research and statistics units to develop new knowledge or new theories. Under pressure to produce more data with less staff, staff and time for analysis suffers.

When government does try to add to new knowledge or theory, as in the BLS study of real hourly earnings and productivity, or as in our report Wisconsin Youth - Wisconsin Opportunity, significant results may be so clear, because they are based upon real data, that they may not be fully appreciated.

In the days of John R. Commons, professors worked at times for government, and students developed real government policy as part of their class projects. I believe that today we ought to have work scholarships for graduate students, special employment for professors, and state computer summary data bases to make it easier for professors to use our data in classes. I believe we could gain far more through increased analysis of existing data than through equal funds spent on development of new data series.

2. Need for Operations Data

Obviously, we cannot afford to use controlled sample surveys to develop all the data we need in every labor market.

As an example, we cannot afford statistical surveys in every labor market area to estimate total unemployment. But, for planning and affirmative action purposes, we need to know local unemployment by age, by sex, by race, by education and by occupation. "Estimating Characteristics of the Unemployed in Local Labor Markets, A New Method," gives you some idea of what can be done.

A very common R&S experience is that a consultant will complete a rather expensive study, and that we will then have to look at our operations data to correct the results. As one example, a professor reported finding a shortage of welders in Milwaukee during the last recession, and concluded that unemployment was being made worse due to lack of training. Our opera-

tions data showed more than 1,000 unemployed welders in Milwaukee. The shortage was with one employer who had placed a job order for heavy plate welders who were only temporarily unavailable due to some extra ship-building work. The professor's survey could not provide the detail he needed for the analysis.

3. Improve Operations Data as a Product

In the past, we have looked at operations data, and said the information was not good enough. We have largely ignored this information. We have tried to develop entirely new information gathering systems, when, with a little thought, we could have foreseen our failure.

Operations generally looks at these information byproducts as an added cost and as an interference to getting their real job done. Recording job openings when you have a shortage of applications in that occupation, entering a youth application into ESARS, coding the residence or occupation of claimants--all such things cost money and detract from the "real objectives" of filling jobs, placing applicants and paying claims.

We ought to estimate the costs, in operations, of recording and processing all of the information that is important as labor market information. We could then separately budget for these costs at current volumes by segregating these funds from present operations. Accurate recording of labor market information could then be identified as a separately funded objective or product.

Operations would then have some incentive to record the information that now goes unrecorded because they would be paid for doing it according to the volumes involved. Validation efforts could be supported as a part of a labor market statistics effort, instead of an implication that operations might be dishonest. Any new data collection items, such as PSE employment on the ES-202, or city of residence of claimants ought to be funded according to the estimated time study costs involved.

Along with the direct recognition and funding of operations data, there should be systematic study to determine what the biases actually are. If we identify

gaps that cannot be filled by improving the data, we might either recommend changes in programs to eliminate the gaps, or design special studies to fill the gaps instead of recreating what we already do have.

Concluding Example

A concluding example could be selected from the job order-demand side, or from the applicant/claimant supply side.

As an example, some people think planners should have characteristics of claimants data because we can define who is counted. Others say planners should have characteristics of applicants information because applicants, not claimants, better describe those we most want to serve. Who is saying we ought to put the two files together to improve the data as a valuable product?

It appears that this operations data, most particularly the claimant part of it, will have to be used in estimating current unemployment rates in local labor markets. Who is studying what this operations data means in terms of definition and use of unemployment rates?

The limited analysis we do have indicates that samples of claimants are from a different universe than are samples of disadvantaged or welfare recipients. Changes in the number of claimants may be a very good economic trend indicator and show changes in relative supply and demand for labor. Changes in, or comparisons of the number of claimants may be a very poor indicator of poverty and economic hardship.

If the definition of unemployment is developed through study of the operations data that will be used in the estimates, we will know that the result fits the real world. If, on the other hand, the definition is the result of academic debate and/or power politics, the estimates artificially constructed to fit the definition may not fit the real world at all.

We will have to use operations data for the detail needed in analysis of local labor markets. We ought to look at this data as a product to be funded and to be improved, not as a byproduct which is not now free. We ought to use this data to build new theories and new

definitions based upon the observations that the data represents.

- 1 Bill Chavrid used to say, "Even the railroad engineer sticks his head out the window of the engine from time to time to see what is going on." Quite a few economists have said that their fellow economists ought to study actual individual economic decisions. Alfred Korzybski called for this second method in "Science and Sanity," 1933. Barney G. Glazer and Anselm L. Strauss recommended this method in "The Discovery of Grounded Theory: Strategy for Qualitative Research," 1967.

Estimating Characteristics of the Unemployed in Local Labor Markets, A New Method

Unemployment statistics have increasingly become the decisionmaking determinant in the allocation of government financial resources on a state and area basis. The use of the total unemployment rate for this purpose is well known.

Further refinement in the allocation process using the characteristics of the unemployed is limited by the incompleteness of state and local statistics on the distribution of the unemployed. A significant advance in our ability to secure this data is possible if we combine information from several existing data sources.

Combining records of applicants seeking work and of claimants seeking unemployment insurance, and weighting them using total unemployment estimates provides better estimates of the characteristics of the unemployed than use of either applicant or claimant records alone. Weighting according to labor force estimates of unemployment makes it possible to compare, evaluate and improve the estimates according to a recent Wisconsin study.

Four periodic sources of information about characteristics of the unemployed are currently available for research, planning and administrative decisionmaking. Listed with a few brief comments, they are:

1. The Census counts and samples made every 10 years. Probably, the most accurate source of

- information, but it may undercount minorities by as much as 10 percent. Comparison between areas is possible. It has been available only once every 10 years.
2. The Current Population Survey sample provides some national characteristics monthly, and regional characteristics annually. Used to extrapolate Census counts to estimate characteristics for smaller areas. It is not adequate for comparisons between most areas, and does not include information from most smaller areas.
 3. Claimant Characteristics provides the characteristics of the unemployed who file for unemployment insurance. It represents only the unemployed with recent qualifying work experience who are receiving unemployment compensation benefits. It does not include new entrants into the labor market, reentrants, persons who have exhausted their unemployment compensation benefits or the most disadvantaged. Comparisons between areas is possible. Comparison with the Current Population Survey and the Census, which do not separate out other types of unemployed, is not possible.
 4. Applicant Characteristics provides the characteristics of persons registered as seeking work through the state public employment service. 1/ But, representation is uncertain because the people who are included may depend upon the location availability and reputation of the employment service offices and upon Job Service operating policy. Comparison between areas is not possible. Comparison with Claimant Characteristics, CPS and Census is not possible.

Combining the latter two files conceptually and experimentally, we would now have three major sources of information about characteristics of the unemployed. The Census counts, the Current Population Survey, and the Combined Applicant/Claimant Based Accounts.

Applicant/Claimant based estimates provide an estimate of the characteristics of all unemployed. Applicants and claimants are combined in one file

so that we have an unduplicated count. Characteristics of the claimants in this file are used to represent the characteristics of the insured unemployed. Characteristics of applicants who were not collecting benefits for the reference week are weighted to represent the characteristics of the uninsured unemployed. The two are combined to estimate the characteristics of the total unemployed. Results depend upon employment service reputation and operating policy, but to a lesser extent than Applicant Characteristics alone. Comparison with CPS and Census data is possible. Comparison between areas is possible with some qualifications.

Use of either Claimant Characteristics or Applicant Characteristics alone is conceptually obsolete except as the information relates to the two separate Employment Security programs. Even for this use, the combined file provides more information.

Knowing the extent of unemployment, the number unemployed by characteristic is important. For example, the distribution of available resources such as training programs, subsidized employment and manpower specialists to help the unemployed should relate in some way to the number of unemployed. An estimate of the number of unemployed by occupation may also be important when considering the unemployed as a resource rather than a problem.

Knowing the severity of unemployment, the rate of unemployment, by characteristic, is also important. The distribution of available resources should consider the unemployment rate, the severity of the problem, as well as the number so that more resources are used to help where the need is greatest. An estimate of the unemployment rate by occupation may become as important as estimates of job vacancies or of projected growth in evaluating where to spend more on training and what kinds of jobs to create. Unemployment rates are also an essential tool in comparing the situation in different geographic areas.

Unemployment rates also are important to the labor market economists and statisticians who produce the estimates as a means of evaluating the quality of the estimates produced.

Fortunately, the demographic and occupational characteristics of the total labor force appear to change relatively slowly over time. Unlike the characteristics of unemployment, they follow longer trends than the business cycle. Also, it takes a relatively large number change in the total labor force to noticeably affect the unemployment rate. Therefore, if we use unsophisticated methods in estimating the current characteristics of the total labor force, such as distributing the number in the current labor force in the same proportions as found in the last Census, we might still expect to obtain useable estimates of unemployment rates.

The Wisconsin Department of Industry, Labor and Human Relations has tested these concepts using CETA funding through the Wisconsin Governor's Manpower Office.

Using social security numbers to sort and match records, we constructed combined applicant/claimant files for November 1976 and March, May and August 1977. In estimating characteristics of the insured unemployed, only claimants who had no earnings and received benefits for the reference week were used. Applicants who were not claimants were weighted to represent the characteristics of all uninsured unemployed using the labor force unemployment estimate for the reference week less the insured unemployed.

With this combined file using the computer we produced estimates of unemployment of men and of women who were white, black, American Indian, Spanish, or other minority. For each of these groups, we estimated the number unemployed by educational grades, by age, by one-digit occupational group, and by whether they were veterans, Vietnam veterans, handicapped, economically disadvantaged, enrolled in WIN and enrolled in CETA.

We ground out estimates for Wisconsin, for our SMSAs, for our prime sponsor areas, for the Balance of State area, for the Wisconsin Area Manpower Planning Districts in the Balance of State area, and for every county within these districts. Each series of estimates included about 75,000 cells. Shortly after release of the series for November 1976, one prime sponsor wrote us requesting estimates by township.

A comment: The only way we can hope to produce micro data like this, micro data users feel they need, is to use operating statistics as a base. If we are going to use operating statistics as a base, the operations ought to be funded to obtain the basic data and ought to recognize the importance of producing the data as part of their objectives. Our only complaints came from operations staff who were interrupted by users who asked why there were more applicants in some categories than there were in the estimated unemployed.

Like most states, Wisconsin has been producing affirmative action estimates of unemployment of minorities and of women based upon local 1970 Census data, and national trends adjusted to local total unemployment. We compared the new November 1976 applicant/claimant based estimates with the estimates using claimants alone, applicants who were not claimants alone, and the affirmative action estimates (Table 1). How could the affirmative action estimates contain a smaller proportion of minority unemployment than found for insured unemployment? Why were women a smaller proportion of insured unemployed than found in the other estimates? These kinds of questions added to our belief that the applicant/claimant method was an improvement. This was the first time that we had combined the applicant and claimant files to obtain an unduplicated count of clients. We were surprised by the size of the resulting file.

To produce the state estimates for November 1976, we subtracted 44,800 unemployed claimants from the total unemployment estimate of 119,800. Then we divided the result, 75,000, by the 120,900 applicants who were not collecting benefits and who were identified as unemployed when they registered for work. The number of uninsured unemployed in the total labor force was only 62 percent of the uninsured unemployed applicants in the Wisconsin Job Service active files.

We concluded that the Job Service is already a common intake center for service to nearly all unemployed persons. But, to be sure of our conclusion, we needed to know how many active applicants were unemployed during the reference week. We knew there would be many who had already found jobs or who had dropped out of the labor force whose records had not yet been purged from the active file.

Table 1
 Minority and Women Unemployment as a Percent of
 Total Unemployment by Alternate Methods,
 Wisconsin, November 1976

	<u>Applicant/ Claimant</u>	<u>Methods</u>		<u>Affirmative Action</u>
		<u>Claimants Alone</u>	<u>Applicants Alone</u>	
Total	100.0%	100.0%	100.0%	100.0%
All Women	40.1%	31.5%	45.3%	43.2%
Total Minority	13.3%	9.7%	15.5%	7.0%
Black	9.2%	6.8%	10.6%	4.3%
Spanish American	2.0%	1.5%	2.3%	1.5%
American Indian	1.3%	0.8%	1.6%	0.8%
Other Nonwhite	0.8%	0.6%	0.9%	0.4%

Our local labor market analysts telephoned a sample survey of 1,048 applicants whose records were in the local office active application file during the reference week in May 1977. They asked whether the applicant was:

1. unemployed seeking work;
2. employed seeking a different job;
3. employed; or
4. not in the labor force.

This does not exactly correspond to the CPS household survey questions, but, in my judgment, there would be a difference in response anyway. I believe there is a small psychological cost when you admit you are unemployed looking for work unless you are telling it to someone who may help you find a job.

About 10 percent, 110, of the applicants surveyed were not found in the merged applicant/claimant computer file (apparently some did not get recorded in the reporting system). Another 18 percent, 188, did not answer the telephone. Of the remaining 750 active Job Service applicants:

- 63.7% were unemployed seeking work during the reference week;
- 15.7% were employed seeking a different job;
- 16.9% were employed; and
- 3.6% were not in the labor force.

Note that the proportion who said they were unemployed seeking work was very close to the estimating factor, above, for November 1976.

We estimated how many of the Job Service clients were unemployed using the telephone survey and applicant/claimant file data in several different ways. Assuming that the nonrespondents in the telephone survey were like the respondents, the estimates of the unemployed registered with the Wisconsin Job Service in May 1977 ranged from 117,500 to 128,000. Assuming that none of the nonrespondents were unemployed, the estimates ranged from 94,400 to 102,300.

The estimates of unemployed applicants and claimants registered with the Wisconsin Job Service in May 1977 were all a little larger than the official labor force estimate of total unemployment, 92,690. Considering the differences between the surveys, I believe we can still conclude that the total number of unem-

Table 2

Wisconsin Unemployment Estimates, in Thousands, and the Distribution of Unemployment by Characteristic, Current Population Survey 1976 Annual Average, and Applicant/Claimant Based Estimates, November 1976 and March, May and August 1977

	1976 CPS Annual Average		Applicant/Claimant Unemployment Estimates							
	<u>Number</u>	<u>Percent</u>	November 1976		March 1977		May 1977		August 1977	
			<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Total	122	100.0	120	100.0	140	100.0	93	100.0	94	100.0
Men	70	57.4	72	60.0	91	65.0	55	59.1	53	56.4
Women	52	42.6	48	40.0	49	35.0	38	40.9	41	43.6
Age										
Both 16-19	30	24.6	18	15.0	21	15.0	11	11.8	16	17.0
Men 20+	53	43.4	60	50.0	74	52.9	48	51.6	44	46.8
Women 20+	39	32.0	42	35.0	45	32.1	34	36.6	34	36.2
Black and Other Minority	13	10.7	16	13.3	16	11.4	11	11.8	13	13.8

ployed in Wisconsin, and the number of unemployed registered with the Job Service in Wisconsin were remarkably close.

To fully evaluate the use of Job Service applicant/claimant based estimates of characteristics of the unemployed would require having the estimates, and a sample survey of the active file, in a number of different states at the time of the Census. Ideally, in some of these states, the local office operating staff would have incentives to want to provide accurate data.

We did compare the 1976 CPS annual average estimates of Wisconsin unemployment by characteristic with the applicant/claimant based estimates (Table 2). Wisconsin Job Service records appeared to underestimate youth unemployed, age 16-19.

For May 1977, we estimated unemployment rates by sex, ethnic group and broad occupational group for the state and six selected counties. Using the "Census share" method of estimating characteristics of the employed, ignoring demographic and socioeconomic changes since 1970 could cause an error of about 5 to 10 percent, possibly more, in some rapidly changing areas. This source of error could be reduced with more analysis, and would be reduced by the planned five-year Census.

Table 3

Wisconsin Unemployment Rates by Occupation
May 1977, Applicant/Claimant Based Estimates

Professional, Managerial, Technical (0 & 1)	2.2%
Clerical and Sales (2)	3.5%
Service (3)	4.9%
Agricultural (4)	1.0%
All Other (Blue Collar 5-9)	5.9%

Using Occupational Employment Statistics and the Applicant/Claimant method, unemployment rates could be estimated by occupation as another tool in vocational guidance and manpower planning. The above illustration used the "Census share" method.

We also estimated unemployment rates by age group for the state and every county. Inspecting these estimates, we found that the underestimating bias in age group 16-19 was consistent. Except for this bias, most of the estimates could, we believe, reasonably be used. However, the desirability of local analysis was illustrated by one county, Menominee (an American Indian reservation), with a total unemployment rate of 29 percent, which produced an impossible estimate of over 100 percent unemployed in age group 20-24.

Because the applicant/claimant records are used to estimate total unemployment, we can compare the resulting unemployment rates with other estimates. We can evaluate our estimates and we adjust the estimates for any persistent bias (Table 4).

The ratio between the U.S. unemployment rate ages 16-19 to the total U.S. unemployment rate depends upon the U.S. total unemployment rate. The ratio has changed, but the regression is pretty good for the past 15 to 20 years. 2/ Regressions of the annual average for the past 15, 20, 25 and 30 years are:

<u>Years</u>	<u>Regression</u>	<u>R²</u>
15	$\frac{16-19}{\text{Total}} = 4.27 - 0.24 (\text{Unemp. Rate})$	0.90
20	$= 4.21 - 0.21 (\text{Unemp. Rate})$	0.75
25	$= 3.63 - 0.15 (\text{Unemp. Rate})$	0.34
30	$= 3.36 - 0.12 (\text{Unemp. Rate})$	0.18

The ratio between the Wisconsin 1970 Census unemployment rate ages 16-19 to the total unemployment rate was 2.35. We used the national regression trend to adjust this Wisconsin ratio for the average of the four months, and then adjusting each of the months by this constant factor of 1.35 (Table 5).

Table 4
 Applicant/Claimant Based Unemployment
 Rates by Age Without Bias Adjustment

	<u>Total</u>	<u>16-19</u>	<u>20-24</u>	<u>25-44</u>	<u>45-64</u>	<u>65+</u>
August 1977	4.2%	7.6%	8.4%	4.2%	1.9%	2.0%
May 1977	4.2%	5.3%	8.5%	4.4%	2.2%	2.4%
March 1977	6.4%	10.5%	12.8%	6.5%	3.3%	2.8%
November 1976	5.3%	8.9%	11.0%	5.5%	2.5%	2.4%
1970 Census	4.0%	9.4%	5.8%	3.1%	2.8%	3.9%

Table 5
 Wisconsin Unemployment Rates by Age,
 Applicant/Claimant Estimates Adjusted for Bias
 Ages 16-19

	<u>Total</u>	<u>16-19</u>	<u>20-24</u>	<u>25-44</u>	<u>45-64</u>	<u>65+</u>
August 1977	4.2%	10.3%	7.8%	3.9%	1.8%	1.8%
May 1977	4.2%	7.2%	8.1%	4.2%	2.1%	2.3%
March 1977	6.4%	14.1%	12.0%	6.1%	3.1%	2.6%
November 1976	5.3%	12.0%	10.3%	5.2%	2.3%	2.3%
1970 Census	4.0%	9.4%	5.8%	3.1%	2.8%	3.9%

The annual average U.S. unemployment rate, age 20-24, is approximately 1.6 times the total unemployment rate. The 15-year regression is:

$$20-24 \text{ rate} = -0.29 + 1.64 (\text{Total Rate}) \quad r^2 = 0.98$$

The 30-year regression is:

$$20-24 \text{ rate} = -0.21 + 1.63 (\text{Total Rate}) \quad r^2 = 0.96$$

The Wisconsin 1970 Census unemployment rate, age 20-24, was 1.45 times the total unemployment rate. If the Wisconsin unemployment rate, age 20-24, is 1.6 times the total unemployment rate or less, applicant/claimant data may somewhat overestimate unemployment in this age group. We have not decided to adjust for this possible bias yet.

The better you can evaluate the probable errors in the data, and the more you can improve the estimates by adjusting for persistent bias, the more you may create the illusion that the data is not as good. In honesty, we have to emphasize the weaknesses we find in the data. But, we believe the applicant/claimant method offers a potential for major improvement in estimating characteristics of the unemployed in local labor markets.

- 1/ Called the Job Service in most states (including Wisconsin) when combined with the Unemployment Insurance program.
- 2/ Interestingly the changes in correlation coefficients correspond to the dramatic changes that occurred in the number of live births in the nation since 1929.

CHAIRMAN LEVITAN: Thank you very much, Mr. Jackson.

Since you wanted to mix data collectors with data analyzers, I think we will start with your colleague from Wisconsin.

MR. CAIN: I haven't any questions.

MR. JACKSON: Do you know why we haven't done it, Glen? I don't, other than I know it takes money for students to be in school, and, if you have graduate students to guide you, you have to almost guide them in the areas where they can get the money for their scholarships and so forth.

CHAIRMAN LEVITAN: Mr. Jackson, you made that statement in your prepared remarks which you sent us last week. And they are the only one, by the way, which those of us in Washington had a chance to look at in advance. Thank you.

Now, you make the statement--if you will take a look at page 3, the fourth paragraph. Why are you so sure that if you use unemployment data from employment service operations it would be any better than, let's say, CPS? I heard some people say, and somebody testified this morning, that unemployment may be exaggerated. Your figures may be completely misleading because a person may not really be looking for a job. He or she may not be actually unemployed, as we understand the term, and therefore your estimates might be even worse, or no closer to the mark than the CPS data.

MR. JACKSON: I may get the wrong implication here. I am not saying that unemployment from our operations data is better than CPS data. What I am saying is that in order to get estimates from small enough areas, we end up having to use our claimant data as the base because we can't afford to do CPS estimates for the thousands of labor market areas from which we want the statistics. And I am saying that in the process that we know from looking at the insured unemployed and the estimates for those areas, that they fit the other economic time series for a particular area. So that we know that the data does represent, from analysis, relatively reasonably the economic changes that have taken place in an area.

We don't know that claimant-based data, when you are comparing two areas, means that there really is that much difference in other things, such as total unemployment or hardship.

CHAIRMAN LEVITAN: Do you mean single states or between states?

MR. JACKSON: Within a state. As far as I know, no one has made a study to validate one way or the other.

CHAIRMAN LEVITAN: Well, I would think that among states it certainly wouldn't be comparable if you have different regulations and agencies.

MR. JACKSON: That analysis has been done. What we don't know, for example, is whether, say, in a city like Milwaukee, the blacks are equally represented among claimants as they are in the unemployed in the population, whether we have the same ratio there. If we do, we may find that insured unemployment may be a good indicator for comparison between, say, Madison and Milwaukee; if we don't, they may not be.

CHAIRMAN LEVITAN: Mr. Jackson, when we held hearings in New York we had two of your counterparts, or colleagues, from the Empire State and from New Jersey. We asked them this question, which I would like to repeat to you. Given our interest in local data, could you simplify the 70-step method to 69, 68 steps, or maybe even a few less, and still obtain reasonably good local data for unemployment?

MR. JACKSON: I believe BLS at one point was suggesting a regression equation that involved approximately five or six factors which they thought was reasonably good. The problem is that they weren't able to show that it was necessarily any better or worse. And when we asked them to use the regression equation outside of the time series for which they built it, it fell apart.

But that doesn't mean it couldn't be done. I would guess that it could have been done.

CHAIRMAN LEVITAN: Have you tried in Wisconsin to estimate area unemployment with fewer complications than the 70-steps?

MR. JACKSON: No, we have not, and that gets me to something I was telling Joan before. We, for example, had some advance notice of the change in methodology that BLS was going to make. I tried to get my staff that does the unemployment estimates to examine the impact that those changes would make on the City of Milwaukee, but that staff simply didn't have time to do that.

The research paper that you've got--so-called research paper--"Wisconsin Youth ... Wisconsin Opportunity," was written by myself because I didn't have the staff to delegate it to.

So the basic answer is, I don't think any of the states have done anywhere near the kind of research they are capable of doing simply because they don't have the staff time to do it, and we haven't either.

CHAIRMAN LEVITAN: What would it take to get you to invest staff time to do it?

MR. JACKSON: The problem ---

MS. WILLS: Hartley, could you point out your historical problems since 1973?

MR. JACKSON: As I just told Joan, when CETA started in Wisconsin, what happened is the increased CETA funds exactly balanced out the decreased MDTA funds in the labor market information. And since then they found that Wisconsin, because we had done grantsmanship, had built up our staff beyond the ratio of the other states, so they reduced it by ten positions. We have had no increase in staff for the purpose of comparing labor market estimates, despite the large increase in interest on labor market estimates and the number of estimates to be made.

The problem, in part, is that BLS has been given the technical responsibility, so that when Congress looks, I believe, to improving the unemployment estimates in general, they look to BLS and BLS' budget.

The Employment and Training Administration was given the responsibility for our budgets. They did a very good thing when they separated our funding, because otherwise, with the emphasis on placements, our labor market analysis would have gone completely down the drain. But in the process, the people who did that, who fought very hard for separate funding, to protect it, immediately afterwards lost the technical responsibility.

Basically, all it would take to get the staff to us would be to convince somebody in Washington that the labor market information produced by the state needs

funds and funds should be designated--have to be designated--for that purpose.

I believe you will even find the ICESA administrators are not speaking up for more labor market funds simply because of the fact that they don't like the fact that it is segregated money. As long as they don't control it, there is no sense in their asking for it.

CHAIRMAN LEVITAN: Are you saying they are not interested in research, even if it is extra money? I can see that they don't want to give up some good money, but if it is extra money, would they still be against it?

MR. JACKSON: Many of them would. Frank Walsh, who was our director in the past, was actually against it and told me, frankly, that he thought we were spending far too much for research and statistics and nowhere near enough for placement operations.

If somebody had said, "You can have more money for research and statistics," he would have argued, "Don't give it to research and statistics. Go back to Congress and ask for it for placement operations." He was very much in favor of direct service to the disadvantaged and he wanted the money to go there. I wanted the money for research because I figure that's the only way we are going to know how to spend the money.

CHAIRMAN LEVITAN: Ms. Wills.

MS. WILLS: It sounds like a classic debate. Hartley, I haven't had a chance to thoroughly absorb all this, when you are talking about the matching of the applicant and claimant data: my question is, if this were done, do you think that it would be a way to perhaps reduce some of the 70-step methods? Is that one of the implications of it?

I guess I need a little more clarification.

MR. JACKSON: The key there is that nobody, that I know of, is satisfied with an estimate of the unemployment rate. Bad as it is, they all want the detail. You can't plan CETA programs very well without pro-

viding some kind of estimate of the characteristics of the people you're going to serve.

Given that background, that they need the detail, what we tried to do, in an imperfect fashion, was weight the claimant data to indicate the insured unemployed for an area, and then weight the applicant data to indicate the characteristics of those who are not insured among the unemployed, and thus get the characteristics of all of the unemployed.

We then tried to study that, because we now had a weighted estimate equivalent to the total unemployed. And in that study we did find that we underrepresented youth. In the Youth Report we do indicate that one of the reasons is because such a huge proportion of the youth unemployed are in school.

We are catching them, in Wisconsin, in a cooperative school job service program, which is doing a very good job, but those applicants don't get into our statistical file. They get into the service file, and if the service that happens is recordable for credit, then they get into the applicant file because that's the only way they can record the credit. But there is no advantage to an operating person doing the statistics on youth in school who say that they are looking for work, or doing something to look for work, because that is taking time away from the actual service function.

CHAIRMAN LEVITAN: I just have one more question, if I may, Mr. Jackson, and then we will let you go.

I wasn't clear concerning your comments about improving operations. How was this done? By putting the files together you would improve your analysis. How would you match the job openings with the job applications? You made it look so simple.

MR. JACKSON: The basic thing that we did, to start out with, was simply to match the Social Security numbers of the claimants and the applicants, the job-seeking applicants and the claimants. By matching the Social Security numbers we could eliminate all the duplicates and build one file.

CHAIRMAN LEVITAN: Yes, but what would you do with the file? I can understand how you build a file, but what would you do with it?

MR. JACKSON: What we did then was, we used the estimates we make of unemployment, using the 70-step methodology, which basically has an insured unemployed component and it has a remainder. Using the data from the claimant, we weighted that according to the insured unemployed components. Actually, they were the same, so we had the characteristics of all of the insured unemployed, which is about 40 percent or so of the unemployed.

We then used the applicant data, weighted, to represent the characteristics of the unemployed who were not insured. Interestingly enough, the weighting was .6. We were reducing the applicants to 60 percent of the total in order to get at the characteristics of the remaining unemployed. The reason for that is a delay in purging the files. The Employment Service does not know the instant a person gets a job that that person should not be in the file any longer.

We did do a telephone survey of the applicants in the applicant file to ask if they were unemployed, and about 60 percent of them said they were unemployed and looking for work, which meant that we had, in effect, as many people in our combined file as we were estimating as unemployed for the total state.

CHAIRMAN LEVITAN: Well, Mr. Jackson, I have many more questions based on your Estimating Characteristics paper, but, unfortunately, like all good things, the time is up. Thank you very much.

MR. JACKSON: Thank you for the opportunity.

CHAIRMAN LEVITAN: Our next advisor is Professor Eisner of Northwestern University, a very well known economist. I hope you will tell us, Dr. Eisner, how often economists use labor force data.

DR. EISNER: You are very kind, and I should say that we find labor force data, as furnished, immensely valuable.

STATEMENT OF ROBERT EISNER,
PROFESSOR OF ECONOMICS,
NORTHWESTERN UNIVERSITY

This nation's statistics on employment and unemployment are remarkable. In concept and detail the data collected in the current population surveys, supplemented by the establishment surveys and figures from the unemployment insurance program, offer a tremendous wealth of information. Monthly, quarterly and special reports build upon fine technical expertise, developed, maintained and improved upon over many years. The 1962 Gordon Committee offered important recommendations which have been implemented in the direction of providing further dimensions to the description and measure of nonemployment. Now the current National Commission on Employment and Unemployment Statistics, judging from its tentative report and commissioned papers, is quite clearly providing a perceptive and comprehensive overview. All of this must contribute to the greatest humility on the part of any relative outsider asked to offer comments or suggestions.

I approach employment and unemployment statistics with a focus on learning the full scope of involuntarily unemployed resources which appropriate government policy might open up to productive use. I should therefore like to see more information highlighted, and more information collected where necessary, indicating the full extent of nonemployment and underemployment and their reasons. In addition to the rate of total unemployment, which is the usual headline figure each month, I should like to see a single measure reflecting involuntary nonparticipation in the labor force, part-time employment for economic reasons and other aspects of underemployment. This last will include some measure of people in secondary occupations because of inability to find employment in work appropriate to their skills and training. The discouraged worker category should be carefully detailed and supplemented by measures of those out of the labor force in homes and schools because of real or imagined inability to secure employment. The major growth in female labor

force participation in recent years suggests that there has been and may still be a large number of individuals who have not been working because institutional arrangements as well as market forces have constrained them.

This nonparticipation in the labor force and hence noninclusion in our unemployment totals of very large numbers of potential workers calls for basic research and regular statistical measures. These are likely to focus most on women, blacks, youth and the aged. Information already made available as to lower labor force participation among black teenagers has suggested even considerably larger amounts of unemployment than the rates officially reported. Any possible continuing underestimates of the total population in this and other categories would suggest still further underestimates of unemployment.

Similarly, one may wonder at the reservoirs of unutilized resources among those that are forceably retired or put in a situation where they lose tax-free social insurance benefits if they engage in significant employment. The role of the current structure of unemployment benefits in causing overstatement of both the labor force and unemployment, if not enlarging unemployment, should also be pursued in depth.

I should like to call into question the recent shifts in some measures of full or high employment, including those employed by the Council of Economic Advisers. A 4 percent unemployment rate was used for most of the 1960s as an appropriate goal for full employment. Unemployment has, of course, been considerably less during World War II and again during the Vietnam War. There were visions in early concepts of the Humphrey-Hawkins Bill of unemployment rates below 4 percent. But most recently, voices are heard with surprising frequency suggesting that 4.9 percent or 5.5 percent, or even 6 percent, should now be viewed as in an appropriate sense "full employment."

The most well-reasoned arguments to this effect are based on shifts in the population and labor force participation toward larger components of youths, blacks, and women; traditionally categories with larger unemployment rates. I find these arguments dubious both in terms of public policy and appropriate theories of employment and labor market behavior.

Where unemployment results from inadequate aggregate demand, for example, its incidence is not now and never has been equal in all elements of the population. I should expect that for over a century white, prime-age, English-speaking males were the first to be hired and the last to be fired. Unemployment, I should further expect, was always highest among marginal workers, whether new immigrants or newly freed slaves. If, however, there is 10 percent unemployment due to inadequate aggregate demand, it is then inadequate demand which causes the aggregate unemployment rate of 10 percent and not the composition of the population with higher unemployment rates among marginal workers that creates the aggregate.

Similarly, if not as clearly and directly, if institutional arrangements, including inefficient job search and dissemination of job information, cause a certain percentage of unemployment in the aggregate, there is no reason to accept the unemployment rates among particular subcategories of the population or labor force as given. There is no reason why as more blacks, youths, and women come into the labor force they have to be unemployed at as great rates or for as long periods as when they were relatively fewer. Institutions which have provided prompt employment for prime-aged white males can and should be adapted to doing likewise for the youth, blacks and women now coming into the labor force in greater numbers.

I should like therefore to see careful attention to concepts, measures and determinants of employment and measures of all of the dimensions of nonemployment and partial unemployment, by category as well as in the aggregate.

Finally, in view of the long historical argument on the relation between employment of capital and of labor, I should like to see both special studies and regular reports on this issue of renewed current controversy. Is employment really being held back by a shortage of capital? Would public policy aimed at stimulating business investment in plant and equipment rather than employment actually reduce unemployment? I have my own considerable doubts and would welcome objective studies on the matter which might be pursued with a judicious mix of information from the establishment and current population surveys.

I see no more pervasive and fundamental goal of economic policy than the minimization of unemployment and the maximization of voluntary productive employment. I am confident that the work of the National Commission on Employment and Unemployment Statistics will contribute significantly to our programs for providing the data base and underlying measures essential for the determination of optimal public policy.

CHAIRMAN LEVITAN: Thank you, sir.
Professor Cain.

MR. CAIN: Since I didn't have a chance to read the paper before you presented it, and just taking notes while you were talking about it, some of my questions may be kind of scattered.

One is to ask if you could be a little bit more specific about what you meant when you said you would like to see concepts, measures and determinants of employment, and measures of all the dimensions of non-employment and partial unemployment, by category as well as in the aggregate. I didn't get my wording as well as it's written here, but you can see what I am referring to.

What, that we now produce, isn't adequate? Or what are we not now producing in the way, say, of characteristics of those not in the labor force and so on, that you would like to see produced?

DR. EISNER: Much of these data, perhaps all of them, are collected. What I had in mind here in particular is a presentation and a set of summary statistics. For example, we have those who are part-time due to economic reasons. Suppose we define a full-time week as whatever, 37 1/2, 40, 35 hours. You could easily, these days, I'm sure, with a computer--perhaps it is already done but not released--integrate some of these part-time workers due to economic reasons and count the person then who is working five hours and who would like to work 35 as six-sevenths unemployed. You would have six-sevenths of a person unemployed.

On discouraged workers you could add those to a potential labor force and indicate them as totally unemployed.

For those two adjustments, for example, the data are there. They are collected in many ways. Certainly I always see the part-time unemployment figures, but not broken down in detail in terms of the average number of hours people are working who would like to work more, and how much more they would like to work. We could pick up those figures, and I'm not saying drop the official unemployment figure, but have something which would make people realize that our official unemployment figure, for example, counts as a person employed a person who has lost his regular job and gets to wash cars for four hours every Saturday morning or something of that kind:

CHAIRMAN LEVITAN: Economic Indicators publishes exactly the type of index that you're speaking of.

MR. CAIN: U-7, I think, is very close to what you've asked for. It adds discouraged workers and it adds part-time employed. But even when we have this particular statistic, of course, it doesn't necessarily tell us anything that much different about changes over time, does it? So I don't know that it's all as valuable as you imply.

DR. EISNER: It will change clearly with the employment or unemployment figures, and I would expect a monotonic relation where there is one. Whether it will change quite in a linear or proportionate fashion is another question, and this may even vary from cycle to cycle.

But I just would like to see this kind of thing more highlighted. Every month we get a release and we are told the unemployment figure is 6 percent, or 6.1 percent. You speak to a lot of people who will also tell you that the unemployment figure among white males, among prime labor force members, is considerably below that. There is a widespread belief in the business community, certainly, which permeates elsewhere in political circles and the public, that we are essentially at full employment. Thus it makes it difficult to gather support for measures at a policy level, and perhaps even appropriate research support, to ascertain the amount of unused resources.

So while I am aware that the bulk of what I am suggesting is available, and in some ways is even currently being put forth, I would like to see greater emphasis on that, and greater publicity to that, and perhaps some attention to improving or sharpening those measures.

One thing I did suggest, the matter of getting some measure of people who are working in jobs which are not their primary choice, I realize is a particularly slippery and difficult one. It may perhaps open up more problems than anybody can solve, in that nobody is necessarily entitled to teach Latin, let's say, when nobody wants to study Latin. To call such a would-be Latin teacher partially unemployed because he is forced to do something else is suspect, but there still might be some attention to that as well.

CHAIRMAN LEVITAN: Ms. Wills.

MS. WILLS: If I understand correctly, one of your major recommendations is how we publish the rich data that we currently have. Interestingly enough, at least from the Chicago hearing, that has been a fairly constant theme. We did not hear that too much in Washington, which I find fascinating, different.

One of the suggestions this morning was to publish a series of statistics that would perhaps be more useful when presentation is made to the Joint Economic Committee by having a fairly standard kind of format. I am making an assumption there might be a philosophical debate about who wanted which statistic published. That may be part of our problem. Could you give us a better idea of which statistics you think need to be published, in a fairly consistent and easy format, beyond just the unemployment rate?

I guess that's why I'm getting a little confused when I hear that we are not publishing the right statistics, since I know that they publish one through seven. BLS tells me it's a valuable economic tool, but nobody is telling me that they are using it.

DR. EISNER: You reflected well, I think, on the distinction between Washington and Chicago. In Washington you would be much more aware of all that is being

published, and the ordinary person who is a casual user of statistics, that pays--I shouldn't say superficial--not too deep attention to the matter is not going to have your U-1s through U-7s. He is going to start with the unemployment rate. He may then next pick up the unemployment rate for Illinois or for the City of Chicago area. He may, if it is of special concern, pick up some figures for blacks or something like that. So a lot, perhaps, might be accomplished simply in the way the information is released and headlined.

I take some figures which have caught a lot of my attention, and perhaps I'm unfair in that I haven't noticed carefully enough what has come out. There are figures on black youth unemployment where--and the data, I'm sure, came from the labor force statistics--it is pointed out, as I'm sure you are well aware, that if you measure the participation in the labor force of black teenagers, it is apparent that they are participating in considerably lower numbers than white teenagers. There is an implication of a huge discouraged worker category, so that there may be a discrepancy between the 50 or 48 percent unemployment rate for them and the number of black youths you will see on the south side of Chicago not doing anything. The numbers will be considerable larger, I would presume.

Now, these figures are certainly available to any careful student; they are available to anybody that is knowledgeable, but I don't know how widely available they are to the general public, and there may therefore be even, I should think, some lack of confidence, undeserved, in the tremendous job that is done on employment/unemployment statistics, because the public does not perceive the same thing that the statistics tell them.

If the statistics say that over half the black teenagers are working--and that, in effect, is what the overall current figure looks like--and everybody in the ghetto knows that there isn't perhaps more than one out of three working, they begin to wonder, "What is the government putting out?"

I don't know if I can get more specific on particular measures which should be highlighted.

MR. MOSKOW: I was just going to say that it's a very difficult problem, because no matter what the Bureau of Labor Statistics puts out, they have no control over which statistics the newspaper reporters or television commentators emphasize. And, you know, there are tradeoffs, too. Each month, as the statistics are produced, it's my feeling that it's a pretty standard format for the way they are presented, and there are advantages and disadvantages to that, obviously. The advantages are that it's standardized; you know what to look for every month. A disadvantage is that they may want to emphasize different things each month, depending on what the statistics really show.

I wonder if you would comment on that. Would you like to see the Bureau selecting each month those factors they think are particularly important and headlining them, or would you rather have sort of a standard approach--every month the description is: this is the unemployment rate, this is the employment, and then go into some breakdown by categories?

DR. EISNER: This may be something on which an expert in public relations could advise you more as to what would be picked up. I think it has been suggested that reporters for the newspapers are likely to look for what is familiar to them. I don't know how much they would be impressed or struck by something unusual, but I would think, offhand as a nonexpert in public relations, it would be useful each month to have some highlight, in addition to the general statistic that always gets the main lead, to attract people's attention, whether it's what's happening to women, or what's happening to blacks, or aged, or particular areas, or what have you.

I am groping a bit with whether it would be useful to try to highlight a more comprehensive measure of nonemployment than our unemployment statistic along the lines I suggest. I have covered this from a slightly different angle in that my own recent research work has been, to a considerable extent, on expanded measures of national input and output. We are working on imputation of nonmarket activity, and considerable rearrangement of the accounts. I would not abandon our official gross national product, but I would like to see more attention to the expanded measures.

Similarly, on unemployment, the public and the journalists, none of them, I think, really has much of an understanding that the unemployment definition and concept, while a very careful, clear, precise and useful one, is fairly distant from what many of the public would take to be unemployment. I would suggest--I hope not too foolishly--that at this point they always be given two figures, and I am not sufficiently up on your numbers to know precisely which one I'm talking about, U-6 or U-7, but every month, say, there are two measures, in addition to seasonal adjustments. There would be the unemployment figure, that is, those who have looked for work in the relevant period, been available for work, and so forth, in the labor force, and then there would be this expanded measure of non-employment, if you want a different figure. Nonemployment, of course, would not include all of the rest of the two hundred and twenty-odd million who are not working, but those in the discouraged worker category, part-time, aged, for that matter, who would work more. If we have that measure out front, then people would see that there are two figures here, 6 percent and, say, 8.4 percent, or 9.2, or whatever it is. It may be considerably more, I don't have those things at hand.

The official figures, as you well know, are criticized from the other direction, too, and that is that a lot of the people who claim to be looking for work are not really looking for work. Obviously, somebody who is loafing on unemployment benefits is going to tell the interviewer he is looking for work. Technically, since he is registered, he is looking for work, but perhaps he really isn't. Perhaps he is just getting a free ride and if it weren't for the unemployment benefits he wouldn't be looking for a job anyway. Or, on the other hand, as I suggest, maybe unemployment benefits are keeping him idle.

But with all the great value of the very sharp, clear concept which is used, it is missing dimensions which the public, and I think experts, would be interested in being made conscious of. And that means more than just the various sophisticated people who deal with statistics and put them out in the fine, voluminous publications which we see.

MR. MOSKOW: There was a suggestion this morning to do something similar to what you are saying, but just from the other side, to have an unemployment rate for prime age males, I think it was, 25 years and older, or heads of households, something like that, as well as the regular unemployment rate, which is already being published, but not being highlighted in the way that was suggested.

DR. EISNER: I could suggest another modification along this line. I'm sure you are aware there is a recent work suggesting that we revised the unemployment figures during the Depression, in terms of people counted unemployed who were on WPA or public works. There is then a question of what we want to do today. I'm not prepared to say everybody working for the government is idle and not doing anything useful, even people on so-called public service jobs ---

CHAIRMAN LEVITAN: Not in this building.

DR. EISNER: Not in this building, certainly, but it would be, perhaps, useful to add that. Perhaps that is already available. But what is our unemployment rate if we exclude people who are on jobs explicitly for the unemployed, which are visualized as temporary, transitional jobs until they can get real jobs, so to speak? That might add, what, a percentage point to your unemployment these days? It could be quite significant.

MR. MOSKOW: Let me ask you one other question on a completely different subject.

There has been a suggestion made to the Commission that homemakers be included in the employment figures, and obviously this would differ from the concepts used in our national income accounting. I was wondering if you would like to comment on that, give us your thoughts on that.

DR. EISNER: That certainly would be useful. I don't know, at this point, that that should be a primary figure, but it would be useful, and it does tie in with my own work, as I said, in terms of modifying national income accounts.

I am suggesting the desirability of maximizing voluntary employment, but it is clear, at least to me, that the end of employment is, to a large extent, production and output. You should take note of those people who are productively engaged in households, and it would be a useful figure to have. You would have some men, as well as women, who are both working in the household and not employed.

A measure of employment, including homemakers, would have clearly different dimensions. To a considerable extent it would not, in ordinary circumstances, vary very much. But I can conceive of a situation where, large numbers of people, as years ago during the major war, would depart from the household and be virtually nonemployed in the household and yet be employed in the market.

So I wouldn't dismiss this as merely a feminist posturing on the part of people who want to emphasize the great productive activity of women, because again, if figures of this kind are not readily available, we can be deceived. I think of something such as day care centers, which usually have appealed to me on political grounds, although one clearly deceives oneself about increases in employment from taking care out of the household, where they are taking care of their own children or even the neighbor's children, and putting them into a day care center where they are employed, doing the same work, perhaps not as ably.

So where you have movements from nonmarket to market activity, or from household labor to market labor, you will find your figures changing in ways which would be, in some sense, deceptive. Just as when people move from rental housing to owner-occupied housing, we need an imputation to avoid a distortion there. It would be useful, I should think, to have the backdrop of employment figures in households, in household work.

MR. MOSKOW: Would you recommend changing the concepts, that they be counted as being part of the employed?

DR. EISNER: No, I would recommend an additional measure. I think to just change it and substitute it

for what we have would throw out an awful lot of useful information. I wouldn't want a woman who loses her job and, not by choice, goes on working an increased time in the household, to be no longer counted as unemployed. So I think there would be a major loss of information if we simply grafted the one on the other and didn't include the current labor force or unemployment measures.

CHAIRMAN LEVITAN: Professor Eisner, on the inflated figures of full employment, you stopped at 6 percent. We had a very distinguished academic, not business, economist who defended 7 percent as full employment, but that's not the point I want to make. In connection with the full employment figures, you emphasized inflation due to demographic factors, such as females and youngsters. But I missed, in your statement, any reference to income. In measuring gross national product, and in measuring the labor force, aren't you also interested in income or earnings? Also, in that connection, there was no reference at all in your statement to transfer payments and their impact on labor force behavior. Don't you find that about \$210 billion in transfer payments might also have some impact upon behavior in the labor force? Couldn't this affect the employment and unemployment numbers?

DR. EISNER: I should think that the increased transfer payments would not increase the labor force unless they are given in such a way as to make the recipient either automatically or, in terms of his interest in receiving the payment, categorize himself or herself as in the labor force. The increased transfer payments would tend to lower labor force participation, and perhaps also lower the unemployment rate. That is, a household that receives sufficient benefits in transfer payments would find that either the head of the household or somebody else would not try to work. You take it in Social Security benefits if you're talking of government transfer payments, or, for that matter, generous pension funds may also be keeping people out of the labor force. The availability of unemployment benefits may, however, serve to increase our measures of both the labor force and unemployment.

It does seem to me that you have raised an important issue on which there may well have already been considerable research of which I am not aware. If not, there should be more, as to the effect of transfer payments and higher incomes on both labor force participation and unemployment figures.

Now, you may have in mind the different implications of unemployment for welfare. Clearly, if individuals have support from unemployment benefits or from other transfer payments, then the individual's suffering from unemployment is not as great, presumably, as it would be without.

I must say I personally try to distinguish between distributional effects and effects on the aggregate, and to me the major cost of unemployment is the lost production, the lost output of goods and services, and I don't take much comfort in the thought that the people who are actually unemployed are not suffering as much when somebody else is losing. Indeed, I wonder if we don't have some kegs of political dynamite here. I think our taxpayer revolts reflect that in large part, that is, to the extent that people are supported on transfer payments, somebody else is paying the bill, and particularly if these transfer payments are accompanied by lesser employment, it means that we are passing on a bill in real cost to people which could otherwise be avoided.

CHAIRMAN LEVITAN: A final point, Dr. Eisner.

You made a reference to nonmarket activity. Just for my curiosity, would you consider what is called the subterranean economy--or what one advisor here this morning called the irregular economy--and will you try to make some estimates of it, too?

DR. EISNER: I have not. I hadn't thought of that, and I've been wondering, in terms of recent publicity, whether I should pay more attention to that. I had not had that in mind in my own work.

CHAIRMAN LEVITAN: If you will, then, we will look forward to your next writing.

Thank you very much.

DR. EISNER: You're welcome.

CHAIRMAN LEVITAN: Our next scheduled advisor is Mr. John Coulter, Director of Research, Chicago Association of Commerce and Industry.

Welcome, Mr. Coulter.

STATEMENT OF JOHN M. COULTER,
DIRECTOR OF ECONOMIC RESEARCH AND STATISTICS,
CHICAGO ASSOCIATION OF COMMERCE AND INDUSTRY

MR. COULTER: Thank you for inviting me.

The focus of this report is upon national and local labor participation rates and unemployment rates.

Since 1975, the depth of the most recent recession, employment in the U.S. has grown by 9 million workers--the greatest increase since World War II. The noninstitutional population, 16 years of age and older, has increased by 7.1 million persons during the same time span. Concurrently, the total labor force has also increased by 7.1 million souls. This relationship forces the assumption upon us that no one has died or retired during the interim and that all persons reaching the age of 16 have forsaken education and other youthful pursuits to enter the labor force. Unemployment has remained high--6.1 percent in May 1978--despite the record breaking employment climb. The ratio of the total U.S. labor force to total population--currently about 46 percent--is approaching the Western European levels of 49-50 percent. But the European ratios are based upon large numbers of menial and low-skilled jobs--washroom attendants, doormen, elevator operators, domestic help, and farm laborers--which, largely, have been automated out of existence in this country.

As a consequence, the U.S. unemployment rate has lost credibility. It is taken with a shrug and the rejoinder that the labor participation rate is at an all-time high, so why worry.

At least two alternative changes in the labor force statistics would improve their credibility. The first is purely statistical. The basis of the participation rate should be changed from population to households. The number of households has increased by 40 percent since 1960. So has the civilian labor force. Population has grown only 34 percent during the same span of years. The simple variation around the average

of the ratio of total labor force to population has been 5.2 percent between 1960 and 1977. The simple variation around the average of the ratio of civilian labor force to households has been 2.2 percent during the same time span.

Table 1. Ratios of Total Labor Force to Population and Civilian Labor Force to Households, 1960-77, U.S.

Year	Total Labor Force ÷ by Population	Civilian Labor Force ÷ by Households
1960	60.2%	131.9
1961	60.2	131.4
1962	59.7	129.0
1963	59.6	130.0
1964	59.6	130.1
1965	59.7	129.6
1966	60.1	129.8
1967	60.6	130.6
1968	60.7	129.4
1969	61.1	129.8
1970	61.3	130.5
1971	61.0	129.8
1972	61.0	129.8
1973	61.4	130.1
1974	61.8	130.5
1975	61.8	130.2
1976	62.1	130.0
1977	62.8	131.5

Range 3.2 ÷ by Range 2.9 ÷ by
Average 61.2=5.1% Average 130.8=2.2%

Sources: Employment and Earnings, Bureau of Labor Statistics, U.S. Census Bureau.

Unfortunately, both series of participation rates deteriorate in 1978. However, the household participation rate has much to recommend it.

The second alternative is more sweeping. This involves the reduction of official unemployment to insured unemployment of all enumerated types--veterans

and ex-federal employees as well as unemployed covered employees. This would result in an overhaul of the unemployment rate as well as the participation rate. Historical corrections to equalize the time spans of the insured unemployed would be necessary. Using the uncorrected, naked insured unemployment statistics produces promising results (see Table 2).

All of the participation rates are much more constant with the insured unemployment series, whatever its inconsistencies. Granted that labor participation rates should not enjoy the sanctity of the Divine Proportion, the flow of insured unemployment totals is much more consistent with the rapid growth of employment during the last three years.

Insured unemployment corresponds roughly with the job losers and job leavers in the table, unemployed persons by reason for unemployment, in the monthly Employment and Earnings report of the Bureau of Labor Statistics. Insured unemployment excludes reentrants and new entrants. But these two categories of unemployed are too open ended. By the same token, one might count employed persons seeking a second job as unemployed. All youngsters reaching the age of 16 who are not otherwise categorized might be numbered among the unemployed. All housekeepers anxious to take a job near home could be included. Insured unemployment is a finite, measurable, accountable and auditable total. Covered employers are proof positive against massive overstatement of insured unemployment.

A more practical reason for the use of insured unemployment as the official unemployment total arises from the undeclared civil war between states and communities seeking to overstate their unemployment rates. Federal grant-in-aid programs and public works are usually distributed on the basis of state and local unemployment rates of a traditional nature. Insured unemployment totals are not subject to the legerdemain peculiar to the present rates.

This is not to say that a parallel series of statistics devoted to new entrants and reentrants should not be maintained by the Bureau of Labor Statistics. Such a series would have relevance for Department of Labor training and retraining programs and possibly for income support programs. But the recommendation of

Table 2. U.S. Insured Unemployment, Insured Unemployment Rate, Ratios of Total Labor Force to Households and Population, Civilian Labor Force to Households

Year	Insured Unemployment (thousands)	Insured Unemployment Rate	TLF to Population	TLF to Hslds	CLF to Hslds
1964	2,091	2.8 %	58.2 %	132.0	127.2
1965	1,780	2.4	58.4	131.8	127.0
1966	1,325	1.7	58.8	132.5	127.2
1967	1,512	1.9	59.4	133.8	127.9
1968	1,509	1.9	59.6	132.8	127.3
1969	1,530	1.8	60.2	133.0	127.5
1970	2,657	3.2	60.2	133.2	128.5
1971	3,249	3.8	59.7	131.7	127.2
1972	2,746	3.2	59.7	130.5	126.5
1973	2,181	2.5	59.8	130.4	127.0
1974	2,985	3.3	60.3	130.5	127.5
1975	5,399	5.9	60.2	130.0	126.9
1976	4,273	4.6	60.2	129.0	126.0
1977	3,701	3.8	60.7	130.2	127.0
1978 (March)	3,533	3.6	60.3		

Range 2.5 + by Range 4.2 2.0 +
 59.4 = 4.2% + by 131.6 127.5
 = 3.2 % = 1.6 %

Source; Employment and Earnings, Bureau of Labor Statistics, Survey of Current Business, U. S. Census Bureau

this report is that the official unemployment rate be confined to the insured series. The unemployment rate is used by economists and forecasters to measure the performance of the economy. It is not serving that purpose in its present guise. Unemployment and participation rates are economic, not social phenomena, though they have much bearing on the social needs of the times.

Another distortion in the labor force statistics arises from the series of self-employed and agricultural employment reported in detail or implicitly in the monthly labor force statistics. As recently as 1974 and 1975, these totals corresponded roughly with totals of self-employed reported by the Social Security Administration. The Social Security Administration totals are very late since they are submitted by self-employed taxpayers each April. But the recent totals of self-employed and agricultural employment seem to be drawing rapidly away from the 1976 Social Security Administration totals. Social security totals are annual and tardy. But their totals, and not subjective estimates of the Labor Department, should form the basis of this series.

A final recommendation of this report is the inclusion of totals for social security and welfare reciprocity, military employment, railroad and government pension reciprocity, if available, whenever labor force statistics are published for states, metropolitan areas and lesser subdivisions. One of the most perplexing enigmas of labor force statistics for states and areas is the wide divergence of labor force participation rates within such geographical boundaries. These lead governments and other groups within such boundaries to assume their regions or cantonments are economically underdeveloped, if such appears to be the case. Even cursory analysis suggests that the missing employment numbers are made up by the local retirement community, the welfare or military population. For the most populous 33 metropolitan areas in 1976, labor force to population participation rates varied from 38.1 percent in the case of Tampa to 50.2 percent in the case of Denver--a simple variation of some 27 percent. With the addition of social security and welfare reciprocity, the ratios to population ranged from 58.5 percent to

68.5 percent--a simple variation of 15 percent. With the addition of the aforementioned enumerated groups and possibly school enrollment, local communities would gain much understanding of the nature of their economic areas. This recommendation may fall far beyond the purview of this Commission. Since it incorporates labor force statistics, its inclusion is somewhat germane.

To summarize, this report recommends the following changes to labor force, unemployment and employment statistics:

1. As a minimal change, the substitution of households for population as the basis of labor force participation rates, and the substitution of the civilian labor force for the total labor force.

2. The substitution of insured unemployment for total unemployment as the official unemployment series for the U.S. and for areas and communities.

3. The publication of a job seeker series (present estimates of new entrants and reentrants) as a parallel series to indicate the need for employment expansion.

4. The incorporation of other income reciprocity statistics (military employment, welfare and social security recipients, government and railroad pensioners) and higher education enrollment with state and area labor force statistics to afford more intelligence to governments within such geographical boundaries about their basic economies and to smooth out the huge variations in labor force participation rates within such geographical limits.

Appendix I.

Non-institutional Population, 16 years and older, Total Labor Force,
Total Labor Force Participation rate, Civilian Labor Force, Households,
Civilian Labor Force to Households Participation Rate.

Year	Population 16 years + (millions)	Total Labor Force (Mlns)	Participation Rate, TLF to Population	Civilian Labor Force (Mlns)	Households (millions)	Participation Rate, CLF to Households
1960	119.8	72.1	60.2 %	69.6	52.8	131.9
1961	121.3	73.0	60.2	70.5	53.6	131.4
1962	123.0	73.4	59.7	70.6	54.8	129.0
1963	125.2	74.6	59.6	71.8	55.3	130.0
1964	127.2	75.8	59.6	73.1	56.1	130.1 %
1965	129.2	77.2	60.2	74.5	57.4	129.6
1966	131.2	78.9	60.1	75.8	58.4	129.8
1967	133.3	80.8	60.6	77.3	59.2	130.6
1968	135.6	82.3	60.7	78.7	60.8	129.4
1969	137.8	84.2	61.1	80.7	62.2	129.8
1970	140.2	85.9	61.3	82.7	63.4	130.5
1971	142.6	86.9	61.0	84.1	64.8	129.8
1972	145.8	89.0	61.0	86.5	66.7	129.8
1973	148.3	91.0	61.4	88.7	68.3	130.1
1974	150.8	93.2	61.8	91.0	69.9	130.5
1975	153.4	94.8	61.8	92.6	71.1	130.2
1976	156.0	96.9	62.1	94.8	72.9	130.0
1977	158.6	99.5	62.8	97.4	74.1	131.5

Range, 3.2% +
by 61.6 = 5.2%

Range, 2.9 + by
130.8 = 2.2%

Sources; Employment and Earnings, Bureau of Labor Statistics,
U.S. Census Bureau, Survey of Current Business

CHAIRMAN LEVITAN: Thank you.

MR. POPKIN: Two very quick questions, Mr. Coulter. One, the chief economist for the National Chamber of Commerce at our last meeting suggested that we consider counting housework as employment. Could you comment on that?

MR. COULTER: Housework?

MR. POPKIN: Yes, homemakers, housewives, housepersons be considered as part of the labor force if they are working more than, you know, a few hours, more than 15 hours a week at that job, the same way you count people working in a family firm.

MR. COULTER: This would correspond to housekeepers as reported not in the labor force statistics, both male and female?

MR. POPKIN: Yes, housepersons.

MR. COULTER: No. I think the categories in the "not in the labor force" series of statistics are fairly final. I certainly grant you that there is some possibility that students, for example, could be double counted, both as workers and as students, and possibly housekeepers could. Despite the fad, or tendency, on the part of young people between the ages of 16 to 24 to forsake housekeeping, perhaps an omen of future lifestyles, there still are huge masses of millions of persons, both male and female, who choose to be represented as housekeepers in terms of their identification for labor market purposes.

At some future date, if we get immensely wealthy in the United States and our deficits are somewhat reduced, we might consider some sort of tax or other remuneration for housekeepers, but I think we're a little short of that at the present time.

MR. POPKIN: The other question is just a very small question. When you are introducing the insured unemployment rate, you say it produces "promising" results. Are you referring to variance, or lower

numbers, or more accuracy, or--it's not clear from the text what you mean by more promising results.

MR. COULTER: I accept your criticism.

Less variance. I don't think the specific numbers are that vital. We need a series that tells us when the labor force is not functioning correctly, and in the case of the insured unemployment this serves that purpose. For example, in 1975, when it was massively increased.

It tells us that employment levels are low, just as the conventional unemployment series does.

MR. POPKIN: We have had city after city talk to us across the country, arguing that when you talk about the proportion of insured unemployment in an area, that is a very bad index for large cities, since the amount of uninsured unemployment to insured unemployment is not a constant ratio across all units of the country. So central cities uniformly complain that insured unemployment short-changes them.

Would you comment on that?

MR. COULTER: This is possible. I admit I didn't examine the insured unemployment of central cities in detail. For the national labor force statistics it seems to produce better consistency in terms of participation rates. The individual metropolitan areas which I did examine, with the addition of the statistics that I suggest, produce somewhat more uniform participation rates, but those statistics include conventional unemployment figures.

I don't think I can honestly answer that because I haven't analyzed it.

MS. WILLS: You suggested as a first priority what you identify as the minimal change--the substitution of the household for the population as a basis for labor force participation. I would like you to expand upon that.

As a matter of curiosity, I would assume that if we did go to household as opposed to population, that would have a critical impact on the count of women in the labor force. Could you please explain more why you are suggesting that?

MR. COULTER: I am not sure that it would, because households include single individuals. They are not just families of two or more people; they include single, unrelated individuals, who could be either a single male or a female. To that extent, women and men who do not have a family attachment would be represented in households.

Or am I missing your question?

MS. WILLS: That's part of it, but why are you making that suggestion?

MR. COULTER: Because it produces a more credible series of participation rates.

MS. WILLS: How?

MR. COULTER: First of all, they approach a statistical constant. Everyone looks for a statistical constant, even Einstein, because it is more reliable and gets you a rough measurement of performance in an area or performance of your national economy. If you have a constant that suddenly expands or diverges--and the present population participation rating does--you may have many interpretations to that divergence. I think it has ceased to serve the purpose that you are looking for.

If the population participation rate had run somewhere around 60 percent to 61 percent for many, many years, I don't think there would have been much purpose in publishing it, or referring to it for an overall measurement of labor force activity.

The substitution of the households gives us a much smoother rate that carries with it the substitution of the civilian labor force instead of the total labor force, I would guess, because household formation is much less in the military than it would be in the civilian labor force, particularly when they are fighting a war, which seems to be a very common thing in the 19th century of the United States.

CHAIRMAN LEVITAN: Glen?

MR. CAIN: I would like to follow up on those issues. I have two comments. One is that it does seem to me that although the household participation rate might not thoroughly understate women's labor force participation rates, it would certainly miss wives' labor force participation rates. I guess I'm kind of puzzled as to why we don't look upon the time series of increased labor force participation rates of wives--husband present--as telling us something that is very important to know about. Why should we look upon the fact that it hasn't been a constant as some detriment or disadvantage of the statistic? The statistic should reveal the truth of what you want it to get at. It is not to be evaluated simply in terms of its variance. When its lack of variance is representing a real phenomenon such as the increased labor force participation rate of wives, I would think that you would want to get hold of it and not bury it in a statistic that would hide it.

MR. COULTER: Actually, if you look at the conventional labor force participation rates for persons 25 and older, you will find very small variation over a period of 17 or 18 years, maybe 1 percent, 1 1/2 percent, which suggests to me that in that age bracket there is very little additional housewife inclusion in the labor force. We could postulate that the pressures of inflation, which are certainly with us again, would make it very important for many housewives to seek labor force status, certainly to get a job if they possibly could to help pay the bills, but I suspect, from the fact that the 25- to 64-year-olds have not changed their participation rate that much in the last 15 or 20 years, that this simply isn't happening.

It is, certainly, for the 16- to 24-year-old group. I think you have an entirely different lifestyle there, with a huge proportion of women, whether they are unmarried, not part of a family, single individuals seeking membership in the labor force, but I haven't determined to my own satisfaction that this is going to persist. Lifestyles of young people sometimes merge and become identified with the lifestyles of older people. Either they get older or wiser, or there is some hidden reason for their conformity to conven-

tionality. At least this has happened from time to time in the past.

But I am not convinced at all that there are millions, let us say, of housewives 25 years and older, which would include the great bulk of housewives, who are seeking inclusion in the labor force. I can rationalize why there would be, just because of economic pressures, but I don't see them from the statistics as they have been published.

MR. CAIN: I think this is a factual question, they either have increased or they haven't over time, and we could examine that. I must say that the facts appear to me to be overwhelming in the affirmative, that labor force participation rates of wives have increased quite dramatically over the past 50 years, 30 years, 20 years, even 10 years, and I think what this suggests, and indeed, it is consistent with the statistics that you mentioned of the stability of an overall rate of the adults between the ages of 25 and 64, is that there have been offsetting trends. There have been declines in labor force participation by older males and there have been increases in labor force participation rates by wives, and these offsetting trends have given us this stability that you talk about, but again, it's a stability that, if we didn't look at the individual labor force participation rate defined at the personal level as distinct from the household level, we would miss.

MR. COULTER: This is certainly true. I would accept that statistic that there has been some trade-off, earlier retirements for men and larger participation rates for women, but they're not all that unemployed by any means. Many of them have jobs; to that extent they certainly would be included in the labor force, if they have jobs or if they have left jobs.

I suppose your question suggests that with higher unemployment rates for women than for men there would be less inclusion of women, particularly in those age groups, if we went to insured unemployed and excluded job seekers, job reentrants, and new entrants, this would probably underrepresent them to a certain extent. I think that's correct, because I think they do have--

every time I've looked at it--higher unemployment rates, perhaps not drastically, no such divergence as minority unemployment rates or youth unemployment rates, but their unemployment rates generally are a little higher, so there would be some omission, but certainly they would be picked up in insured unemployment, or the employment, which would account for the vast number.

MR. CAIN: Actually, I think that is somewhat of a digression from the main focus of my question, which was on labor force participation rates themselves, rather than unemployment rates, but I think, since you've mentioned it, it could be said that women would be underrepresented in the insured unemployment rates because they tend, more so than men, to be reentrants, new entrants, in the labor force, and therefore they would not be eligible for collecting unemployment insurance during this period of search, so there would be that understatement. I think it would reveal at least one shortcoming of using the employed insurance rate as distinguished from the unemployment rate as it is now measured by the Current Population Survey.

MR. COULTER: Of course, I do suggest that you continue that series, because I think it tells us some things. But in terms of the mechanical workings of the active labor force, we might call it, which would include insured unemployed, I think that becomes a more sensitive series if we limit it to the insured unemployment. It tells us a little more obviously that something is wrong with the employment figures, that we're going through a recession, or we're going through an unemployment-type recession.

On the other hand, if you run concurrently, as we have for several years, hiding participation rates with high unemployment rates, I think the two series lose a little credibility. The estimators must be working very hard to pick up additional new entrants and reentrants, and there has been some expansion of that, or some expansion of the numbers between the official unemployment rate and the insured unemployment.

At various times in our history I'm sure this could have happened. We have inflationary pressures right now, all the more reason for the second person in

the household--not necessarily female--to seek a job if the head of the household is not bringing in that money.

I agree. I think this should be separate, so we know that those pressures are on, and at the same time we know what the mechanical or active portion of the labor force is doing. Given a need for more employment, which I think would be revealed by the second series for job seekers, what can be done, in a policy way, to beef up employment? Should we consider something like the Bremer proposal or something like it to speed up the process of employment?

I think it serves the purpose of identifying more readily the group that you are talking about if we segregate them from the insured unemployment. I don't suggest throwing it out, but I think they should be two different groups.

CHAIRMAN LEVITAN: Mr. Coulter, while I cannot promise you that the Commission will accept your household to labor force ratio, it is obvious that there is food here for a great deal of thought.

Thank you very much.

We will take a 15-minute break.

(A short recess was taken.)

CHAIRMAN LEVITAN: Our next advisor comes from a different sector of industry, namely, from Inland Steel Corporation.

Mr. Warren Bacon, Manager, Manpower Administration, of Inland Steel Corporation, will you please proceed in whichever way you want to, if you want to read your statement, or we can include it in the record.

STATEMENT OF WARREN BACON,
MANAGER, MANPOWER ADMINISTRATION,
INLAND STEEL COMPANY

MR. BACON: I will read it and comment on it as I read. I especially want to read the part that I am from Inland Steel and that Inland is the nation's sixth largest steel manufacturer; and, according to most industry observers, the nation's most efficient steel company.

I also serve as chairman of the State of Illinois Manpower Services Council. In addition, I am chairman of the Committee on Manpower and Employment, which is a unit of the Business Research Advisory Council to the Bureau of Labor Statistics. My comments today are not as a representative of any of these organizations, but as a private citizen concerned about employment and unemployment in our society.

The main point I would like to make to you is that the collection and interpretation of employment and unemployment statistics is too important to be left to statisticians and economists. As you well know, employment and unemployment statistics are used now as social indicators, as well as economic indicators, therefore, there should be some mechanism for the input of social scientists into the identification, collection, and evaluation of these data. By social scientists I mean sociologists, social workers, and manpower program operators. Years ago when these statistics were used primarily for economic analysis and business purposes, the abstract, technical approach was more or less satisfactory; but now that they are the basis for allocating and distributing large amounts of federal funds, a broader approach for designing the methodology and the interpretation of these important figures is needed.

Perhaps, BLS has access already to the input of social scientists, either through its staff or some other avenue. If so, it would appear the input is being ignored. The discouraged worker issue is a case in point. Not enough is known about that segment of the population; but, yet, the Bureau and others have formed opinions and reached conclusions about this group based on little and possibly misleading data. I have the impression the Bureau does not consider discouraged workers a serious problem. If it did, it would have done a better job, years ago, of collecting and reporting information on this group.

For example, in 1976, the Bureau attempted to learn more about discouraged workers through the use of a 10-page questionnaire to be mailed to discouraged workers for completion. The Bureau reported the study was unsuccessful because the returns were too small. Almost anyone could have told them the return would be minimal because the questionnaire was too complicated

to be handled through the mail, especially in view of the large number of disadvantaged and non-English speaking people in the group. Experts, with a people-orientation, could have developed a successful study. I think if the Bureau had had some input from people who were interested in working with disadvantaged folks, they would have known right off the bat that that was not the way to undertake the study.

Another aspect of the discouraged worker issue is their omission from the official unemployment figure, and I am sure you have heard this a number of times in the course of your hearings, but repetition might make it more important in your consideration. I recognize that there are technical problems on this score, but I think it diminishes the credibility of the Bureau to publish an unemployment figure that does not measure all those who are not working and want to work. I recall reading in the "Monthly Labor Review" last October, the Bureau's speculation as to why a surge in the black unemployment rate to 14.5 percent occurred. The Bureau said:

"A large number of blacks who had not been in the labor force were encouraged over job prospects growing out of the solid labor market improvement which occurred in late 1976 and early 1977."

The blacks were unemployed before their increased expectation stimulated them to seek employment and they were still unemployed after they again failed in their search. The actual level of unemployment among blacks had not changed. The only thing that changed was that they looked for work during the period in question, and, in doing so, they were "recognized" as being unemployed by BLS. What a game of semantics!

Obviously, the market test does not cover the long-term discouraged worker or those who have never looked for employment. I suggest we supplement the market test with the concept of "no visible means of support" as a way of accounting for those individuals over a certain age, physically able, etc., who want to work, ought to work, and have no acceptable visible means of support. Such a determination, in combination with the market test, I think, would give a better measure of the level of unemployment. The precise criteria for the no-visible-means-of-support concept

could be formulated by a panel of distinguished social scientists.

Social science input would help give greater relevancy to employment and unemployment statistics. Academic and technical interests would not be the only determinants of what data are prepared and published and how and when it is done. In my judgment, not only would the statistics made available be improved, but the Bureau might also enhance its ability to keep up with the changing statistical needs of society.

I don't quarrel with the propriety of the market test definition. I think it's a neat little pigeonhole. I do quarrel with the fact that you don't have enough pigeonholes to cover all the people that the discouraged worker concept should cover.

I think it diminishes the credibility of the Bureau not to include discouraged workers in the official unemployment figure. I think that the market test can be supplemented by another test or a series of tests, and the one that I would propose to you is what I call the no-visible-means-of-support test. It would cover those individuals who are over age 16, or whatever cutoff age we end up with, who are physically able to work, who want to work, and who ought to work. By all the sensitivities of our American society, they have no legal, acceptable, visible means of support. Then those folks ought to be counted. Now, whether or not they ever come in and go to the unemployment office during the week, the third or the fourth, or whatever week of the month it is, those people are unemployed for all intents and purposes. I am reminded of a saying of one of Chicago's famous citizens, Bill Berry, who says that in a highly industrialized society there are only three ways you can survive if your aren't born rich--either you earn your living, beg, or you steal; and that is what happens if people are not able to get employment. Oftentimes those of us working in the programs dealing with disadvantaged people, dealing with the discouraged worker, really don't fully know the dimensions of the problem because the figures that are available to us are grossly understated, in our judgment. It would be a great boon to us and to society generally to have a more accurate fix on those folks who are unemployed, who need to be employed, ought to

be employed, and yet are not being included in our present definition.

I am not so naive as to believe that this concept is so complete and so foolproof that it could be taken now and used along with the market test. I would suggest to you that perhaps a group of distinguished social scientists, some street people, and others could come up with a definition, just as we have been able to define who is poor and who isn't, who is disadvantaged and who isn't, so forth and so on. We should be able to define a pigeonhole that would get at those people who are not covered by the market test, and I would urge some consideration be given, if not to the no-visible-means-of-support concept, then to something else.

I think one of my criticisms of the Bureau is that it has lacked the responsiveness and the flexibility to change with the changing needs of society, and that some tempering of their perception of these problems would be in order and could be accomplished through the inclusion of a more humanistic point of view that social scientists could bring to the task.

Mr. Chairman and members of the Commission, that concludes my comments. If you have any questions, I would be happy to try to answer them.

CHAIRMAN LEVITAN: Thank you.

You almost lost most of the Commission with your initial statement about the economists and so forth.

MR. BACON: I realize that.

CHAIRMAN LEVITAN: But you are again in good graces with your final statement about the social scientist.

Now that you are there, I wonder how you would proceed to get more of the contributions made by citizens to the social scientists? As you suggested, BLS already has many social scientists. Would you want BLS to hire a few more social scientists? From what source would you get the funds to do this, and do you want to spend more money in this area?

MR. BACON: Yes, I want to spend more money. That is a constant reply that some of us on BRAC receive when we ask about improving statistics, that there is a lack of funds, but yet we are painfully aware, not only through the assertions of the BLS staff but from other sources, that a tremendous amount of money is being moved about in our society based on the figures that BLS develops.

CHAIRMAN LEVITAN: Besides BLS, there is another sister, or brother, agency--you have to be careful these days--the Employment and Training Administration. They do sponsor a great deal of employment training. Is this the type of thing that BLS would do?

MR. BACON: To go back to your first question and try to hook the two together, I think that there are a couple of avenues through which more of this input could be secured. One is through a special advisory council--the present advisory councils are BRAC and ELRAC. ELRAC is primarily labor representatives and labor economists, and BRAC is primarily business people and economists. Neither have as members program operators, manpower people, and social workers who deal with these problems on a day-to-day basis. So that would be one.

Second, I am reminded of a program that is taking place, at least in the east, between the two disciplines, namely, the law and sociologists, and they have in the last ten or so years recognized that much of the law and the administration of justice could be improved if lawyers knew more about the society in which they operate, and social workers perhaps could be more effective if they knew how to manipulate within the law to get things accomplished, and so they have programs in which lawyers learn about sociology and sociologists learn about the law. I would say that your statisticians who are going into Bureau work and your labor economists who are going to deal in this field could learn more about the social aspects of their work in their training and vice-versa. Perhaps some of the social workers and manpower people could learn more about economics and statistics in their preparation. If there are such people in the Bureau, I don't think

they are high enough in the hierarchy to be heard. It seems to me it might be useful to have a couple of high placed social scientists who would review from time to time the methodology and the approaches that are being used by the Bureau and assist in the interpretation of the figures that are collected.

CHAIRMAN LEVITAN: One final question. Do you find that BLS is responsive to the recommendations of your advisory committee?

MR. BACON: Yes and no; yes, they express sympathy many times and agree with some of the recommendations of the advisory committee, but I don't see any great movement in trying to implement the suggestions. We usually hear there are insufficient funds available to do some of the things that need to be done. My feeling is that I think BLS would be better off if it did fewer things but did them well, rather than trying to cover so many bases and not doing many of them as well as they should be done.

MR. OSWALD: First, do you think that BLS should have an academic advisory committee in the same way they have a business advisory committee?

MR. BACON: Not purely academic. I think academic interests could be represented through either of the two present councils. What I am really speaking for is that advisory council membership be broadened to include members who are people and program oriented--folks who operate manpower programs and serve the needs of the poor and disadvantaged.

MR. OSWALD: You suggested including discouraged workers in the count of those unemployed. A number of people have pointed out to us that there is a conceptual difference, which I am sure you are aware of, between counting someone as being unemployed and counting someone as a discouraged worker in that there is a test that a person has to go through before he is counted as unemployed. He has to register at the employment service and contact employers or take other steps--he has to actually have done something to look

for a job whereas it is completely different to go to a person and say, would you work if there were, or are you not looking for work because you think there is no job available. But it's more of a hypothetical type of question. I think a number of people pointed this out to us, and I was wondering if you have given any thought to this, and whether this conceptual difference between the two is something that you would like to comment on to us?

MR. BACON: I don't suggest abandoning the market test. I think it's useful. I just don't think it goes far enough in accounting for those who either never looked for work or haven't looked in recent months. I understand the problem of trying to ascertain the difference between those who want to work and don't do anything about it and those who actually take some overt action to manifest their desire for a job. But simply because people don't always fit our neat definitions doesn't change reality. Unemployment and welfare are inextricably linked. The whole question of welfare and the growing concern about people that are being relegated to the slag heap, as Willard Wirtz put it, is a momentous problem, and we don't really know the dimensions of that problem. If you count just those people who actually seek a job in the second week of the month, and don't count those who are standing around on the corner with no visible means of support other than perhaps welfare, who need a job, but they have so many disadvantages they don't look. They are poorly educated. They have little work history. They are minority. They have no peer pressure to do anything different from what they have done all their lives, and it is these people that are creating so many problems in our urban centers. The crime rates are up. The insurance rates are up. Housing is deteriorated. People don't want to live in certain neighborhoods because of the concentration of these folks. I mean the whole panorama of the ills of urban society are pretty much manifested in a portion of these people. Now, because they don't fit some academician's definition or they don't have the lifestyle that motivates them to get up at 8 o'clock or earlier and look for a job, therefore, they are not going to be accounted for

in the official statistics, seems to me to be closing our eyes to reality. Maybe we ought to change our definition, because we have not been able to change them to meet the market test.

MR. OSWALD: Of course, the Bureau does count these people and reports on that count, on the discouraged worker. It just is not included in the unemployment rate.

MR. BACON: Once every four weeks they ask the question, and I was particularly struck by the fact that they didn't want to tax the respondents by asking that same question each month, i.e., if they were unemployed, do they want to work, when was the last time they looked for work and so forth. They don't mind asking other questions repetitively, and I say that suggests to me that maybe the Bureau hasn't been fully cognizant of the seriousness of the problem, because they have treated it in a very cavalier fashion, in my judgment. If you are serious about something, you will ask a question time and time again until you learn what you want to know about it.

MR. OSWALD: Has the advisory committee that you are on recommended that they count discouraged workers as part of the unemployed?

MR. BACON: Oh, yes, but we are told they don't meet the market test. We know they don't meet the market test, but so what. The point of my earlier reference to last year's "increase" in black unemployment was that the increase in the rate did not reflect a change in the real world. Nothing had changed. Black workers were out of work before, during, and after--and they continued to be alienated, frustrated, and discomforted. Now, whether or not they fell within the net of the Bureau's market test is a theoretical nicety, but a practical irrelevancy.

CHAIRMAN LEVITAN: Ms. Wills.

MS. WILLS: Warren, three questions.

First question--total ignorance--the two advisory councils that you referred to were established by the Bureau, or were they written some place in law? I really don't know.

MR. BACON: I don't know either. It's a practice of some 15 or 20 years, and you are invited to become a member by the Bureau.

MS. WILLS: After this Commission goes out of existence--there have been some people, particularly in our Washington hearings, who suggested the possibility of establishing a permanent oversight body, perhaps outside the government structure, that would review changes in methodology, changes in standards, perhaps some concept definitions on a more permanent basis, so that we don't wait 14, 15 years. Do you think it would be a good idea, having lived on the advisory council? Also, the possibility of that structure reporting to Congress in an official way once in a while, what is your idea of that?

MR. BACON: I think it would be a good idea, because, like any other highly specialized area, profession, you can get so engrossed in the changing technology of the field that you don't always see the changes that are occurring around it. This is why I think some form of a social science input is needed--whatever form it takes, whether through an oversight committee or an advisory council or some special office within the Bureau; some mechanism is needed periodically to bring them back and keep them in touch with the changes that are taking place in society.

Now, the Bureau is responding to the local area unemployment statistics issue. There is no question about it, but I think it is quite late in doing so. It should have responded earlier and been much further along in making the changes that it is now considering. If they had recognized the problem five, ten years ago--and I am not certain that they still recognize the--that's not true--they know the importance of local area statistics. Their problem, as they report, is the high cost of collecting statistics for so many differ-

ferent areas of the country; but I think in this matter, as in others, if you can't do the entire thing, you can certainly take some selected areas, the largest SMSAs, for instance, or certain key urban areas, and test it several years and find out if there is a great discrepancy between the figures that you get from this method and the figures that you get from what they are doing now.

MS. WILLIS: Do you constantly get a reply back that it costs too much money, and have you ever been provided as a committee with cost estimates on any of your suggestions?

MR. BACON: That has not deterred us--and I say us, not just myself, there are other members who feel the same way. For instance, the issue of job vacancy has surfaced again, and that was an issue that was studied by BRAC and the Bureau ten years ago, and it was finally concluded at that time that it would not be appropriate to try to launch a major effort to determine job vacancy. Well, it has surfaced again. Congress has, or at least some members of Congress have, expressed some interest in it, and we get an estimate that it would cost upward of \$50 million a year to provide job vacancy data on an ongoing, regular basis. Now, to me, that sounds like a rather substantial amount of money for a very questionable series of data, because it certainly isn't going to directly help match the jobless with openings. It isn't that timely; but yet, when they talk about 10, 15, 20, and 25 million dollars for improved local area statistics, there is no money for it and not much hope in getting it.

There's a far greater need for more improved unemployment statistics than there is for job vacancy statistics.

MR. POPKIN: How much did you say the job vacancy costs?

MR. BACON: It has been estimated at \$50 million. A million dollars has been made available for feasibility studies. So we are talking large sums. If I am not mistaken, the Bureau's total budget is in the neighborhood of \$80 million.

MS. WILLS: You, as per usual, are very eloquent in dealing with the issues and needs of people.

MR. BACON: You are kind. Thank you.

MS. WILLS: No, I have listened to you before and always agreed, but I am not sure I agree with you when you say perhaps we need to change the definition of the unemployment rate as we currently have it today to meet the needs of the young man standing on the street corner that you are concerned about.

It seems to me that there may be the possibility that we need more than one set of statistics and a more refined measure of hardship. Have you given any thought to whether or not that might be a viable supplement; not a displacement, but a supplement?

MR. BACON: Yes, I do think it would be, but one of the problems I have with not including the discouraged worker--and I am quite aware of some of the problems with such an inclusion--is that we are a nation that looks for simple answers. Like the CPI, we want one figure that describes what is happening in an incredibly complex economy, one figure once a month that does it. You know, that's very difficult. Similarly, we want one figure that describes the complex issue of employment--working, not working, in the labor force, out of the labor force, and we have a fixation on that one figure. Now, if we could get people away from that single figure mentality, and the one figure was not used as the basis for determining how billions of dollars would be allocated, then fine, use the series. The Bureau presently has a series--U-1 to U-7, but, unfortunately, it doesn't give the same weight, the same official aura of importance to all the numbers in the series as the one they designate as the official one. If we could have an index that measures hardship as well as unemployment and can serve as the basis for determining the allocation of funds--then fine. When the Bureau comes out each month and says the unemployment rate has gone down or it has gone up, people sigh or cry, depending on which way it has gone. Now, that's too great a burden for one little lousy figure. So, yes, the hardship index and/or a series of

figures depicting unemployment, I think, would be preferable to the present system. Without that, then I would insist that you have to include those people who don't meet the market test but who need to be employed and want to be employed.

CHAIRMAN LEVITAN: Mr. Popkin.

MR. POPKIN: I think that Joan answered the question I had. The only one I want to add is a little one on time. How long do you think we should give a person since they last looked for work and still count them as a discouraged worker?

MR. BACON: What I had hoped to do was to give you an entirely different viewpoint, whether it's the no-visible-means-of-support concept or whatever, to come up with another kind of pigeonhole.

MR. POPKIN: We are looking at discouraged workers.

MR. BACON: What I am saying is that the pigeonhole now is the market test essentially; and unless you have looked within a prescribed period of time, whether it's four weeks, fifteen weeks, or whatever, then you don't get counted. I am saying that there ought to be an additional pigeonhole or pigeonholes.

MR. POPKIN: Let me ask you about the visible means of support. How do you ask a person, "Do you have a visible means of support?"

MR. BACON: I don't find that difficult.

MR. POPKIN: No, but you don't come with an official status where you are now getting in the way of Louis Ferman and the irregular economy.

MR. BACON: You know, before there were so many EEO regulations, it was a common practice among employment interviewers to ask an adult applicant who had not worked for a period of time, how have you supported yourself? I am sure there are very diplomatic ways of getting at that question.

MR. POPKIN: Thank you.

CHAIRMAN LEVITAN: Mr. Cain.

MR. CAIN: I am afraid I cannot pursue the line of questions I would like to because of the time of day-I am appropriately signaled by that bell. I would like to get at the question of just how you operationalize these desired indicators of economic and social well-being, and so on. And how you do so--I'd like to say at reasonable cost, except I don't want to raise your hackles again, except to put perhaps the term "cost" in psychic as well as monetary terms. One of the arguments that they have had against asking the discouraged worker questions each month is that it might alienate and antagonize the respondents. I mean if you ask someone 77 years old each month, why aren't you looking for a job, or ask a woman with three children under five, and so on, or disabled persons. There is, I think, this issue of whether or not you will start to increase the nonresponse rate and thereby jeopardize your whole instrument. Then I think related to this is the issue of visible means of support. You used terms like "able to work" and "ought to be working"; doesn't this introduce a kind of value judgment that may be inappropriate for government officials to impose on people? I mean is a veteran's pension, a policeman's pension, to somebody under the age of 65, is that visible ---

MR. BACON: It's a legal and acceptable means of support.

MR. CAIN: I take it welfare is also, isn't it, legal and acceptable?

MR. BACON: That's right. That's one of the issues, though, isn't it, one of the great concerns of our society is welfare cost and how can we reduce it?

MR. CAIN: I think, really, if you end up just looking at people who are not in families receiving any transfer payments, just kind of on their own with no visible means of support, where you almost, by defini-

tion, get to the point where it must be something illegal, then--although that is an extremely important issue--I don't know that it is so pervasive and so amenable to our statistical techniques that we are going to do very much with it. I mean people start giving you different answers to, you know---

MR. BACON: I haven't looked at the questions that they ask lately, but I suspect some of them are highly subjective and have been accepted.

MR. CAIN: Well, these are relative terms, but---

MR. BACON: How do you go about asking a person to determine if they are disadvantaged? You have to ask them pretty probing questions.

MR. CAIN: Income status, family status.

MR. BACON: Don't you form some judgments, then, based on their responses?

MR. CAIN: Again I think these are relative degrees of objectivity and subjectivity, but I would think that income status---

MR. BACON: Only because abuses have maybe become acceptable. Their subjectivity is still just as great now as they were when they were first introduced. I don't think you can get away from the subjective nature in this area, and I think that has been one of the problems with BLS. They have been trying to be purer than pure, and only ask "acceptable" questions. I think if you can devise questions to determine if a person is disadvantaged or poor, then you ought to be able to formulate questions which can, in a tactful way, find out how a person is supported.

MR. CAIN: I knew that this would become interesting and perhaps time-consuming, and I am afraid that I just have to face the clock.

CHAIRMAN LEVITAN: We also want to let Mr. Bacon run the efficient Inland Steel Corporation, so we don't want to keep him too much overtime.

Thank you very much, Warren.

CHAIRMAN LEVITAN: Our final formal advisor for the day is Jan Staggs, Research Economist, Governor's Office of Manpower.

Mr. Staggs.

STATEMENT OF JAN STAGGS,
RESEARCH ECONOMIST,
GOVERNOR'S OFFICE OF MANPOWER AND
HUMAN DEVELOPMENT

MR. STAGGS: Mr. Chairman, members of the Commission, my name is Jan Staggs, Research Economist in the Governor's Office of Manpower and Human Development, and I am presenting the following statement for Robert Goss, the Director.

I want to first express appreciation to the Commission for the opportunity to share our concerns about the development and utilization of employment and unemployment statistics. In our role as the state agency responsible for reviewing and monitoring employment and training activities in Illinois, it is essential that timely and accurate information is available for planning, monitoring, and evaluating the myriad of programs that exist in Illinois.

My comments will be restricted to three issues: the effect of recent changes by the Bureau of Labor Statistics in the labor force estimation procedure on the accuracy of estimates at the state and local level, the comparability of labor force data derived from the Current Population Survey with data derived from the Survey of Income and Education, and the availability of employment statistics by industry classification at the state and local level.

It is important to assess the statistical information presently available to determine if it is meeting our needs for manpower planning. Two economic indicators that we use to assess the manpower needs of the state are employment and unemployment statistics. The historical data for this statistical series at the state level extend back to 1947. During this period there have been a variety of changes that were incorporated into the formula that is used to compute the state and local estimates.

A concern that we have is that the information is consistent when we make comparisons of various areas within the state and when comparisons are made with other states and the nation. The Current Population Survey has been particularly useful for analytical purposes and operational decisions because the conceptual framework supported methodology that provided uniform estimation for the nation and large states and central cities since 1967.

In addition, it provided us with extremely valuable information about the demographic characteristics of the employed and unemployed. This information helped us identify short run and long run employment and training needs for specific groups. It was particularly important to have a consistent source that measured the absolute and relative severity of these problems for the largest standard metropolitan statistical area and the largest city in Illinois. The information is published by the Bureau of Labor Statistics in the Geographic Profile of Employment and Unemployment. In addition, a variety of unpublished computer tabulations are made available to the employment and training community.

Illinois supported the changes in methodology introduced by the BLS in 1974 to prepare monthly estimates based on a labor force concept rather than the historical work force concept. Monthly labor force estimates benchmarked to annual averages from the CPS were then conceptually comparable to other large areas throughout the country. As you are undoubtedly aware, the Bureau of Labor Statistics recently introduced changes in methodology that significantly changed the estimation procedure for the state and local areas.

It is our considered opinion that as a result of these changes, the labor force statistics no longer accurately reflect the economic status of persons in certain geographic areas of Illinois. The historical series for employment based on the CPS in the City of Chicago for 1967 to 1976 shown in Table 1 shows a trend that seems to have cyclical and secular components. This is based on the concept of resident employment. Notice that in 1977 there is an apparent dramatic rise in resident employment. This is because the estimates are no longer based on the CPS annual averages for

TABLE 1A
 LABOR FORCE STATUS OF THE NONINSTITUTIONAL POPULATION
 IN THE CITY OF CHICAGO: 1967-1977 ANNUAL AVERAGES

YEAR	POPULATION	LABOR FORCE	EMPLOYED	UNEMPLOYED	RATE
1967	3,550,000	1,500,000	1,436,000	64,000	4.3
1968	3,540,000	1,460,000	1,404,000	56,000	3.8
1969	3,386,000	1,406,000	1,358,000	48,000	3.4
1970	3,369,000	1,484,000	1,478,000	66,000	4.4
1971	3,340,000	1,439,000	1,359,000	80,000	5.6
1972	3,293,000	1,450,000	1,358,000	92,000	6.3
1973	3,216,000	1,340,000	1,274,000	66,000	4.9
1974	3,150,000	1,323,000	1,250,000	73,000	5.5
1975	3,150,000	1,283,000	1,168,000	116,000	9.0
1976	3,050,000	1,274,000	1,159,000	114,000	9.0
1977	N.A.	1,567,000	1,450,000	117,000	7.4

SOURCES: EMPLOYMENT AND TRAINING REPORTS OF THE PRESIDENT
 ILLINOIS BUREAU OF EMPLOYMENT SECURITY
 ILLINOIS DEPARTMENT OF PUBLIC HEALTH

TABLE 1B
 LABOR FORCE STATUS OF THE NONINSTITUTION POPULATION
 IN THE CHICAGO SMSA 1967-1977 ANNUAL AVERAGES

YEAR	POPULATION	LABOR FORCE	EMPLOYED	UNEMPLOYED	RATE
1967	6,793,500	2,800,000	2,707,000	93,000	3.3
1968	6,879,000	2,870,000	2,783,000	87,000	3.0
1969	6,973,200	2,842,000	2,757,000	85,000	3.0
1970	6,958,000	2,973,000	2,854,000	119,000	4.0
1971	7,026,000	2,973,000	2,828,000	145,000	4.8
1972	7,054,400	3,088,800	2,932,000	156,000	5.1
1973	6,999,900	3,114,000	2,984,000	130,000	4.2
1974	6,971,400	3,128,300	2,986,000	142,000	4.5
1975	6,982,900	3,146,000	2,920,000	225,000	7.2
1976	7,006,400	3,198,000	2,985,000	213,000	6.7
1977*		3,305,902	3,108,845	197,053	6.0

SOURCES: EMPLOYMENT AND TRAINING REPORTS OF THE PRESIDENT
 ILLINOIS BUREAU OF EMPLOYMENT SECURITY

Chicago but on the new BLS methodology. The new methodology shows that the labor force in the City of Chicago has increased from 1970 to 1977 and continues to grow in 1978.

I have included population estimates for the City of Chicago on the same table. The downtrend in the aggregate population during this period makes the statistical estimate of the labor force based on the new BLS methodology extremely illogical. The population data and labor force data based on the annual average CPS seem to move in a direction that can be explained by economic and demographic analysis.

Another employment series is presented in Table 2 for the same historical period. The number of workers covered by unemployment insurance in the City of Chicago has declined at a much slower rate. This is because the data are based on place of work rather than place of residence. Although data for 1977 were not available at the time this testimony was prepared, there was no evidence to suggest that the number of covered workers increased by approximately 300,000 in 1977 or that residents of the City of Chicago took 300,000 jobs that were previously held by commuters in 1976. The total nonagricultural employment increase in the Chicago SMSA during the 1976 to 1977 period was 72,000.

The implications of this methodological change are numerous. In the first place a historical economic series is no longer available for analysis. What type of policy decisions are to be made if the area seems to be making remarkable progress in employing residents? The effect of the apparent increase in employment is shown in Table 1. By increasing the size of the denominator (civilian labor force) by approximately 300,000, the unemployment rate is decreased by 1.6 percentage points.

If it is assumed that the new methodology had no impact on the procedure for estimating the absolute level of unemployment, it still has a substantial impact on the measurement of the severity of unemployment. To the extent that manpower programs are focused on measurements of severity, the present methodology for the City of Chicago is misleading and inappropriate.

TABLE 2
 WORKERS COVERED BY UNEMPLOYMENT INSURANCE IN THE CITY OF CHICAGO,
 BALANCE OF COOK COUNTY, AND THE CHICAGO SMSA: 1967-1976

YEAR	CITY OF CHICAGO	COOK COUNTY	CHICAGO SMSA
1967	1,344,367	1,927,234	2,200,866
1968	1,338,149	1,941,340	2,227,752
1969	1,339,524	1,970,830	2,281,139
1970	1,317,781	1,968,413	2,284,822
1971	1,233,515	1,878,328	2,192,603
1972	1,323,515	2,044,346	2,412,822
1973	1,317,492	2,061,053	2,458,688
1974	1,333,851	2,137,552	2,574,984
1975	1,239,933	2,006,004	2,413,095
1976	1,219,399	2,009,313	2,433,494
1977	N.A.	N.A.	N.A.

SOURCE: ILLINOIS BUREAU OF EMPLOYMENT SECURITY

I would like to indicate some additional problems based on this methodology that will be a step backward for the analysis of employment and training needs. Since the CPS annual averages of the labor force are no longer used to prepare the SMSA and central cities estimates, it is the apparent policy of the BLS to keep this information from the employment and training community. Information about the absolute size of demographic characteristics of the unemployed and employed will not be based on actual data from the CPS.

Restrictions on the availability of information which has been already collected will reduce the capability of policymakers and program planners to make judgments based on the best information available. It is our position that the Commission should encourage the BLS to release this information. Examples of the information available on an annual basis are shown in Table 3.

In addition, the BLS should be encouraged to publish the demographic information based on annual averages from the CPS as soon as possible after the end of the December survey. The 1977 annual average data for Illinois were not published when this testimony was prepared. In order to make appropriate decisions it is necessary for the information to be as timely as possible. I would also like to encourage the BLS to include additional classifications of variables in the annual average reports. If the Commission decides to encourage the development of a hardship index, it is necessary to have information about the labor force status of students and heads of households. It seems inappropriate to expend resources making reliable estimates from a variety of reports when the actual data is available from the CPS.

It would be useful to investigate the feasibility of releasing quarterly estimates of the various demographic characteristics of the labor force. This would represent an improvement in the capabilities of policymakers to target programs to groups and individuals in need of manpower services on a timely basis.

TABLE 3A
LABOR FORCE STATUS OF THE WHITE POPULATION BY AGE AND SEX
IN THE CITY OF CHICAGO

(THOUSANDS)

	CIVILIAN LABOR FORCE			EMPLOYED			UNEMPLOYED			RATE		
	1975	1976	1977	1975	1976	1977	1975	1976	1977	1975	1976	1977
TOTAL	880	825	N/A	809	776	N/A	71	49	N/A	8.1	5.9	N/A
20 Yrs and Over	804	760	N/A	750	720	N/A	54	41	N/A	6.7	5.4	N/A
16-19 Yrs	76	65	N/A	60	56	N/A	17	8	N/A	21.8	12.3	N/A
MALES	502	481	N/A	456	449	N/A	46	32	N/A	9.2	6.6	N/A
20 Yrs and Over	462	450	N/A	428	424	N/A	34	26	N/A	7.4	5.8	N/A
16-19 Yrs	40	31	N/A	28	25	N/A	12	6	N/A	30.0	19.4	N/A
FEMALES	378	344	N/A	353	327	N/A	25	17	N/A	6.6	5.0	N/A
20 Yrs and Over	342	310	N/A	322	296	N/A	20	15	N/A	5.8	4.8	N/A
16-19 Yrs	36	34	N/A	31	31	N/A	5	2	N/A	13.9	5.9	N/A

SOURCE: GEOGRAPHIC PROFILE OF EMPLOYMENT AND UNEMPLOYMENT, BUREAU OF LABOR STATISTICS.
NOTE: INDIVIDUAL ITEMS MAY NOT ADD TO TOTALS OR SUBTOTALS, DUE TO ROUNDING.

TABLE 3B
LABOR FORCE STATUS OF THE NON-WHITE POPULATION
BY AGE AND SEX IN THE CITY OF CHICAGO

(THOUSANDS)

	CIVILIAN LABOR FORCE			EMPLOYED			UNEMPLOYED			RATE		
	1975	1976	1977	1975	1976	1977	1975	1976	1977	1975	1976	1977
TOTAL	404	449	N/A	359	384	N/A	45	65	N/A	11.1	14.6	N/A
20 Yrs and Over	374	408	N/A	341	360	N/A	34	48	N/A	9.1	11.8	N/A
16-19 Yrs	30	41	N/A	18	24	N/A	11	17	N/A	36.7	41.5	N/A
MALES	227	237	N/A	199	197	N/A	29	39	N/A	12.6	16.7	N/A
20 Yrs and Over	210	212	N/A	189	183	N/A	22	29	N/A	10.5	13.7	N/A
16-19 Yrs	17	24	N/A	10	14	N/A	7	10	N/A	41.2	41.7	N/A
FEMALES	176	213	N/A	160	187	N/A	16	26	N/A	9.2	12.3	N/A
20 Yrs and Over	164	196	N/A	152	177	N/A	12	19	N/A	7.3	9.7	N/A
16-19 Yrs	12	17	N/A	8	10	N/A	4	7	N/A	33.3	41.1	N/A

SOURCE: GEOGRAPHIC PROFILE OF EMPLOYMENT AND UNEMPLOYMENT, BUREAU OF LABOR STATISTICS.
NOTE: INDIVIDUAL ITEMS MAY NOT ADD TO TOTALS OR SUBTOTALS, DUE TO ROUNDING.

SIE CPS Comparability Issue

The previous discussion of the utilization of the Current Population Survey data indicates that it is extremely valuable for analytical and programmatic purposes. However, there have been some questions concerning the validity of the information that is based on the monthly sample.

The Governor's Office of Manpower and Human Development acquired a copy of the Survey of Income and Education conducted in 1976 in order to prepare detailed analyses of the characteristics of the population eligible for employment and training services. An illustration of the type of analysis that can be made is shown in Table 4. This survey was particularly important since the questions used to establish labor force status were exactly the same as those used in the monthly household survey. In addition, the sample size was approximately three times larger than the monthly household survey. The major difference between the surveys was that the Survey of Income and Education was conducted during the spring of 1976 rather than a specific month.

The results of this survey were particularly interesting when comparisons were made between the labor force estimates based on the Current Population Survey and estimates based on the Survey of Income and Education. A major difference was the higher number of unemployed persons in Illinois based on the SIE. Table 5 shows the differences between the unemployment rates for Illinois, Chicago, SMSA, the City of Chicago, and the balance of Illinois based on the two probability samples of the population. Labor force data from the CPS for each of the months covered by the SIE are included in this table since the Survey of Income and Education does not represent a specific month.

The large discrepancies between the two surveys raise questions about the validity of the monthly Current Population Surveys. Differences between the two unemployment rates exceed the 10 percent band that is used by the Bureau of Labor Statistics. Data from the SIE made available to the Bureau of the Census indicate that there was a pattern of higher unemployment based on the SIE in the Southeastern states. The relationship between state SIE unemployment rates

TABLE 4
ILLINOIS LABOR FORCE STATUS BY POVERTY STATUS, SPRING 1976

	POPULATION	LABOR FORCE	EMPLOYED	UNEMPLOYED	RATE	NOT IN LABOR FORCE
<u>TOTAL</u>						
16-18	726,039	477,509	381,492	96,017	20.1	248,530
19-21	611,677	457,950	380,861	77,089	16.8	153,727
22-44	3,371,288	2,606,988	2,394,401	212,587	8.2	764,300
45-54	1,212,053	901,534	860,136	41,398	4.6	310,519
55+	2,124,412	778,721	742,399	36,322	4.7	1,345,691
TOTAL	8,045,469	5,222,702	4,759,289	463,414	8.9	2,822,768
14-15	441,634	132,837	97,580	35,257	26.5	308,797
<u>POVERTY</u>						
16-18	186,920	47,570	21,835	25,735	54.1	39,347
19-21	61,277	31,199	20,946	10,253	32.9	30,078
22-44	266,783	137,220	89,985	47,235	34.4	129,564
45-54	78,334	26,176	20,739	5,437	20.8	52,157
55+	178,892	22,073	21,180	893	4.0	156,821
TOTAL	672,207	264,238	174,684	89,554	34.0	407,970
14-15	53,893	14,448	7,545	6,903	47.8	39,445

SOURCE: SURVEY OF INCOME AND EDUCATION

TABLE 5
 LABOR FORCE STATUS OF THE CIVILIAN NONINSTITUTIONAL POPULATION
 IN ILLINOIS, CHICAGO SMSA, CITY OF CHICAGO, BALANCE OF ILLINOIS
 BASED ON THE SIE AND CPS - 1976

	SIE	CURRENT POPULATION SURVEY		
		April	May	June
ILLINOIS				
Labor Force	5,222,703	5,026,453	5,073,066	5,153,382
Employment	4,759,289	4,704,946	4,775,144	4,820,576
Unemployment	463,414	321,507	297,922	332,806
Rate	8.9	6.4	5.9	6.5
CHICAGO SMSA				
Labor Force	3,328,191	3,169,505	3,185,979	3,240,132
Employment	2,987,344	2,960,084	2,993,817	3,025,431
Unemployment	340,847	209,421	192,162	214,701
Rate	10.2	6.6	6.0	6.6
CITY OF CHICAGO				
Labor Force	1,385,427	1,261,410	1,265,271	1,289,609
Employment	1,180,354	1,149,326	1,162,424	1,174,699
Unemployment	205,073	112,084	102,847	114,910
Rate	14.8	8.9	8.1	8.9
BALANCE OF ILL.*				
Labor Force	1,894,512	1,856,948	1,887,087	1,913,250
Employment	1,771,945	1,744,862	1,781,327	1,795,145
Unemployment	122,567	112,086	105,760	118,105
Rate	6.5	6.0	5.6	6.1

SOURCES: Illinois Bureau of Employment Security
 Survey of Income and Education

*Illinois minus Chicago SMSA

and CPS unemployment rates is shown on Table 6 and Figure 1.

Our office has just begun to analyze the SIE data for Illinois and other states in order to determine possible reasons for the discrepancies between the two surveys. A comparison of the distribution of the unemployed by race on the SIE and the CPS annual average is shown in Table 7. It appears that there were significantly more nonwhite individuals classified as unemployed in the SIE in comparison to the CPS annual average data. At the present time, the Governor's Office of Manpower and Human Development does not have a satisfactory reason for the differences between the surveys. The data from the SIE were all based on personal interviews while only a portion of the CPS interviews were based on personal interviews. It is possible that job search information obtained by personal interviews is more extensive than similar information obtained from telephone interviews. Another possibility may be that reported job search behavior in rural areas and central cities increases relative to other urban areas when all interviews are conducted in person. Labor force participation rates based on census and CPS tend to be lower in central cities and in rural areas.

It is our belief that the differences between these two surveys should be examined in great detail by the Commission. If there are substantive differences which indicate that the CPS does not measure unemployment accurately in Illinois and other areas, then the official statistics should be changed to reflect the actual unemployment level.

It may be necessary to conduct another survey similar to the SIE in selected areas in order to determine the validity of the original information. Selection of states with unemployment rates lower than the CPS, approximately equal to the CPS, and higher than the CPS would provide an opportunity to test the validity of the results of the earlier SIE survey.

The Commission should encourage the Bureau of Labor Statistics and the Bureau of the Census to investigate these differences as soon as possible. A specific reason for urgency is that the 1980 Census procedures and questionnaires must be completed prior to 1980 so that the materials can be printed and distributed. Since census data is the benchmark for

TABLE 6
COMPARISON OF SIE AND CPS UNEMPLOYMENT RATES

REGION--STATE	SIE (1976)	CPS (1976)		
		APRIL	MAY	JUNE
Northeast				
New England				
Maine	7.6**	9.5	8.1	8.3
New Hampshire	6.7	7.4	6.2	6.4
Vermont	7.8**	9.6	8.8	9.3
Massachusetts	9.7	10.2	9.7	9.8
Rhode Island	9.1*	8.4	7.7	7.9
Connecticut	9.4	9.6	9.2	9.7
Mid Atlantic				
New York	10.5	10.6	10.1	10.5
New Jersey	9.9**	11.1	10.6	10.6
Pennsylvania	9.1*	7.7	7.4	7.8
North Central				
East North Central				
Ohio	7.7	8.0	7.4	7.9
Indiana	6.3	6.4	5.8	6.2
Illinois	9.0*	6.4	5.9	6.5
Michigan	9.5	9.5	8.9	9.3
Wisconsin	5.3	5.6	5.1	5.5
West North Central				
Minnesota	5.8	6.4	5.4	5.8
Iowa	4.1	4.0	3.6	4.1
Missouri	6.4	6.2	5.8	6.4
North Dakota	3.7	3.9	3.0	3.6
South Dakota	3.8*	3.2	3.1	3.6
Nebraska	3.7*	3.1	3.0	3.4
Kansas	4.4	3.9	3.8	4.5
South				
South Atlantic				
Delaware	9.4*	8.3	8.8	8.8
Maryland	7.2*	7.0	6.4	6.7
D.C.	11.3*	8.9	8.7	9.5
Virginia	6.5*	5.8	5.5	6.1
North Carolina	6.7*	5.8	5.7	6.2
South Carolina	9.0*	6.9	6.8	7.4
Georgia	8.0	8.0	8.0	8.8
Florida	10.4*	9.1	8.5	9.4
West Virginia	6.8	7.5	6.8	7.2
East South Central				
Kentucky	8.6*	5.4	5.0	5.7
Tennessee	6.9*	6.2	5.7	6.0
Alabama	7.5*	6.7	6.6	7.3
Mississippi	8.6*	6.0	6.1	7.2

Table 6 (Continued)

REGION—STATE	SIE (1976)	CPS (1976)		
		APRIL	MAY	JUNE
West South Central				
Arkansas	7.5*	7.0	6.5	7.3
Louisiana	7.5	6.9	6.8	7.5
Oklahoma	6.4*	5.6	5.3	5.8
Texas	5.4	5.4	5.6	6.4
West				
Mountain				
Montana	6.5	6.1	5.2	6.5
Idaho	5.9	6.1	5.3	5.9
Wyoming	3.7	4.3	3.6	3.8
Colorado	6.7*	5.6	5.1	5.9
New Mexico	8.9	9.0	8.5	9.7
Arizona	10.2	10.3	9.6	10.4
Utah	5.8	5.7	5.2	5.8
Nevada	7.8**	9.1	8.5	8.5
Pacific				
Washington	8.9	9.1	8.2	8.5
Oregon	7.9**	10.3	9.2	9.3
California	9.3	9.4	9.1	9.4
Alaska	9.4*	8.2	8.2	7.9
Hawaii	10.3*	9.6	9.6	10.0

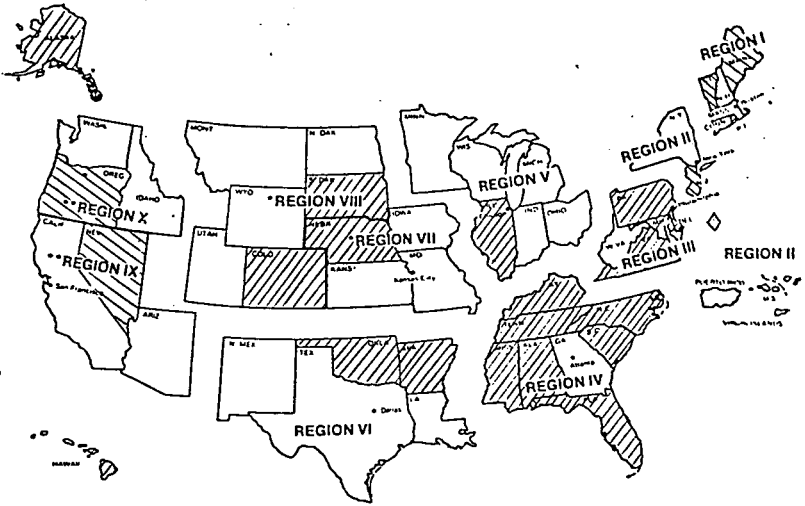
*SIE estimated unemployment rate is higher than any of the CPS estimates for April, May and June (twenty 20 states)



** SIE estimated unemployment rate is lower than any of the CPS estimates for April, May, and June (five (5) states)

SOURCES: SURVEY OF INCOME AND EDUCATION, SPRING, 1976.

EMPLOYMENT AND EARNINGS, JUNE, JULY, AUGUST, 1977.

FIGURE 1. SIE AND CPS UNEMPLOYMENT RATE COMPARISON.



-  SIE unemployment rate higher than any of the CPS unemployment rates for April, May and June: 1976.
-  SIE unemployment rate lower than any of the CPS unemployment rates for April, May and June: 1976.

SOURCES: SURVEY OF INCOME AND EDUCATION, SPRING, 1976.

EMPLOYMENT AND EARNINGS, JUNE, JULY, AUGUST, 1977 .

TABLE 7
LABOR FORCE STATUS OF THE NONINSTITUTIONAL POPULATION IN ILLINOIS BY RACE:
SIE AND CPS ANNUAL AVERAGE COMPARISON

(Numbers in Thousands)

	CIV. LABOR FORCE		EMPLOYMENT	UNEMPLOYMENT		
	NUMBER	PART. RATE		NUMBER	RATE	PERCENT OF TOTAL
SIE ESTIMATES						
Total	5,178	64.7	4,714	464	8.9	100.0
White	4,487	65.3	4,179	308	6.9	66.4
Black and Other	691	61.4	535	156	22.6	33.6*
CPS ANNUAL AVERAGE: 1976						
Total	5,076	62.9	4,745	332	6.5	100.0
White	4,472	63.8	4,234	239	5.3	72.0
Black and Others	604	56.8	511	93	15.4	28.0*

detailed labor force data at the state and local level, any recommendations made by the Commission that affect definition and wording made by the Commission should be incorporated in the 1980 Census. If this is not accomplished, the implementation of recommendations by the Commission at the local level may not be feasible until the 1985 quinquennial census. Since there has been a low response rate to pretests of the 1980 Census, potential undercounts of specific groups in the labor force are a problem the Commission must consider. The Commission should thoroughly investigate the feasibility of collecting comparable data on a technical definition of the labor force across the nation on a self-reporting census questionnaire before final recommendations are made to change definitions. This will eliminate the possibility of attempting to make post census adjustments to the data that would probably not be satisfactory to all interested groups, particularly when significant amounts of funds are allocated based on the adjusted data.

Industry Employment Statistics

I would like briefly to discuss some concerns about employment statistics by industry. The aggregate level of total employment provides minimal information about structural changes in the economy of an area. At the present time there are a variety of employment series by industry produced. The specific examples of these different series are indicated on Table 8. It is apparent that this array of data would be confusing to the nonsophisticated data user.

There are 25 counties in Illinois that do not have a current employment series by industry. The majority of these counties are in the Balance of State Prime Sponsor area. Other labor market areas have a current employment series by industry that is prepared bi-monthly or monthly. The level of industry detail in the data series also varies across the state. In some cases information is available for most two digit Standard Industrial Classification codes and in other cases information is available at the three digit level. It is obviously not possible to prepare regional analyses for all areas of the state on a consistent basis that add to a state control total. Our office would support a recommendation by the Commission that a

TABLE 8
EMPLOYMENT SERIES BY INDUSTRY FOR ILLINOIS - JUNE 1978

SOURCE	GEOGRAPHIC COVERAGE	FREQUENCY	EMPLOYMENT CONCEPT	NUMBER OF SECTORS
Bureau of Economic Analysis				
Employment by Type and Broad Industrial Sources	County	Annual	Work	12
Bureau of the Census				
County Business Patterns	County	Annual	Work	Varied 2, 3, and 4 digit SK
Illinois Bureau of Budget	County	Annual	Work	Numerous 2 and 3 Digit
Illinois Bureau of Employment Security				
Covered Employment	County	Annual	Work	Numerous 2, 3, 4 Digit SIC
Labor Area Trends	Labor Market	Monthly, bi-monthly Quarterly	Work	Varied 2 and 3 Digit
Civilian Labor Force	County Labor Market area SMSA Prime Sponsor Areas of substantial unemployment	Monthly	Residence	1

consistent set of current employment estimates should be established for all areas in each state. The employment estimates by place of work are particularly important in determining employment and training needs at the local level. In order to accurately assess the economic viability of an area the total number of employed residents in the area and the total number of workers employed in the area by industry should be available. It is our position that additional efforts should be made to establish consistent data series that cover all areas and not just the Standard Metropolitan Statistical Areas and current labor market areas.

In summary, our office believes that the Commission can play a vital role in improving the employment and unemployment statistics that are used to make policy and program decisions. If we can assist the Commission in any way with additional information or analyses, please feel free to ask us.

CHAIRMAN LEVITAN: Thank you, Mr. Staggs, for your confidence in the Commission.

I would like to start with one point that I have heard repeatedly in Washington. You, too, criticized the BLS. They tell me that they can't get through to Illinois at all, and then you recommend that we get the data for all the counties in the state. Could you tell me whether that is correct or not?

MS. WILLS: That's a different office.

MR. STAGGS: I represent the Governor's Office of Manpower and Human Development.

CHAIRMAN LEVITAN: Same governor, however.

MR. STAGGS: We certainly encourage as soon as possible getting the ES-202 data; and from one thing that I have understood, it would be useful if you could provide us with a little additional funding to help us get the data available that would help us get it out on a timely basis. So if we can get some additional funds from ETA, that will help us get it out in a timely manner.

CHAIRMAN LEVITAN: Is Illinois poorer than the other 49 states?

MR. STAGGS: I don't work for Employment Security, so in terms of absolute levels of funding ---

CHAIRMAN LEVITAN: Mr. Popkin.

MR. POPKIN: I want to thank you for one of the clearest and best papers I think I've heard presented to us in these hearings. I am sorry to thank you by asking you for even more, but I would like to ask you to think about ways of breaking the cities down from CPS, and if you think there are better ways to do it than it is being done now. It's clear that everywhere we go there are these complaints, and I asked people this morning--I think you were here--about the problem of how you estimate differences in the ratio of insured to uninsured and of different proportions of entrants in populations for different kinds of areas, and ways of using CPS surveys to get better weighting factors for variable ratios, if you would.

MR. STAGGS: At the moment I don't really have any good answers. I think these things need a lot of meditation. I do think, at least for the moment, it would probably be more appropriate to benchmark the estimates for the City of Chicago to the Current Population Survey annual averages rather than the procedure that we use.

Then, also, I again would like to encourage the Bureau of Labor Statistics to release the information on what these annual averages are. I see no reason to hide these numbers, and I assume that they are available.

Our office makes a variety of estimates, and it is particularly difficult for Director Ross to work in the balance of state. It seems like most of the small area data is not available--it's in the balance of the state areas.

MR. POPKIN: How would you feel, for example, at the end of a year when you have got a year's worth of CPS for Illinois, using the 12 months of Chicago to

adjust for the next year on the ratio of insured to uninsured, for example?

MR. STAGGS: That might be a possibility. Again, when you are looking at insured unemployment versus the City of Chicago, I think there's already been a lot of data, particularly about the nonwhite apparent underrepresentation in the SIE, these people are not going to be covered.

MR. POPKIN: Exactly, that's why I gather the central cities squeezed the horn.

MR. STAGGS: Then, also, in some of the rural areas I think we have similar problems, and I really haven't had a chance to test this data to take a look at rural areas.

MR. POPKIN: I look forward to your suggestions.

MR. STAGGS: At this stage I don't have any recommendations to make.

MR. MOSKOW: I have no questions, but I do want to thank you for very helpful testimony.

MR. CAIN: I think my comments really are in the form of comments and not questions because you have pointed up two types of discrepancies between the SIE and the CPS, I think only one of which is really necessarily crucial and damaging. The two being differences in levels of unemployment rates; that is, the first of the two is a difference in levels, and the second is the apparent difference in the pattern of level differences across different groups, and particularly the central city or rural areas, urban areas, and so on.

So I guess you have suggested that the differences in the procedures might explain this; namely, personal interviews versus telephone interviews and interviews that were conducted with the specific person as distinct from just a representative member of the household. And it does occur to me that the CPS has an ongoing methodological study group that is pursuing these issues; that is, what difference does it make when you

use telephone versus personal and asking specific questions to the people, relative to asking questions of a representative member of the household. So I should think that we would be able to get a response from the Census Bureau people as to perhaps explaining the differences between the SIE and the CPS.

MR. STAGGS: We have the national tapes, and we would be willing to make analyses for the Commission, if necessary.

MR. POPKIN: We thank you.

CHAIRMAN LEVITAN: Ms. Wills.

MS. WILLS: Two comments. One, if you will allow me a point of personal pride. I am quite pleased in what you have done.

While you are doing some more homework for the Commission, could you try to be creative and please try to come up with some recommendations on what we can do to improve the data reliability within the rural areas.

Another question--if I can read the implications of this testimony correctly--did we waste our money on Dun & Bradstreet, purchasing those tapes and the SIE?

MR. STAGGS: No, I would say that we did not, and I would like to continue to encourage Dun & Bradstreet because there's an issue--I think it's an issue--maybe that the Commission should consider, and I will just bring it up. At the moment, the ES-202 which you have just brought up is very vital, important information. However, as things exist now, the problem with legislation is that this information, at least when it gives information about employers, is restricted to the employment security people basically, which makes it very difficult for people in the manpower communities, say, the prime sponsors, who are not part of the employment security people, to use this information due to some of these confidentiality restraints. And, yet, as an analyst, I think industry data is the key to developing information about occupational training programs. I don't know how we can solve these things. What Ms. Wills brought up is the Dun & Bradstreet file

which provides information, I think, in Illinois on about 200,000 establishments, which is not too far from the total number of establishments in Illinois, and does provide access to information that is not confidential, so people in the employment training community will have data on a reasonably current basis that shows employment levels, industrial classification codes, and specific addresses. So I think it is also very important information. I didn't mention it only because it is a private source.

CHAIRMAN LEVITAN: Thank you, Mr. Staggs. I want to join my colleagues in thanking you for excellent testimony. I just thought that somebody should say a good word for BLS and show that all the fault does not lie with BLS. There are other problems in this world. That's all that I wanted to establish for the record.

Thank you very much, Mr. Staggs.

Before we adjourn today's meeting, there were a number of citizens here who sat patiently throughout the day.

Is there anybody who wants to make a brief statement?

(No response.)

If nobody else wants to add anything to the record at this time, it will be kept open. And we want to thank BLS in Chicago, and particularly Mr. Rice, for all the arrangements for our hearings.

We will carry these proceedings next week to San Francisco. You are all invited to come there.

(Whereupon, at 4:25 o'clock p.m., the hearing was adjourned.)

TRANSCRIPT OF PUBLIC HEARINGS

TUESDAY, JUNE 20, 1978

NATIONAL COMMISSION ON EMPLOYMENT
AND UNEMPLOYMENT STATISTICS

Washington, D.C.

The Commission met, pursuant to notice, at 9:30 a.m., in room 9022, 450 Golden Gate Avenue, San Francisco, California, Sar A. Levitan, Chairman, presiding.

Present: Glen G. Cain, Samuel L. Popkin, and Joan L. Wills.

Also present: Arvil V. Adams, executive director; Marc Rosenblum, staff economist; and Wesley H. Lacey, administrative officer.

OPENING STATEMENT OF CHAIRMAN LEVITAN

CHAIRMAN LEVITAN: This is the fourth hearing of the National Commission on Employment and Unemployment Statistics. We have held hearings in Washington, New York, Chicago, and now we are in San Francisco.

Our first advisor and host here is Mr. Bruce Hanchett, U.S. Department of Labor, Bureau of Labor Statistics, Regional Commissioner.

Mr. Hanchett, you have the floor, sir.

STATEMENT OF BRUCE HANCHETT
REGIONAL COMMISSIONER,
BUREAU OF LABOR STATISTICS,
U.S. DEPARTMENT OF LABOR

MR. HANCHETT: Mr. Chairman, distinguished members of the Commission. I want to welcome you on behalf of the Pacific Regional Office of the Bureau of Labor Statistics to San Francisco, and wish you every success in your hearings today.

I want to read a very short sentence.

"It has been said that seasonally-adjusted unemployment rate is at least in its political implications the most important single statistic published by the Federal Government."

This is the first sentence in the summary and recommendations of the Gordon Report published in 1962, and I think it's apparent to all of us who are practitioners of one sort or another in the field that this is even more true today than it was then.

Remember in 1962, preceding many pieces of important legislation which have place more priority and more attention and more public concern to the issue of how we measure employment and unemployment and how we analyze the data and how we use it operationally. This is a very important mission that the Commission has, and I know that you will get the complete support of the witnesses today and I know that you will come up with as many significant recommendations as was done by the Gordon Committee some 16 years ago.

With that, again, I wish you a very good day.

CHAIRMAN LEVITAN: Thank you, very much Mr. Hanchett. If I may, just one point: We don't have witnesses, we only have advisors.

MR. HANCHETT: I get the message, sir.

CHAIRMAN LEVITAN: Thanks very much.

The purpose of these hearings is to get the views, listen to the concerns, and benefit from the recommendations of various public interest groups. No doubt, one of the most important public interests that is the consumer of BLS and other labor force statistics is the 3,000-plus United States counties. We'll now hear from representatives from the National Association of Counties, from Mr. Jon Weintraub, the Associate Director, Mr. Pat Moore, President, National Association of County Manpower Officials, and Ms. Lucille Moore, Chairwoman, San Diego County Board of Supervisors.

Jon, it's good to welcome you here. Since I didn't have an opportunity to see you in Washington, I'm glad that we at least meet in San Francisco. Mr. Moore, Ms. Moore-oh, it two Moores, I'm sorry.

MR. MOORE: There's always room for one more, Mr. Chairman, in this case two more.

CHAIRMAN LEVITAN: All right, who is going to start?

STATEMENT OF PATRICK W. MOORE, DIRECTOR,
THE MID-WILLAMETTE VALLEY MANPOWER
CONSORTIUM, OREGON, AND PRESIDENT,
NATIONAL ASSOCIATION OF COUNTY
MANPOWER OFFICIALS

MR. MOORE: Mr. Chairman, members of the Commission, my name is Pat Moore, Director of the Mid-Willamette Valley Manpower Consortium of Salem, Oregon. I am President of the National Association of County Manpower Officials (NACMO) and a member of the Employment Steering Committee of the National Association of Counties. I am accompanied today by Lucille Moore, who chairs the Board of Supervisors in San Diego County, California, and Jon Weintraub, Associate Director of the National Association of Counties.

The National Association of Counties is the only national organization representing county government in the United States. Through its membership, urban, suburban, and rural counties join together to build effective, responsive county government. The goals of the organization are: to improve county government; to serve as the national spokesperson for county governments; to act as a liaison between the nation's counties and other levels of government; and to achieve public understanding of the role of counties in the federal system.

Members of Congress and state and local officials need two reliable and distinct statistical measures on which to base and shape policy and to allocate funds. Employment and unemployment statistics should measure labor force utilization and fluctuations in the economy, while a "hardship" index should measure income adequacy for those participating in the labor force.

We are here today to highlight county concerns regarding the new BLS method for estimating labor force and unemployment statistics and to offer suggestions

for improvement of this vital labor market data. NACO applauds the efforts the Commission is making to examine the procedures, concepts, and methods involved in employment and unemployment statistics and hopes that the following comments and recommendations will be seriously considered by the Commission as it develops its final report for the President and Congress.

There seems to be at least one common theme in the testimony that has been presented to date which deserves to be underscored again--the importance of developing current and accurate measurements of employment and unemployment. As you know, these statistics serve as social indicators which are vital in determining public policy on a variety of issues. They provide a picture of the nation's economic well-being and signal when changes should be made in our overall economic policy. In addition, during the last few years when multiple federal programs (e.g., CETA, public works, and countercyclical assistance) were established in response to the severe recession, these statistics were used as a basis for allocation billions of federal dollars. It is ironic to note that with the passage of the CETA legislation in 1973, this nation committed itself to a comprehensive, local manpower planning and service delivery system, but five years later we have still not undertaken a parallel commitment to develop adequate labor force utilization and employment hardship measures, which are necessary and obvious prerequisites to the effective management of such a system. The need, then, is clearly present for directing efforts towards achievement of more accurate labor market statistics. This will demand a substantial investment of time, money and resources. It clearly makes no sense to shortchange our efforts to develop such information, when billions of dollars and critical public policy decisions will rest upon the outcome.

The measures developed must emphasize both measures of labor force utilization, as well as of employment and income hardship. And particularly important is the need to recognize the dual level of need for such data. The primary thrust of an effort to improve our measures of employment and unemployment must be

toward development of an improved national system of labor market information. But in addition to an improved national system, recognition must also be given to the need to develop more localized labor market data.

Each local community has unique needs and characteristics that are significant for local decision-making. For example, the City and County of San Francisco has a need for more detailed and specific information on the labor force utilization and hardship characteristics of Asian and Micronesian persons than would ever be broken out in a national data system. The unique composition of the San Francisco population demands a disaggregation of ethnicity measures that is vitally important to the targeting of local manpower program resources, that by its very uniqueness will have little relevance to a national system of measurement.

A similar example can be drawn from the Willamette Valley area of Oregon I represent. Because of our agricultural economic base and a large concentration of migrant farmworkers, local measures of worker mobility and seasonality are vitally important to an accurate understanding of our local labor force.

Because local allocation decisions must be made within communities and because many public policy decisions are dependent for much of their validity upon specific, localized labor force data, a capacity must be established to develop not only a national system for measurement, but also to enable local communities to develop the specific measurement tools that are responsive to their unique character.

Thus, there is a clear need to develop more accurate national and local labor market statistics. Have we made any progress towards meeting this need as a result of the new BLS method?

There is no question that some of the procedures described under the new simulation method will improve the collection of labor force and unemployment data at the local level. For example, the coding of UI claimants by place of residence and the elimination of duplicate counting of claimants will serve to improve the collection of administrative data. The use of the

claims-population ratio method for cities and counties within metropolitan areas, when available, will provide more current and accurate data. Local area year-end revisions are expected to be reduced through the use of the six-month moving CPS average. However, even in light of these perceived positive changes, the new method does not more accurately reflect the labor force and unemployment statistics in urban and rural counties for the following reasons:

(1) Urban counties, geographically considered part of an SMSA, will no longer have their estimates "benchmarked" to the CPS annual SMSA average, but rather to the respective state annual CPS average. The Commission has already been informed of the drastic effect on the unemployment rate in Kenton County, Kentucky. The county experienced a 3.4 percent unemployment rate decrease which not only inaccurately reflected the economic picture of the area, but also reduced the county's CETA Title II funding to zero and Title VI funding by 70 percent. This is simply one of many examples of the impact of these changes on urban counties.

(2) Although UI data by place of residence is available for many more counties than cities, there are still nine states (Vermont, Massachusetts, New Jersey, Michigan, Alabama, Nebraska, Washington, Oregon and California) which do not at the present time produce this type of data at the local level. Consequently, counties in those states must rely on the census share method which is commonly considered outdated and produces lower unemployment rates than those estimated by the claims-population ratio method. Waller County, Texas, is an example of a rural county which would experience a 4.4 percent unemployment rate reduction in April 1977, under the new method, due to the lack of an unemployment claims service and SMSA benchmarking. This would mean a total loss of CETA Title II funding and a substantial reduction in Title VI funding.

In addition, we understand that BLS has run simulations in eight states (Colorado, Connecticut, Florida, Kentucky, North Carolina, Oklahoma, Pennsylvania, and South Carolina) on changes in county unemployment rates caused by the shift from census share to unemployment insurance claims disaggregation. This simulation showed

increases in the unemployment rate in 26 counties, decreases in 30 counties and no change in 7 counties. A more recent study of 20 states' experience in the use of claimant-population method is available on a computer printout, although a similar summary table showing changes by county has not been developed.

Given these effects on urban and rural counties, NACO suggests that the Commission consider foremost in its recommendations:

(1) A return to the CPS method for the 28 SMSAs which no longer have unemployment statistics computed by use of this measurement. This should occur (at least on an interim basis) to facilitate comparability in data planning and functions for at least one year prior to the implementation of any measurement changes by BLS.

(2) Application of the CPS method to all urban governments (city and county) over a certain population threshold. For example, if a 1.5 million population threshold were used with 1975 census data, 12 urban governments would have the CPS method applied to them. We pursue this approach because of the budgetary impact of formula allocations based on unemployment data on those large urban governments which provide basic human services. To support our position, we are enclosing a table for review by the Commission to the revenues and expenditures of the 40 largest urban governments. We seek your support in a departure from the myopia of only extending the CPS method to a limited number of cities.

Many other issues relating to the collection of accurate labor market statistics have been raised at these hearings by members of the Commission and various witnesses. NACO would like to offer the following comments for the record:

(1) NACO favors the development of a "hardship index" based on the assumption that measuring simply whether one is employed or unemployed does not take into account whether the wages received allow for an acceptable standard of living.

(2) NACO supports focusing attention on those individuals considered to be "discouraged workers" who presently are defined as "not in the labor force" because they are not actively seeking employment. The

"discouraged worker" population tends to consist of minorities, women, youth, and the elderly--those segments of the population who traditionally have the greatest difficulty in finding suitable employment.

(3) NACO supports the development and use of other economic indicators which may more accurately reflect a local area's economic situation. Such indicators then could be used either in conjunction with or separate from the unemployment rate as a basis for allocating federal funds.

(4) NACO supports the collection of labor market information on a state and local level for client groups which may not be statistically significant on a national level. For example, San Francisco serves several Asian and Micronesian communities. The California Valley counties provide services to a huge migrant population. Data on each of these client groups would maximize state and local planning to better serve that population.

(5) NACO strongly recommends that the need for changes in labor market concepts, definitions, and methods be given a clear priority over the need for comparability of data in order to achieve an accurate picture of the nation's present economic well-being.

(6) NACO supports a review by the Commission of the status of all part-time workers regardless of age in labor force employment and unemployment measurements. Perhaps a requirement of 21 hours of employment might be a useful criterion for determining labor force participation and attachment.

(7) NACO supports a review of how participants in employment and training programs are counted. For example, we question the disparity in counting PSE workers, clients in job training, and youth in the Job Corps. Possibly all such participants should be counted and treated separately. Consistency might provide a better indication of the impact of employment and training programs.

(8) NACO supports a review of the treatment of the approximately 1.4 million U.S. military personnel located in the U.S. We suggest that a study be conducted which considers the impact on national, state and local employment and unemployment rates. Particular emphasis should be given to those local governments which presently house multiple military installations.

(9) NACO supports the Commission addressing the proper institutional mechanisms for oversight, management and conduct of labor force data gathering to insure consistency. For example, it is interesting to note that while military personnel are not counted as part of the civilian labor force, a participant leaving a CETA program to enter the military is now counted as a job placement. There is a need to insure consistency of interpretation and application now of such definitions across the variety of federal institutions affecting such determinations.

Mr. Chairman, members of the Commission, thank you for listening to our concerns. Supervisor Lucille Moore of San Diego County, California, will now share information on impact from a local perspective, after which we will be happy to answer your questions.

40 Largest Urban Governments

The chart below shows the 40 largest urban governments in the United States, according to a 1976-77 Bureau of the Census report. Thirty of these governments are counties and 10 are cities. Of the top 10 governments, for example, six are counties and four are cities.

In some cases both a county and its core city are listed, if they both qualify as

being among the 40 largest urban governments. This is true, for example, for Los Angeles city and county, San Diego city and county, Cook County and Chicago, and Harris County and Houston.

In the majority of cases, however, the urban county qualified for the list but its core city did not. This is true of Allegheny

County (Pittsburgh), Hennepin County (Minneapolis), Maricopa County (Phoenix), and Hamilton County (Cincinnati), to name a few.

The chart compares the revenues these governments receive from their own sources (local taxes, etc.). In addition, it reveals the amount they receive from intergovernmental sources which add up

to a substantial portion of their total budgets.

For example, Wayne County, Mich. spent \$111 million on welfare for 1976-77 compared to Detroit's expenditure of \$600,000. Hospital services cost Los Angeles County over \$342 million compared to the city's \$2.4 million.

City/County	1975 Population	(In Millions)								
		Total Revenue	Intergovt. Revenue	Own Revenue	Total Expenditure	Welfare (Expenditure)	Hospitals (Expenditure)	Health (Expenditure)	Police (Expenditure)	Parks (Expenditure)
New York City, N.Y.	7.5	15,473.2	8,952	6,893.8	15,196.8	3,516.2	921.5	312.9	601	153.2
Los Angeles County, Calif.	7	2,999.5	1,516.8	1,344.4	3,053.5	1,098.5	342.7	129.2	122	81.3
Cook County, Ill.	5.4	445.1	149.9	267.9	424.0	.1	142.3	6	13.8	14.7
Chicago, Ill.	3.1	1,284.1	310.4	758.3	1,241.3	17	3	47.9	287.4	8.1
Los Angeles, Calif. (City)	2.7	1,738.7	272	765.9	1,680.9	.8	2.4	.3	223.7	58.6
Wayne County, Mich.	2.5	476.6	273.5	186.7	488.0	111.9	50.9	35.5	7.6	3.1
Harris County, Tex.	1.9	177.6	27.5	150.2	190.0	5.1	50.9	6.3	8.2	2.5
Philadelphia, Pa.	1.9	1,080.9	390.4	620.7	1,181.4	51.1	44.4	65.1	155.5	67.6
Philadelphia, Pa.	1.7	406.3	174.6	218.7	378.3	93.3	37.0	27.1	11.8	11.8
Orange County, Calif.	1.6	279.4	132.1	147.3	308.0	68.1	74.9	21.4	46.1	-
Cuyahoga County, Ohio	1.6	440.7	217.5	201.3	413.2	160.6	4.5	28.4	15.2	6.1
San Diego County, Calif.	1.5	211.3	98.2	107	227.3	18.4	18.2	29.2	5.7	6.3
Allegheny County, Pa.	1.4	547.7	134.2	382.2	556.0	11.9	104.6	10.7	41.7	29.2
Dade County, Fla.	1.4	704.6	240.4	484.2	733.5	168.7	36.5	30.7	106	29.9
Nassau County, N.Y.	1.4	41.1	4.0	33.5	43	-	5.7	-	-	-
Middlesex County, Mass.	1.4	114.7	23.2	91.6	120.1	2.7	45.1	2.2	3.9	-
Dallas County, Tex.	1.3	934.3	354.1	427.9	845.1	.6	40.4	33.6	129.6	43.4
Detroit, Mich.	1.3	440.2	68.6	300.9	466.7	-	.9	12.9	59.1	31.8
Houston, Tex.	1.3	485.8	213.5	252	582.4	-	26.0	22.2	82.5	6.4
Suffolk County, N.Y.	1.2	190.2	78.9	113.0	175.9	3.5	44.1	15.3	10.3	2.6
Maricopa County, Ariz.	1.2	416.1	217.5	194.6	413.4	148.7	39.2	31.2	22.8	2.5
Santa Clara County, Calif.	1.1	152.7	44.9	107.7	187.4	2	24.7	14.1	11.7	39.1
King County, Wash.	1.1	349.8	178.7	171.1	339.1	143.0	29.7	30.3	9.1	1.1
Alameda County, Calif.	1.1	442.8	203.5	226.0	477.2	147.9	45.3	28.8	4.2	6.0
Erin County, N.Y.	1.0	357.1	211.6	139.3	331.2	134.2	75.5	5.2	4.1	29.8
Milwaukee County, Wis.	1.0	147.2	86.1	55.7	176.1	10.2	4.5	10.6	3.5	2.2
St. Louis County, Mo.	1.0	128.2	24.7	101.6	118.0	.4	10.2	7	5.6	5.2
Hennepin County, Minn.	.9	229.0	116.1	112.9	239.3	112.0	39.2	12.9	12.8	-
Texas County, Tex.	.9	64.4	12.3	52.3	61.6	5	34.1	5	2.7	.7
Harris County, Tex.	.9	122.3	56.7	65.6	152.2	31.3	16.5	8.8	6.1	-
Hamilton County, Ohio	.9	287.1	155.6	130.0	302.9	140.9	41.5	1.1	3.2	7.1
Essex County, N.J.	.9	126.6	32.3	94.3	128.6	14.9	27.0	2.3	3.4	7.1
Hergen County, N.J.	.9	367.9	200.6	166.5	381.0	187.5	35.7	25.2	6.2	11.1
Westchester County, N.J.	.9	106.2	42.4	83.3	114.2	35.3	7.3	13.2	2.4	3.1
Franklin County, Ohio	.9	1,112.6	686.2	363.2	1,107.7	129.3	32.9	26.9	74	74
Baltimore City, Md.	.8	79.3	17.3	56	93	2.4	4.6	4.6	8.6	1.7
Howard County, Fla.	.8	321.3	46.0	208	316.1	-	-	4.6	39.0	21.3
Harris, Tex. (City)	.8	272.0	84.6	135.3	261.3	-	60.1	51.6	28.9	33.1
San Diego, Calif. (City)	.8	392.9	40.4	91.5	509.9	.8	-	6.1	24.7	16.2
San Antonio, Tex.	.8	211.8	41.9	184.4	207.5	1.1	47.3	8.2	2.7	3.8
Shelby County, Tenn.	.7									

STATEMENT OF LUCILLE V. MOORE,
CHAIRWOMAN, BOARD OF SUPERVISORS,
COUNTY OF SAN DIEGO

MS. MOORE: Mr. Chairman and members of the Commission:

My testimony before you today is intended to serve not as a technical critique of the recent change in the methodology by which the Bureau of Labor Statistics (BLS) computes employment and unemployment data, but rather as a vehicle by which I may convey to you the very practical repercussions which have resulted from that change in methodology. My testimony will relate directly to one of the issues which you tentatively will address in the report that you will eventually prepare: that issue is the "desirability of data continuity vs. the need for periodic changes in methodology to reflect socioeconomic realities."

Quite some months ago, the County of San Diego was made aware that certain changes were pending in the methodology by which the BLS computed state and national unemployment data. While county officials anticipated that minor fluctuations in data were likely to result, it was not anticipated that such changes would significantly impact revenues from the various federal programs which base their allocation on employment data--e.g.; CETA, local public works, or countercyclical.

County officials were quite alarmed, however, when the county's quarterly allocation of countercyclical anti-recession funds in April 1978 showed a 60 percent reduction: while the county, based upon prior allocations, had anticipated a quarterly allocation of \$2.3 million, only \$888,083 was received. This drop of \$1.4 million in one quarter will amount to an approximate annual revenue loss of \$3.3 million in FY 1978-79. (The City of San Diego has been similarly impacted: that jurisdiction has experienced a 59 percent reduction in anti-recession program revenues.)

Similar impacts might be anticipated in other programs which base their funding allocations on unemployment data, e.g.:

- o The local public works program, which in two years has provided revenue totalling \$11.7 million to the County of San Diego;
- o The CETA program, which this last year created 1,399 jobs worth \$15.2 million in the county and in the region's smaller cities; and
- o The proposed labor intensive public works program, if such a program is authorized by the Congress.

Significantly, members of the Congress have recognized the problems being experienced by jurisdictions such as the County of San Diego, and have included in both the House and Senate versions of the pending CETA reauthorization legislation language which would "hold harmless" such jurisdictions from severe funding cuts which might otherwise result from the new BLS methodology.

I would hope that similar "hold harmless" provisions are incorporated into the reauthorization language of other major federal funding programs upon which local government has increasingly become dependent. I would hope that your Commission lends its strong support in this regard.

By way of an example, allow me to describe for you the consequences of the methodology change on the countercyclical anti-recession program alone in San Diego County:

The impact of the new BLS methodology and its implementation with regard to the anti-recession program will cause serious budgetary dislocations in the County of San Diego. The FY 1978-79 budget of the County of San Diego reflects \$6.9 million in anti-recession revenues (\$2.3 million for each of the three quarters between January 1, 1978 and September 30, 1978). Because of the new BLS methodology, that estimate has now been revised to \$3.6 million, or \$3.3 million less than originally anticipated.

In general terms, it was originally proposed that the \$6.9 million would be used for contributions to a countywide general relief program, a hospital for the elderly, and a rural health program. More specifically, the funds would have supported 150 county employees, provided assistance to 3,400 general relief clients per

month, provided care for 40 geriatric patients per day, and provided treatment for 2,700 clients per year at the rural health clinic.

The new BLS methodology, and the concomitant reduction in anti-recession funding, will result in a 60 percent reduction in these services. The only alternative would have been to increase local property taxes, a measure which is now impossible due to the recent passage of Proposition 13.

I can assure you, a similar story will unfold for each federal program which is similarly reduced.

And why are we in this situation? Because of an administrative decision to drastically remodel the foundation upon which such a large portion of our federal revenue is based: in one "fell swoop" unemployment in San Diego County was "reduced" by approximately two percentage points. In simple terms, that says that the number of unemployed in San Diego has "declined" by roughly 25 percent. You know, and I know, that that is just not true.

And so, although we are talking about an administrative procedure with complex technical nuances, I would suggest that both you, as a commission, and I, as an elected official, are faced with what is most critically a political problem: For my part, the new methodology will present budget problems, and budget problems are as politically "hot" as any with which an elected official must deal. For your part, you must examine a new procedure which threatens the continuity of a variety of federal-local cost sharing arrangements; programs which provide services and employment to thousands upon thousands of persons. Your task, I suggest, is a political problem more than anything else.

I wish to conclude by saying that it certainly makes sense to have in place a methodology which does, in fact, reflect periodic changes in socioeconomic conditions. But please remember, the federal programs which are based in large part on such a methodology contribute greatly to the socioeconomic conditions which you hope accurately to describe. It would be ironic if, in attempting to achieve methodological purity, socioeconomic dislocations were to result instead.

My remarks, I hope, speak to the need to temper technical responsibilities with social responsibilities. Therefore, again I urge you to lend the strong support of your commission to our efforts to include language in federal program reauthorization legislation which would "hold harmless" those jurisdictions severely impacted by the new BLS methodology.

Thank you.

CHAIRMAN LEVITAN: Thank you, Ms. Moore. Jon, do you care to add anything now?

MR. WEINTRAUB: No.

CHAIRMAN LEVITAN: Well, I hope you'll feel free to participate in the answering of questions posed by my colleagues on the Commission and myself.

Since Ms. Moore is his supervisor, I think it would be only proper to start with Mr. Sam Popkin.

MR. POPKIN: Thank you. I have questions for my supervisor.

CHAIRMAN LEVITAN: You can't extend your jurisdiction beyond San Diego.

MR. POPKIN: Okay, I'll stick to my boss here.

First, I'm a little disappointed that no effort was made by the people of San Diego to make any argument that the original number was any more accurate. Nobody is arguing that unemployment in San Diego has fallen 25 percent in the change, but a lot of people felt that the other rate was perhaps wrong in regard to the benchmarking for the state. It's not that total unemployment in the county has been cut, but that some place else in California is now assumed to have more of the unemployment than did San Diego. What I am hoping is that San Diego will think about more accurate ways to benchmark down to the county level. Nothing was said to suggest, for example, that San Diego wasn't artificially 25 percent too high a year ago.

MS. MOORE: Well, I don't think that we've ever concluded that. In fact, I think that during the last

two years of my term on the proxy board that we have time and time again said that the unemployment rate which we were living with was unrealistic, that it was still too low. So, I think we have started out from the point that it wasn't accurate in the first place based on the fact that it was lower than it actually was.

MR. POPKIN: But everybody wants to say that their rate is higher than it is in order to get money. What I'm disappointed with is that nobody is suggesting any reason why the ways that unemployment are being measured would make San Diego, in particular, too high or too low. And I wish the county would give us some suggestions as to what they think is being done wrong that would make San Diego's official rate look too low. I doubt if in all of America there is one single county official who will say the number is too high. What I would like is for my county to suggest--because in particular San Diego has a very large tourist service industry, there are a lot of people, because of the border, who are in and out of the labor force, or in agricultural employment, or seasonal--and I would like to see suggestions from the County of San Diego as to what methodological changes might give a more accurate number.

MS. MOORE: Right, I understand what you're saying, but I also would like to say that our county does support some of the remarks that were made today; the fact that we should be looking at many who work only 21 hours a week and some of the ones who have never been in the labor market and never applied for unemployment. So, again, we're supporting those positions of NACO because we are part of them. They reflect our opinions as well. We certainly can add to it. That was not the intent of the testimony today, but we can add to it.

MR. MOORE: If I could presume to add a comment. I think part of the significance of Ms. Moore's comments is not just in whether or not the figure before or after was more accurate, but a recognition that the anti-recessionary funds, which are allocated on a quarterly basis, don't reflect a reality of the funding

of programs and the continuity of a program. Even when there are circumstances where unemployment rates change drastically, there needs to be a recognition of the transition from the level of program activities supported by the previous allocation so we avoid major kinds of changes. I think there has been some suggestion by NACO that there be a reenactment of an anti-recessionary program to provide annual allocations rather than quarterly. So, I think part of the issue is disruption, without regard to whether it is either more accurate prior to or after the change.

MR. WEINTRAUB: We are also suggesting if you use the one point five million population cutoff, San Diego would be one of those urban governments that would fall into the application of the CPS methodology. So, again, depending on if you are at all sympathetic to our idea of looking at all urban governments, and you pick a population threshold, then you would bring in some other accuracies.

MR. POPKIN: May I ask one last question?

CHAIRMAN LEVITAN: I would like him to continue.

MR. POPKIN: That's what I wanted to ask about. In one paragraph, why do you feel that dividing up unemployment within an SMSA, as opposed to within a state, is better?

MS. MOORE: I think one reason, looking at it particularly from California's viewpoint, because you have to recognize that California is a little different--sometimes they call us weird--is that because you have the problems that we referred to, the Central Valley and the agriculture, and those types of workers, and then you come down to a cosmopolitan area like Los Angeles and the input of minorities, you go to San Francisco with the Asiatic, and you have all these things that we have not addressed properly, and you can do it on a smaller region area a lot better than you can in the total State of California. I don't know. You can't address that probably in states like Connecticut and Rhode Island, because they don't have that

geographical and type of large population differential. I'm sure they have a little of it, but there's no one that would have the population of Asiatics that San Francisco has; there's no one that would have the population of Chicano, and all the cultural aspects of that; and there's no one that's going to have the agricultural, transient, migrant farm workers that Central California is going to have, or San Diego County, Imperial County, with the terrific impact of the Mexican border.

So, I think, at least looking from California, we recognize the tremendous difference between the urban, the rural, and we need that kind of flexibility to relate to our total community. That's coming from California, not from the national viewpoint.

CHAIRMAN LEVITAN: If I may continue with the point that Mr. Popkin has just asked you. In connection with your 1.5 million cutoff, what is the total population? How many local governments would be included in that 1.5 million?

MR. WEINTRAUB: That would happen to play out to be 12. Frankly, we just, in looking at that chart after it was prepared and in order to limit the number in a similar fashion to what was done before, we arbitrarily just picked out of the sky the 1.5 cutoff because it yielded a number similar to the previous 10. There was no other great thought involved.

CHAIRMAN LEVITAN: I see. So, you haven't checked how that would fit in with the BLS sample--how reliable the sampling would be--or have you?

MR. WEINTRAUB. No, we haven't.

CHAIRMAN LEVITAN: Thank you. Mr. Cain?

MR. CAIN: I want just to make one comment that applies to a question that Sam Popkin made, and it has to do, I think, with the distinction between getting the right statistic, and then the question of what you do with it, how you use it, how you adapt the change in it, and so on. I think if we could separate those two

it would be helpful. I feel a little more comfortable about our mission to try to assess the correct statistics, which actually is the main purpose of our Commission, rather than questions of public finance and intergovernmental relations among taxing and spending branches of government.

So, I start off, I suppose, by reemphasizing Sam Popkin's point about our interest in trying to find out the "truth" about what is the true unemployment rate, or the true size of the labor force in a particular area. That, of course, was not really addressed here. It just had to do with a change in an estimate, and then the turmoil associated with trying to adjust to that change. So, we're still, I think, left in the dark about what is the way of getting at the truth and how we can evaluate two separate versions of the truth, and so on.

There's another aspect of this that I think also changes the way in which we might interpret the exchange that was going on between you and Mr. Popkin. And that is that it's not only that a particular local government can come up with an estimate that is higher than what had gone before that suited their purposes for getting financial aid, but I think the challenge is to show that the particular method would not also yield a higher estimate in every other community so that in a relative sense your position hasn't changed. And, after all, there is to some extent a fixed sum of money that has to be allocated among competing areas on the basis of the rankings of the unemployment or labor force situation.

And so, I think that is another challenge that we have to examine and evaluate. I think it certainly would be true that by adding discouraged workers you would make the unemployment rate higher in San Diego, but you'd make it higher in every other community, too. So, that by itself is not persuasive.

Let me shift to another issue. I was struck in the remarks of Ms. Moore about the purposes of the expenditures. There were three mentioned: general relief, a hospital for the elderly, and a rural health program. I was struck, in looking at those, about how at least two of those, and perhaps all three, don't really directly relate to unemployment statistics, or

even labor force statistics. That is, I should think that a rural health program should be justified on the basis of health needs, per se, and, similarly, a hospital for the elderly would be based on numbers of elderly people and their health status and alternative resources, and so on.

It seems to me that these are points that are a little remote from a connection to the employment and unemployment statistics, and so I wonder if you could help either show me how they are more directly related, or perhaps just make the point that some of the expenditure programs indeed are not that related and let it go at that.

MS. MOORE: Okay. Well, obviously, the 150 county employees, we don't have any problems with that; that's putting someone to work.

MR. CAIN: The what?

MS. MOORE: The 150 county employees. I use the word contributions to. That would be the hiring of people who would contribute to the additional employment. For instance, we can hire an RN, we can hire a doctor; we're thinking of taking a doctor out who would not live in the rural county. That's the type of employment I'm talking about. We weren't going to fund the particular relief program, we weren't going to fund the particular patients, but the hiring of people who could minister to apply services to transport people, particularly in our rural communities. I have a county that's rural and urban. That's how that money would have been used, putting people to work.

MR. CAIN: So, I take it then that the chain of reasoning would have gone from a particular type of unemployment problem, and then the need to find jobs for those people who were unemployed, and then it just so happens that the jobs would have been in rural health.

MS. MOORE: The point I attempted to make is that it did two things: it provided employment for people at the same time it was assisting people that you need to assist within the framework of government.

MR. WEINTRAUB: If I could add to that, I think in referencing back to the chart at the end of Mr. Moore's statement that even though I suppose it could be posed that unemployment data does not directly relate to the delivery of social services, the need for those social services is largely, you know, caused by the existence of unemployment or part-time employment that doesn't provide a person a living wage. Therefore we were suggesting that the Commission review the types of social service expenditure by urban governments as one way of judging, or monitoring, what are the data needs of types of government.

MR. CAIN: I think that does put us into this question, then, of having to look at the health of the elderly. I don't know if that's realistically something that we could do a good job of covering. I'm sure you could get into narcotics problems and alcoholism, and so on. There's a tremendous variety of social needs.

MS. MOORE: For instance, in San Diego County, we have what we call a welfare mothers program in which we take and train within offices. They get a stipend and then we attempt to place them in some kind of a job. I think that's a very good use of unemployment funding, wherever you're coming from. We are also doing training programs within some of our general clinics and things like that, taking young people, going through a nursing program, practical nursing, this type of thing, and placing them in a job.

Again, this has two impacts. It puts them in the labor market and it also assists those people who cannot be in the labor market for various reasons.

MR. CAIN: I might say, though, that the examples you gave by and large relate to the people not in the labor force rather than the unemployed group per se. I'm not saying there is necessarily anything wrong with that, but it does perhaps provide more information, or another bit of testimony, from what we already received in the past about how it often isn't the unemployed group per se, but the not in the labor force group that in some instances are more in need of services, and so on. And perhaps it does mean that less emphasis should be put on the unemployment rate, per se.

MR. MOORE: In addition, I think it should be taken into account that there is some concern about whether unemployment rates were the best measure upon which to allocate counter-recessionary monies in the first place.

It was intended to assist governments who were under financial crunch because of unemployment, but as GAO studies have concluded, they may not be the most appropriate measure to direct that. So, I think probably the issue is not so much--that may be an example of an inappropriate use of unemployment information allocated resource, and probably the best example to be drawn is the kinds of dysfunctions that happen from use of such statistics. It may well be true that that isn't the best way to allocate those anti-recessionary funds.

MR. POPKIN: I have two questions.

MS. WILLIS: I have five or six.

Ms. Moore, I agree with you that it is political, and that's where part of our problem is. Let me see if I can perhaps translate what Pat just summarized.

You did earlier in your testimony, Pat, recommend the utilization of the hardship index. Would I be correct in assuming that basically what you're suggesting is that we need a wider variety of factors and statistics to be utilized for the allocation of the funds over and above? That's not necessarily throwing out the utilization of just the unemployment rate, but adding to and enriching our data sources so that the question is not then raised about the unemployment rate being the single and sole source statistic used, for example, in countercyclical revenue sharing. Am I correct?

MR. MOORE: We're not suggesting that it's merely a search for the silver bullet and the measure that replaces unemployment. The problem is not that simple. We need a battery of measures which in combination provide information.

MS. WILLIS: Which they talked about in the urban policy, a series of factors for calculating the distress of an area.

Would I be correct, Ms. Moore, in assuming that that's basically what you think would make more sense? Recognizing it would be political in terms of ---

MS. MOORE: Absolutely. I think the conclusion of Mr. Cain is correct. I think we have almost perpetrated a fraud on our citizens. Our unemployment rate has been higher, and we haven't recognized it for at least 22 years.

MS. WILLIS: Let me ask another question somewhat related to that. I know that many organizations have suggested that perhaps it might be wise to be a little less responsive to the cyclical needs on a seasonal basis and any unit of government, no matter at which level, would be better served if you had a longer term feel of how much money you were going to be getting a year from now. In terms of tradeoffs, this is frankly a political question. Would you prefer to have allocations of funds that come out as they do, for example, in the countercyclical revenue sharing program on a quarterly basis, or would you be more satisfied with an annualized basis? It might not represent exactly what's going on in October of a given year, but given a tradeoff, would you prefer a little bit better sense of how much money is flowing in?

MS. MOORE: I don't know that NACO has a policy on that. We would prefer an annual funding, because then we can deal with it.

MS. WILLIS: What about biennial?

MS. MOORE: No, we need at least 12 months--oh, every two years, fine, I'm sorry. Yes, but at least annually, because then you can plan and you can do your budget and you can do your programs. If you're starting out a program and you're looking at three months, and at the end of that three months your budget is cut by a million dollars, what do you do? You lay those people off, you create other problems, the whole mess.

I think also that there are areas in California referred to that we have-even tourism--we have a high six-months of unemployment, then maybe a low. By the time we react to that, we're already back up and we've got another mess on our hands.

CHAIRMAN LEVITAN: Joan, before you go to the next question. Jon, would you care to supplement that? Is this a NACO policy, and can you tell us more about it? We have not heard any testimony at all from our other advisors in the other cities about this point.

MR. WEINTRAUB: Well, as Supervisor Moore mentioned, from the perspective of the National Association of Counties, we would certainly support her general statement that there is a very definite need, regardless of whether it's CETA, whatever program, to have an allocation at least on an annual basis. We have been pushing under CETA for a long time for forward funding. The first example of that was with the economic stimulus package, which was 18-month funding, although DOL broke that up into 6-month and 12-month funding. But, again, the congressional intent was there for future funding. We always supported that, both in budget committee testimony, as well as appropriations committee.

MR. MOORE: I think in support of the annual funding, if not two-year funding with at least a hold harmless provision for a second year, the effects of seasonality on less than annual funding in our area, which is highly affected by seasonal workers, will mean that absolute unemployment rates, unadjusted in our area, will decrease in the summer to 4 and 5 percent and will increase in the winter to 9 and 10 and 11 percent. However, the allocation of CETA Title II monies, for example, has been based on the three highest months of unadjusted measures which at times have been Secretary discretionary funds allocated for the most recent three months. If that three months happens to fall in the summer, we get less money than we should have; if it happens to fall in the winter, we get more money than we should have. So, while there are complications with accurate seasonally-adjusted data, certainly

annualized information would at least address that kind of fluctuation problem.

MS. WILLS: You would prefer for it to be seasonally adjusted?

MR. MOORE: I think we've always said that. We've had too much money at times and too little at other times. We really don't want to play the Russian roulette by having the three months in the summer picked and live with it through the year. I think the seasonally-adjusted data would be better.

MS. WILLS: Pat, could you shift to--put your manpower planner hat on for a moment. You mentioned briefly in your testimony the kinds of needs that you have as they relate to migrant seasonal farm workers, etc. What kind of data, regardless of allocation problems, is it that you need, and how frequently do you think you need it, that BLS should be responsible for at a national level?

MR. MOORE: At a national level in terms of information about migrant farm workers what would be ---

MS. WILLS: On anything, Pat.

MR. MOORE: I suggest there are some dimensions that are probably important to us locally that may not be sufficiently common to be aggregated.

MS. WILLS: Could you speak to those? I think that's an important issue. What is it that you need locally that you're not now getting, regardless of who's responsible for getting it?

MR. MOORE: With a migrant farm worker, to measure earnings in terms of hourly income is nonusable. It's either zero during part of the year, or four hours, an hour during the rest of the year. The real issue is annual income: weeks worked, total number of weeks in a 52-month period worked. Whether it's related to unemployment statistics or not, it's very important to us to know worker mobility. We have experienced a

major change in Oregon where the major migrant flow is not up from Texas or California to Oregon, but people who within the state are moving amongst different counties within the state. So on an interstate basis it's not significant, but an intrastate mobility measure in terms of length of residence would be very important to us, or just information relating to that. Educational level is obviously very important. Very little information is available. Just numbers of people; the census greatly underestimates the Hispanic population; the Chicano population does not use the employment service as a vehicle to register for employment, and so just basic fundamentals of number of people in the labor force available to work. Some indications of seasonality in terms of what months his employment eliminated as an availability for those workers. Those are some of the key kind of things. They may or may not be relevant in terms of a national data collection system.

MS. WILLS: How frequently do you think you need them?

MR. MOORE: Annually. Obviously, in order to understand worker mobility or weeks worked, the measure has to be over an annual period since we're looking at some kind of base reference period. So, I would say that an annual--I would suppose that if annual isn't possible that we could talk about some kind of interim further than that; certainly no less than annual, and annual would be the most desirable.

MS. WILLS: Do you have sufficient data available to you to-a term utilized in the CETA legislation is "significant segments"?

MR. MOORE: No. Let me give you an example, particularly on the Chicano information. This is a bit old, but the systems haven't improved much since then. In the planning for the initial CETA program, we cited information about the employment service universal need in our community as to how many unemployed Chicanos were in need of manpower services. They used their statistical methodology in applying to registrants

locally and said "five." I can find five on the street corner down by the theater. But, given the number of people coming in and given incidence and applicants for jobs, the Title III migrant prime sponsor in our area said 20,000. Well, that's quite a range, and the range is probably so great that it is relatively accurate to add and divide by two. But, we have no idea. We have no idea of the number. And we have 1970 census information on numbers of people and population, but we virtually have very little information on incidence within the unemployed ranks or discouraged worker ranks. And the only additional comment I would make is that what is available is on a geographic base that is too large to make local decisions. We have SMSA information, but we have 33 cities within our SMSA and three counties for which we need to know in the allocation of local funds, PSE funds, job training funds, which of those communities relatively experiences more severe problems. It doesn't do us much good to have a national system that identifies how much mid-Willamette should get. We have no idea how it should be allocated within mid-Willamette.

MR. POPKIN: Let me go right to that. It goes back to the thing I said earlier about why SMSA versus state. And I don't think that's been answered yet. Assuming that they use the same questionnaire for both SMSA and national, I'm rather puzzled by the fact that nobody's really given--since SMSAs don't spend money, it's not like the Willamette SMSA or the Portland SMSA is going to be given money. All money is still going to be spent by cities and counties and we're still going to be using some rule of thumb to get to the units. Do you feel that the claims, the population ratio method, is adequate for allocating funds among sub-units that are not surveyed directly? And that's whether it's the SMSA or the state. You may have 33 cities in the SMSA or 1,200 in the state, but somebody has to decide how much of that surveys unemployment in any one area. Now, we had Marion Pines from Baltimore giving some quite good reasons why the claims to population ratio was unfair to core cities; because there's more uninsured unemployment per unemployment than in others. But, I haven't heard anything from you about

whether or not you, the National Association of Counties, are happy with the present breakdown rules or not.

MR. MOORE: I think in terms of the claims-population ratio, I don't have a better system. I think it's better than what we've been using. So, I think it's the best of a number of faulty systems.

In terms of what needs to happen, the sample size has to be increased to have any validity on a smaller geographic basis. In other words, to simply take and apply that method down to our 33 cities, if the total sample within our estimate, say, was very small, would be no more valid than any system. So, if the sample size is increased, it can be useful.

In terms of the SMSA issue, I'd be the last one to defend SMSAs as the most highly regarded measure of what is a functioning labor market. But, again, at least in our SMSA, people within the rural communities are attached to the central city. Our traffic patterns, in terms of where people live and where they work, is largely affected by the central city. While there is a difference that exists in some of the outlying cities, a substantial portion of the population often commutes to the central city. So, I think if you are going to benchmark that data to some kind of base, to make it to the SMSA is probably more reflective of the interaction of local conditions within what is some kind of functioning labor market than the state, particularly where you have counties that are attached to SMSAs that are quite distant or quite unique from the nature of the rest of the state. So, I wouldn't defend it as a perfect measure, but it's better than the alternatives.

MR. POPKIN: Unless I missed something, I'm not sure why you said anything about sample size. Because no matter what the SMSA sample size is, you're not going to break down 33 unemployment rates out of the sample. You're still going to use an aggregate data breakdown formula.

MR. MOORE: That's right. But the validity of the data as we break it out has a lot to do with the size of the sample.

MR. POPKIN: Okay. Just one last very small question. Does NACO support the inclusion of military personnel as employed now that they are in fact paid, now that it's a volunteer army on a paid basis?

MR. WEINTRAUB: We have no specific policy on that. That's why we suggested in the testimony a study--which often sounds like a cop-out, I suppose--but a study that takes a look at ---

CHAIRMAN LEVITAN: I had that feeling, Jon.

MR. WEINTRAUB: --- a study that takes a look at the impact at the state and local level on those areas that house various multiple military installations.

MR. MOORE: I have one comment. I think that some information has to be gained before you can address a policy on that, and that is the residence from which the population is being drawn that goes to the various military institutions. If, in fact, every one at the San Diego Marine Base is from the East Coast, that probably is a different issue than if a large concentration of that population comes from the State of California in the same region. In other words, I think until there's more known about what it would do as an effect and what is the nature of that population itself and what is the spillover to local communities, it's very hard to draw a conclusion.

MR. WEINTRAUB: I think there's a parallel, if I might add that NACO eventually will be looking at. In the same way we were the only group that pushed for payments in lieu of taxes legislation on federal lands, the next step obviously is going to be pushed towards military installations.

CHAIRMAN LEVITAN: Our time is up, but if you don't mind another minute or two, Ms. Wills has a question, and I would like to add one or two more.

MS. WILLS: Pat, again back to your manpower planner hat. Members of Congress read the newspapers, and they see job vacancies and job want ads. And it's

my understanding--and don't take these figures to be absolutely accurate--but they have set aside \$50 million, and want BLS to establish a national job vacancy series. Relatively speaking, on the other side though, we're spending approximately \$20 million on an annual basis to do the CPS survey.

Two questions: One, what would you do as a manpower planner with a national job vacancy series? And, two, if you had to make relative choices, where would you spend your money?

MR. MOORE: I can answer the second one more easily, and that's on CPS survey, increasing the capacity of the CPS survey. I think there is some usefulness to ---

CHAIRMAN LEVITAN: When you say increase the capacity, do you mean enlarge the sample, or do you mean more questions?

MR. MOORE: Enlarge the sample size for one, and spend the effort on increasing the validity of the measurement.

In terms of job vacancy information, I wouldn't suggest there's no utility to that, but job vacancies and employer lists are extraordinarily fluid. The job vacancy characteristics are largely affected by the nature of the population that applies, and a position will fill at a different level than originally intended, depending on the nature of the applicant's need. A lot of job vacancies are made for the purposes of testing the market or building a list for future expansion; it isn't necessarily a measure of current available jobs.

So, I think if you could--it may have some usefulness, but I think there are so many other factors that affect it that you in fact may misinterpret the data and draw conclusions that aren't appropriate, unless those factors were clearly identified within whatever measurement was made.

CHAIRMAN LEVITAN: We work on a strictly time clock basis, but if you will permit me just one question for each one of you.

Starting with you, Ms. Moore, the Commission has heard quite a lot of advice about the military. I would guess that that might be a matter of concern to you. It's a feeling I had about that point. My question to you is, have you folks in San Diego given any thought to that matter, and would you have something more specific to recommend to the Commission? I cannot accept, although in some cases we'll have to, Jon's cop-out--his word, not mine--for further study. I thought this Commission was appointed to do the study, and I don't think that my colleagues and myself would be very comfortable telling Congress and the President to appoint another commission to do further studies.

With that consideration, I heard Senator Proxmire argue that the fact that the Feds are investing already a great deal of money in areas with large military installations would be a good reason for cutting down on CETA and other funds. I'm not asking you to agree with the good Senator's view, but I am wondering whether you would care to now, or possibly later, tell us more. Specifically, what one area which has that serious problem, would recommend that the Commission do. It doesn't mean, of course, that the Commission would recommend--even if the Commission recommendations are adopted--that the Feds would cut off the federal assistance to San Diego overnight. But, that may mean a long-term adjustment, and I'm wondering whether you would care to help us now, or if you have more time, later?

MS. MOORE: Well, just let me give you a few thoughts that have been going around San Diego County in the last few years.

First of all, we had a study paid for by Hamilton Marsten--some of you may know who he is--looking at San Diego's future, and in that we did address the influence of the military. It's becoming obvious to some that the military is not a viable economic benefit to San Diego County. I can't say that in general, because we have different--we could take the little Isle of Coronado and you can make arguments the other way--it may mean that if we were able to recoup some of the federal land and do some of the kind of development that we're looking at, economically we would be much

more viable and well off. These are not--all stats have not been proven. Needless to say, that has aroused some, particularly from CC's and some of the military.

It is well known that many of our military personnel are very low paid, do not have adequate housing, do not have adequate employment, and are receiving some type of public assistance from the County of San Diego. So, we're now just beginning to take not even a real in-depth look at it, but the question has been raised, and we are concerned now. I don't know where we're going. Some of us were not particularly unhappy when it was suggested that some of the military bases leave and we could have that valuable port land on which to do some development of some kind. So, we are looking. We don't have stats for you, and it's not the most popular position in the world here.

CHAIRMAN LEVITAN: If you have any information within the next few months that could help the Commission, we certainly would appreciate it very much. This is an issue on which we are going to make some recommendations.

MS. MOORE: That does not mean that San Diego does not have a great care for the service and they don't recognize the benefits.

MR. POPKIN: For the record, let it be said that Ms. Moore was wearing red, white and blue.

CHAIRMAN LEVITAN: My second question, I guess is addressed to you, Mr. Moore--or all three of you if you care to respond. You recommended very strongly a hardship index. Have you given thought to two things: number one, what would economic hardship cover? Is it the poverty level, or would you want something higher or lower? Second, if you have a hardship index for distribution of funds, has NACO--it's all over the United States, of course--considered the question of differentials? Maybe we should not use the same basis, obviously, for, let's say, Alaska and Mississippi, in setting a cutoff. Any reaction to those questions?

MR. MOORE: In asking NACO's policy, I defer to Jon. I'd like to add one comment, maybe, after Jon responds to that, Mr. Chairman.

MR. WEINTRAUB: We have always argued before congressional committees for geographically adjusted indices, whether they be indices of hardship or whatever, so that is very consistent with our policy.

If I could take a minute, as long as I have the floor, and respond to the military ---

CHAIRMAN LEVITAN: Let's stick with this for a minute. You'll get a minute anyway.

Have you ever worked out on what basis to develop the index? In other words, we don't have an index right now. Let's forget for a minute the political feasibility of that. Maybe you don't want to forget it, but let's forget it for a minute. As Mr. Cain pointed out, we are concerned only with statistical measurements rather than with political measurements. I don't know how you divide them, but he'll tell me someday. But, I'm still very much concerned. It's a point that has not been brought out by other advisors to the Commission. I was wondering whether either you would care to go on to the military now and supply us some answer from your very capable staff later on, or struggle with it right now. You have a choice, Jon. I gave you a way out.

MR. WEINTRAUB: We really have not, as an organization or as a staff, looked at possible measurements for incrementality, either on a local or national basis or adjusted basis. We, unfortunately, find ourselves, as most national organizations, in a reactive posture to what the wisdom of the Congress, or lack thereof, offers to us. So that we really have not determined that. We would be happy within a relatively short turnaround to have either a subcommittee or our steering committee take a look at that and report back to you, if in fact we can glean anything that can be agreed upon.

CHAIRMAN LEVITAN: We would certainly appreciate it very much, and we will be in touch with you, reminding you that you made that promise.

Do you want to say something about the military, or would you rather drop it?

MR. WEINTRAUB: Just one thing--that we were not suggesting that you recommend yet a further study, but in your recommendations on the military to the Congress that you take the time to show impact on a state and local basis and show those areas that would be most impacted, since we don't have that data.

CHAIRMAN LEVITAN: Again, I don't know if any organization is in a better position to collect and react to it than NACO. So, again, we will remind you that you will give us data about the impact, including military in the labor force.

My final question is on the annual basis for distribution of funds. I would agree with you, Mr. Weintraub that the yo-yo way of allocation of funds is not a very practical one as far as state, city and local governments are concerned, but what would be your reaction if you turn to--hoping, let's say to avoid it again--to '74 when you have a very high rise in unemployment? Do you think that (a) it would serve equity to delay the distribution and reallocation of funds on an annual basis, (b) would it be politically feasible, since you are the one that touched on political feasibility? Do you think that the folks in your 3,000-plus counties, or the Congress, will say, "Well, we have done that. We have allocated funds last year, we'll have to wait for the next year to do so"? That is not the way Congress reacted in '74 when unemployment rose. Do you think that that is a practical approach?

Again, if you want to develop a county position on that, we'll wait for it, since I don't expect the next recession to start within the next few weeks.

MR. WEINTRAUB: I think it is relatively easy to answer. I think you're dealing with two distinctly different situations. One is long-term policy for allocation to respond to particular methodologies for allocating funds for programs on a regular basis, and the other, a distinctly necessary political response to national increases in the unemployment rate, as well as local increases in the unemployment rate. I think you

can have two separate responses, one that is very short-term and one long-term. I don't think that presents a conflict.

CHAIRMAN LEVITAN: All right. Thank you very much, Ms. Moore, Mr. Moore, and Mr. Weintraub.

MR. MOORE: Mr. Chairman, may I just add one final comment, before we disappear here, in response to your question on the hardship index, and to Mr. Cain's earlier comment about the concern of the Commission focusing on the integrity of the data and the proper statistics rather than its utilization? Obviously the measures of unemployment and employment have no purpose divorced from their use in terms of forming public policy or allocating funds. While, obviously, the search of the Commission has to be for truth and wisdom in the figures, it would seem to me to be a grave mistake if the consideration of how we were going to utilize them and their effectiveness wasn't a large part of the consideration, because that dictates what the data has to do. The usefulness and how it's going to be utilized does seem to have an awful lot to do with dictating the kinds of measures that we put together.

CHAIRMAN LEVITAN: Mr. Moore, purely by accident we happen to be meeting in Atlanta for the Commission hearing at the same time you will be there. I would like to extend an invitation to you in the name of the Commission to come to the hearings in Atlanta, or to send some of your folks there, at the same time on July 11. And if we don't hear from Jon by that time, we'll come to you and demand the answer.

MR. MOORE: We appreciate the invitation, Mr. Chairman. We'll have a chorus line there to ---

MR. POPKIN: I hope we get something very specific about how you would like to see breakdowns done. That's a problem that's going to be even bigger with the hardship index.

MR. MOORE: I think the one thing we can--I'm sure that we can provide you all the expertise on the technicalities and measures. One thing I think we can do is provide you a statement of what we as users need as information and then what is the best way to gather that. I think maybe the Commission--we can do a pretty good job of telling you what we think we need as information to manage local employment and training programs, and as a user ---

CHAIRMAN LEVITAN: When you do that, Mr. Moore, would you also consider that data costs money, and don't tell us that you need enough data to spend all your CETA money on collection of data.

MR. MOORE: Understood.

MS. MOORE: Look at all those data people we can put to work overnight.

CHAIRMAN LEVITAN: Thank you very much, and we'll see you, then, in Atlanta.

Another user of labor force statistics, almost as much or even more than the counties, are the big cities. Even if I hear from Atlanta that big cities are going under, I think they are still very much alive.

One of the most prestigious analysts of labor force data working under CETA is a local woman, Ms. Eunice Elton, the Director of the Mayor's Office of Employment and Training. Ms. Elton?

MS. ELTON: Thank you very much. With that introduction, I thought it might have been Susan Holland you were talking about.

CHAIRMAN LEVITAN: Is anybody else with you, Ms. Elton?

MS. ELTON: Yes, Mrs. Doyle. I'm bringing reinforcements just in case.

CHAIRMAN LEVITAN: Ms. Elton, our custom is that we ask every advisor to capsule their advice in 15 minutes so as to give us also time to ask additional questions.

Proceed in your own way.

STATEMENT OF EUNICE ELTON, DIRECTOR,
MAYOR'S OFFICE OF EMPLOYMENT AND TRAINING,
CITY OF SAN FRANCISCO

MS. ELTON: Good morning. My name is Eunice Elton, and I am Director of the Mayor's Office of Employment and Training, in San Francisco. Primarily we administer CETA funds, and serve in an advisory role to the Mayor on employment, unemployment and employability.

It is my understanding that others who have testified in earlier hearings have covered with admirable detail and emphasis the problems with the revised BLS methodology for computing unemployment statistics, so I will cut short my statement on that area, and concentrate instead on our desperate need for better detail about the nature of the unemployed population. Nevertheless, I cannot avoid giving a short statement concerning the former issue.

Except for its use as a funding mechanism, the importance of an unemployment rate really lies in seeing its movements, direction, and fluctuations, rather than the exact figure itself. Introducing the new methodology has given us a discontinuity in our San Francisco data series.

To be honest, a numerical value on an unemployment rate is supremely important not in itself but because it governs the allocation of federal monies--not just for CETA, but for a lot of activities. A lower unemployment rate means less money, but a change in the recorded figures does not change the facts; the actual need is not reduced.

Attachment 1 to this paper shows our computation of the "new" and "old" unemployment rates for the years 1974-77 for the 5-county San Francisco-Oakland Standard Metropolitan Statistical Area. Monthly differences between the two range from a low of 0.2 percent in June of 1977 to a high of 3.8 percent in May of 1976 in the seasonally adjusted figures. (the unadjusted figures differ by 4.6 percent in the latter month). We need money for manpower and public works programs, and since we see flaws in the new methodology, we are distressed with a showing that it results in lower unemployment rates and, prospectively, in lower federal dollar allocations, in our SMSA.

The problems with the new methodology, as we see them, begin with dependence on the unemployment insurance claim load figures. I am attaching, as Attachment 2, some notes concerning the details of those problems:

The consideration of persons with "partial" earnings (\$21 or more earned in a claim period, but less than the weekly benefit amount) as "employed"; they are subtracted from the claims count, though they might very well consider themselves unemployed;

New entrants and reentrants are estimated, rather than counted;

Discouraged workers are omitted, though as the cost of living escalates an increasing number of senior citizens are, in truth, wanting and needing employment;

We appear to have a "fruit salad" approach to the data, in California.

Let me explain what I have just said. As I understand it, employment and unemployment data are obtained from the CPS for the State of California as a whole, and for the Los Angeles-Long Beach area. The LA-LB figures are subtracted from the state CPS estimates, and that sets the figures for the rest of us, which are then parcelled out on the basis of formulas based on unemployment insurance claim loads. Now, if the state's estimated figure for employment is for some reason low, and/or the LA-LB figure high, the rest of us have allocated to us declining employment, according to these officially-computed figures. A major change in the aircraft industry in the south could affect employment figures for all of the balance of state adversely.

Beyond that, it appears to me completely unreasonable that money allocations are being made nationally based on unemployment rates established by noncomparable methodologies for various areas. (We would probably protest less if the effect were to "up" our figures. It happens to "down" them.)

Altogether, we doubt that any change should have been made without waiting for the recommendations of this Commission; and certainly not before a full field trial. We have had extensive correspondence with BLS officials trying to establish that such trials have been run, and have yet to see convincing evidence; rather, we have a not very satisfying generalization that states that trial runs have not shown adverse effects on cities in general.

Let me move on to a more positive position--one of telling you what information we need in our work, and are not getting.

If you have been moving about since your arrival in San Francisco for these hearings, you know that this is a very multi-racial, multi-ethnic city. We need information about the magnitude and nature of the unemployment problems among those various racial and ethnic groups.

Nationally we are using a set of categories which mix racial information and ethnic origin information; tables are prepared which say "Black and Other"; "Spanish surname" or "Hispanic." It is time that the nation get counts separately for race and ethnic origin, as we do in the San Francisco CETA program based on self-identification by our participants.

The official misuse of data contributes to operating problems. Under direction now from the Employment and Training Administration, in order to fit their reporting requirements, we must show all Mexican-Americans, Puerto Ricans, and other Latinos as white, though very few identify themselves in that way, and many, to the observer, clearly appear to be black or brown.

Press releases and speeches too, are coming out describing the terrible problems of "black unemployment" (and they are terrible problems), and using figures from tables clearly labeled "Black and Other."

But since you are in no position to police the use or misuse of data, let me go back to my real point: we need to establish a definition which moves away from the stereotype that says "all persons of Spanish or Latin origin are Mexican-American, Spanish surname, and white." Somehow, our Central-Americans must be separated from the Filipino population, which needs to

be counted separately, even though carrying a "Spanish surname"; and all need to be counted in the racial and ethnic group in which they identify themselves.

Assuming we can get the unemployed population properly identified, then we need to know the pertinent things about them:

How many of them are hindered in their employment opportunities by serious English language deficiencies? How many by problems of pronunciation (as often happens even with our very literate and well-educated Koreans and Filipinos)?

We need to know that, in order to know what kind of employability programs to create.

How many of the unemployed lack vocational skills? The need is self-evident.

What are the ages of the unemployed? We have recently been criticized severely as a result of national hearings by a federal commission for inadequate service under CETA to the unemployed older worker, but nobody can tell me how many there are locally who need employability programs, or even public service employment programs.

I am attaching, as Attachment 3, a group of tables showing the kind of data we are able to get, through the excellent cooperation of the SEAS, the California Employment Development Department. But there are no adequate local cross-tabulations by age or sex, and as they derive from the unemployment insurance statistics, they reflect a biased sample that is not representative of new entrants, reentrants, and our many recent immigrants.

As a result of new federal legislation and regulations, we are beginning to hear new pressures for increased services to the handicapped; we are sympathetic to the need, and have been funding some programs for the handicapped. But again, nobody can give us figures for my community or even the SMSA giving me information about the

magnitude and nature of the problem of the unemployed persons who are handicapped.

And, of course, we need to know the racial and ethnic composition of our target groups, if for no other reason than to keep in check the overstated claims of some population groups for services.

We are currently trying to "balance" program plans without adequate data. The only saving grace is that we know that the needs for service for every target population far exceed our resources, so we don't feel we are overserving any group; but we clearly can't establish that we are making anything better than "informed guess estimates."

We strongly suggest that definitions be reconciled between the CPS manpower data and census data. In that way at least once every five years we could validate the estimates with which we are living.

It is my strong suggestion that the CPS be used to get the base data for all unemployment estimates, rather than the new methodology. It needs an expanded sample so that it can be valid for smaller populations than the Los Angeles Basin; and we could live with quarterly rather than monthly figures, if that would make it possible to get better information.

Local, detailed data could be gathered on a 6-month basis, to amplify monthly or quarterly samples.

In summary, what I need is a count reflecting individuals, giving gross numbers as well as an unemployment rate, which will identify for me and my staff and subcontractors: who are the unemployed? what are their employability and employment deficiencies and qualifications? what language problems are there? I want the information gathered to be comparable in various areas, since it is used to allocate federal funds, so we can be assured of equitable allocations. And I want it to be responsive to the questions I have raised here, on a sufficiently local basis to relate to my service area.

Thank you for the opportunity to present our litany of needs.

Computation of the Unemployment Rate for the San Francisco-Oakland SMSA
Old Methodology Vs New MethodologyCivilian Labor Force, Employment and Unemployment
San Francisco-Oakland SMSA

1977	Labor Force	Employment	Unemployment	Unemployment Rate	Seasonally Adjusted Rate
January					
Old	1,496,500	1,366,800	129,700	8.7	-
New	1,496,500	1,366,800	129,700	8.6	7.9
February					
Old	1,510,300	1,386,000	124,300	8.2	-
New	1,510,300	1,386,000	124,300	8.2	8.2
March					
Old	1,506,900	1,388,500	118,400	7.9	-
New	1,506,900	1,388,500	118,400	7.9	8.2
April					
Old					
New	1,501,100	1,386,400	114,700	7.6	8.0
May					
Old	1,512,700	1,383,000	129,700	8.6	8.7
New	1,497,700	1,385,100	112,600	7.5	8.0
June					
Old	1,523,400	1,391,200	132,200	8.7	8.2
New	1,497,100	1,374,900	122,200	8.2	8.0
July					
Old	1,525,000	1,392,600	132,400	8.7	8.3
New	1,527,000	1,406,200	120,800	7.9	7.4
August					
Old	1,522,200	1,395,800	126,400	8.3	8.6
New	1,544,700	1,431,200	113,500	7.3	7.4
September					
Old	1,518,100	1,400,800	117,300	7.7	8.3
New	1,498,800	1,391,900	106,900	7.1	7.0
October					
Old	1,518,600	1,400,000	118,600	7.8	8.4
New	1,510,500	1,410,400	100,100	6.6	6.8
November					
Old	1,518,800	1,404,100	114,700	7.6	8.0
New	1,539,400	1,431,300	108,100	7.0	6.7
December					
Old	1,529,600	1,414,200	115,400	7.5	8.2
New	1,543,900	1,456,300	87,600	5.7	6.1

Computation of the Unemployment Rate for the San Francisco-Oakland SMSA
Old Methodology Vs New MethodologyCivilian Labor Force, Employment and Unemployment
San Francisco-Oakland SMSA

1976	Labor Force	Employment	Unemployment	Unemployment Rate	Seasonally Adjusted Rate
January					
Old	1,465,200	1,296,000	169,200	11.3	11.5
New	1,475,400	1,328,100	147,300	10.0	9.1
February					
Old	1,465,100	1,294,500	170,600	10.7	9.1
New	1,408,100	1,343,600	124,500	8.5	8.4
March					
Old	1,468,900	1,301,000	167,900	10.6	11.4
New	1,464,400	1,344,500	119,900	8.2	8.5
April					
Old	1,468,900	1,302,900	166,000	11.1	11.3
New	1,439,600	1,321,200	118,400	8.2	8.6
May					
Old	1,469,000	1,305,700	163,300	11.4	11.1
New	1,432,200	1,334,400	97,800	6.8	7.3
June					
Old	1,484,800	1,313,500	171,300	10.7	11.5
New	1,466,200	1,334,400	121,800	8.3	8.1
July					
Old	1,538,100	1,371,000	167,100	10.3	10.9
New	1,505,200	1,361,500	143,700	9.5	8.9
August					
Old	1,533,300	1,379,900	153,400	10.3	10.0
New	1,482,200	1,355,500	126,700	8.5	8.7
September					
Old	1,526,000	1,380,500	145,500	10.2	9.5
New	1,450,000	1,317,700	132,300	9.1	9.0
October					
Old	1,480,100	1,320,900	159,200	11.7	10.8
New	1,480,000	1,348,100	131,900	8.9	9.1
November					
Old	1,473,900	1,318,400	155,500	11.0	10.6
New	1,501,600	1,356,800	144,800	9.6	9.2
December					
Old	1,477,700	1,326,200	151,500	11.6	10.3
New	1,504,200	1,381,500	122,700	8.2	8.8

Computation of the Unemployment Rate for the San Francisco-Oakland SMSA
Old Methodology Vs New Methodology

Civilian Labor Force, Employment and Unemployment
San Francisco-Oakland SMSA

1975	Labor Force	Employment	Unemployment	Unemployment Rate	Seasonally Adjusted Rate
January					
Old	1,473,600	1,342,900	130,700	8.6	8.9
New	1,449,400	1,325,000	124,400	8.6	7.8
February					
Old	1,483,000	1,338,100	144,900	9.2	9.8
New	1,441,300	1,320,900	120,400	8.4	8.3
March					
Old	1,487,900	1,342,300	145,600	9.2	9.8
New	1,430,100	1,313,500	116,600	8.2	8.5
April					
Old	1,493,200	1,346,800	146,400	9.8	9.8
New	1,431,200	1,314,100	117,100	8.2	8.6
May					
Old	1,499,700	1,346,800	152,900	10.7	10.2
New	1,418,900	1,296,700	122,200	8.6	9.2
June					
Old	1,516,300	1,354,800	161,500	10.0	10.7
New	1,425,600	1,290,900	134,700	9.4	9.2
July					
Old	1,511,200	1,354,600	156,600	9.9	10.4
New	1,455,100	1,312,900	142,200	9.8	9.1
August					
Old	1,505,700	1,357,800	147,900	10.2	9.8
New	1,437,300	1,304,600	132,700	9.2	9.4
September					
Old	1,504,900	1,358,800	146,100	10.3	9.7
New	1,417,100	1,285,700	131,400	9.3	9.2
October					
Old	1,500,400	1,354,800	145,600	10.5	9.7
New	1,435,100	1,310,500	124,600	8.7	8.9
November					
Old	1,501,000	1,351,300	149,700	10.3	10.0
New	1,442,000	1,311,200	130,800	9.1	8.7
December					
Old	1,474,600	1,312,600	161,400	11.7	10.9
New	1,470,600	1,334,300	136,300	9.3	10.0

Computation of the Unemployment Rate for the San Francisco-Oakland SMSA
Old Methodology Vs New MethodologyCivilian Labor Force, Employment and Unemployment
San Francisco-Oakland SMSA

1974	Labor Force	Employment	Unemployment	Unemployment Rate	Seasonally Adjusted Rate
January					
Old	1,376,500	1,263,500	113,000	7.8	8.2
New	1,427,300	1,332,200	95,100	6.7	6.1
February					
Old	1,428,700	1,313,500	115,200	7.6	8.1
New	1,406,300	1,313,300	93,000	6.6	6.5
March					
Old	1,446,200	1,331,600	114,600	7.4	7.9
New	1,418,000	1,330,400	87,600	6.2	6.4
April					
Old	1,451,300	1,343,800	107,500	7.4	7.4
New	1,385,200	1,300,800	84,400	6.1	6.4
May					
Old	1,466,600	1,361,800	104,800	7.5	7.1
New	1,385,000	1,303,400	81,600	5.9	6.3
June					
Old	1,491,900	1,372,000	119,900	7.5	8.0
New	1,399,000	1,306,500	92,500	6.6	6.5
July					
Old	1,478,300	1,361,600	116,700	7.9	7.5
New	1,448,400	1,336,700	111,700	7.7	7.1
August					
Old	1,479,800	1,374,900	104,900	7.4	7.1
New	1,431,900	1,342,200	89,700	6.3	6.4
September					
Old	1,481,700	1,377,800	103,900	7.5	7.0
New	1,408,900	1,315,600	93,300	6.6	6.5
October					
Old	1,471,500	1,371,100	100,400	7.4	6.8
New	1,424,900	1,332,300	92,600	6.5	6.7
November					
Old	1,478,600	1,364,600	114,000	8.0	7.7
New	1,435,700	1,341,200	94,500	6.6	6.3
December					
Old	1,487,100	1,369,500	117,600	8.1	7.9
New	1,440,500	1,343,700	96,800	6.7	7.3

PROBLEMS RELATED TO UNEMPLOYMENT ESTIMATE METHODOLOGIES

PARTIALS: In computing the unemployment figure from UI claims data, partials are deducted from the insured unemployment which of course reduces the number of unemployed but remains in the employment figure through employer payroll records.

A person who earns \$21 or over in a two week period (UI claims are filed bi-weekly) is not considered to be unemployed.

SCHOOL TEACHERS: All certificated teachers are considered employed because per annum wages are paid. Noncertificated personnel are not paid during the summer, therefore an estimated figure is taken out of the employment figure for the months of July, August, and September.

SCHOOL YOUTH WORKING DURING CHRISTMAS VACATION: They are added to the employment figure through employers' payroll records. They would not previously have been in the labor force and after Christmas they again are not because of unavailability and not actively seeking work. This would appear to inflate the employment figure for December. (An inflation of the employment figure without a like inflation of the unemployment figure would lower the UI rate.)

NEW ENTRANT AND REENTRANT: Unemployed new entrants are defined as individuals who have entered the labor market for the first time and have not found a job. Unemployed reentrants are defined as individuals who have been out of the labor force for some time. The above definitions would include youth, recent arrivals from other areas, recent arrivals from foreign countries, recently released incarcerated persons, etc.

New entrants and reentrants are counted by applying a nonchangeable factor (percentage) set by the Bureau of Labor Statistics to the Labor Force. As an example, of a Labor Force of 697,883 - 5,326 or .008 (less than one percent) would be new and re-entrants. Is this reasonable for San Francisco with the consistently large numbers of persons migrating to the City? Is it reasonable that the percentage would be the same for San Francisco as that for Fresno, California?

DISCOURAGED WORKER: Statistically, they are not counted at all because they are not considered in the labor force. By not counting discouraged workers, the unemployed figure is drastically

undercounted in both urban and rural areas. The undercount is greater, however, in urban than in rural areas simply because of migration to large cities where jobseekers reason there must be more jobs because of the size of the city.

The city function as the administrative center for the Bay Area, providing headquarters for many financial, transportation, manufacturing, and governmental establishments. Also, San Francisco is a focal point for many specialized and service activities. These industries are the ones requiring professional, managerial, technical, and clerical skills. The lack of industrial plants in the city limits the numbers of semi-skilled and unskilled jobs in San Francisco.

As in other large cities, a disparity exists between the types of skills required to run San Francisco's diverse economy and the types of skills that its residents possess. As a result, tens of thousands of commuters, mainly professional, managerial, and technical occupations, enter the city daily from surrounding countries. At the same time, workers residing in the city who lack the skills required are often frustrated in their search for work and cease to look further - they become the discouraged worker and are not included in count of the unemployed.

SEASONAL ADJUSTMENT for any given month is a mathematical factor based on an average of the experience of the previous five years.

i.e. In January of the years 1970 through 1974, an average of nearly 10 percent of the unemployment was attributed to seasonal factors such as the post-Christmas layoffs. So the raw unemployment rate for January 1975 was divided by 1.10 to strip out this seasonal component.

However, experience varies tremendously with the weather. A couple of nontypical years in a 5-year period will throw off the "subtractions" for several succeeding years.

USE OF UI DATA FOR BASE. There is a time lag to get into the claim load involved in establishing fiscal eligibility. This results in a lag in both the totals of persons unemployed and occupational make-up of the unemployed.

According to unemployment claims filed in San Francisco in March, 1977, there were 4,650 adults who had been unemployed for over 9 months:

600 who had been unemployed for over 65 weeks
1,560 who had been unemployed for over 52 weeks
2,490 who had been unemployed for over 39 weeks

Of those who had been unemployed for over 65 weeks:

10% were in professional, technical, and managerial occupations
15% in clerical and sales occupations
17% in service occupations
3% in machine trades
8% in bench work
8% in structural work
and the rest in miscellaneous occupations

Of those who had been unemployed for over 52 weeks:

16% were in professional, technical, and managerial occupations
21% were in clerical and sales occupations
20% in service occupations
3% in machine trades
3% in bench work
8% in structural work
and the rest in miscellaneous occupations

Of those who had been unemployed for over 39 weeks:

17% were in professional, technical, and managerial occupations
24% in clerical and sales occupations
18% in service occupations
4% in machine trades
8% in bench work
8% in structural work
and the rest in miscellaneous occupations

This is a stratified sample of the unemployed of San Francisco based upon persons who have filed claims for unemployment insurance benefits. We are cognizant of the fact that there are many others of the unemployed who do not qualify, do not file, or for other reasons do not claim such benefits.

Characters of the Unemployed in S.F.

UI Claimant Characteristics - September 1977 - (Average Weekly Claims)

	Total	Male	Female	White	Black	Am. Indian	Mex. Am.	All Other
Total	100% 12,661	57% 7,193	42% 5,339	51% 6,478	11% 1,431	- 9	8% 1,053	17% 2,277
Professional, Technical, Managerial 0 - 1	18% 2,294	10% 1,325	7% 960	14% 1,790	1% 173	- 0	- 76	- 116
Clerical 2	21% 2,692	9% 1,146	12% 1,539	13% 1,772	2% 344	- 6	1% 172	2% 273
Service 3	19% 2,358	13% 1,703	4% 626	8% 1,101	2% 323	- 3	2% 258	4% 590
Farming and Fishing 4	1% 80	- 69	- 11	- 32	- 0	- 0	- 12	- 18
Processing 5	1% 108	- 61	- 41	- 30	- 14	- 0	- 48	- 10
Machine Trades 6	4% 447	2% 335	- 106	2% 259	- 48	- 0	- 75	- 41
Bench Work 7	11% 1,449	1% 168	9% 1,261	1% 183	- 36	- 0	- 79	8% 1,046
Structural Work 8	7% 852	6% 794	- 41	3% 439	1% 179	- 0	1% 157	- 59
Miscellaneous 9	12% 1,522	9% 1,237	2% 272	6% 850	2% 313	- 0	1% 170	- 123
INA	7% 859	2% 355	3% 482	- 22	- 1	- 0	- 6	- 1

Summary Sheet

Characteristics of the Unemployed in S.F.

	Total	Male	Female	White	Black	Am. Ind.	Mex. Am.	All Others	
Total	9,315	60%	40%	55%	11%	13%	9%	--	25
Male	5,542	5,542	0	3,270	736	474	500	--	21
Female	39.6%	0	40%	19%	3%	8%	4%	--	4
	3,903		3,690	1,794	289	738	362		
I N A	0.9%	0	0	30	11	13	13	0	
	358								
Under 20	0.6%	42	16	20	6	5	27	0	
	58								
20-21	2.3%	2%		1%	1%				
	213	173	35	82	75	9	16	3	
22-24	6.7%	4%	3%	3%	1%	1%	1%		
	626	388	238	316	100	59	81	0	
25-29	15.2%	9%	6%	10%	1%	1%	1%		
	1,417	874	538	963	105	132	81	4	
30-39	17.8%	11%	7%	10%	2%	2%	2%		
	1,653	997	656	967	168	140	166	0	
40-44	26.6%	16%	10%	14%	4%	3%	3%		
	2,479	1,497	928	1,337	355	274	269	17	
45-54	13.1%	7%	6%	6%	1%	3%	2%		
	1,221	638	583	530	109	251	141	1	
55-64	11.2%	6%	5%	6%	1%	2%	1%		
	1,045	583	447	550	88	228	60	0	
65 and over	6.5%	4%	3%	4%		1%			
	603	350	250	332	30	127	43	0	
OCCUPATIONAL GROUPS									
Prof. Tech.Mgr.	17.4%	11%	6%	14%	1%	1%	1%	--	
0-1	1,666	1,060	588	1,300	129	52	59	0	
Clerical	22.4%	9%	13%	16%	3%	2%	1%		
2	2,082	863	1,214	1,452	256	178	121	0	
Service	18.8%	13%	6%	9%	3%	4%	3%	--	
3	1,753	1,206	536	849	246	347	238	1	
Farming & related	0.8%	1%							
4	79	66	13	23	5	6	42	0	
Processing	1.0%	1%							
5	96	65	31	35	30	5	26	0	
Machine trades	3.3%	3%	1%	2%	1%		1%	--	
6	304	236	63	154	55	34	51	0	
Benchworks	9.2%	1%	8%	2%		5%	1%	--	
7	853	101	739	172	31	505	97	4	
Structural Work	9.0%	9%		6%	1%		1%	--	
8	843	801	34	517	131	26	129	3	
Misc.	10.1%	9%	1%	6%	2%	1%	1%		
9	944	799	138	572	148	72	112	4	
TNA	7.5%	4%	4%						
	695	345	334	20	5	0	0	0	

	Total	Male	Female	White	Black	Am. Ind.	Mex. Am.	All Others	
311 Waiter/Waitress	390	248	142	253	1	0	27	73	
312 Bartender	138	126	12	120	3	0	5	10	
313-314-315 Chefs/Cooks	275	223	49	72	38	0	28	111	
317.887 Cooks Helper	6	0	5	0	0	0	0	5	
321.318 Housekpr./Hotel	28	10	18	10	5	0	5	8	
323.887 Hotel Cleaner	56	5	46	6	11	0	9	30	
350.878 Steward	37	33	4	9	8	0	0	20	
355.878 Guide (Visitor)	100	63	37	54	11	0	21	14	
359.878 Child Care Aid	31	17	14	20	3	0	5	3	
372.868 Security Guard	99	91	5	53	46	0	0	0	
381.887 Porter	158	114	44	33	39	0	35	46	
382.884 Janitor	101	101	0	47	40	0	9	5	
529 Candyworker	23	13	10	10	8	0	0	5	
600.280 Machinist-Auto	32	32	0	17	4	0	5	1	
609.884 Laborer/Mach. Shop	18	18	0	5	7	0	6	0	
609.885 Prod. Mach. Oper.	42	17	25	4	15	0	18	5	
620.281 Air Cond. Mech.	6	6	0	3	0	0	0	3	
620.884 Auto Mech. Helper	4	4	0	4	0	0	0	0	
623 Marine Mech. (Ship)	13	13	0	5	5	0	3	0	
706 Assembler	18	0	18	8	0	0	6	4	
763.381 Furniture Finisher	--	--	--	--	-	-	-	-	
782 Garment Mfg.	51	5	46	16	0	0	14	23	
786 Sewing Mach. Oper.	926	16	894	49	21	3	64	729	

	Total	Male	Female	White	Black	Am.Ind.	Mex.Am.	All Others
801.781			-					
Struct.Steel Wkr.	17	16	0	11	6	0	0	0
807.381								
Auto Body Rep.	12	12	0	11	0	0	1	0
809.887								
Laborer Shipyard	25	25	0	10	15	0	0	0
810.884								
Welder (Appr.)	38	38	0	29	0	0	5	0
812.884								
Comb. Welder Appr.	43	38	5	20	5	0	10	0
824.281								
Electrician Appr.	37	37	0	29	4	0	0	4
840.781								
Painter	101	101	0	69	5	0	27	0
860								
Carpenter	99	90	9	74	9	0	13	3
862								
Plumber	59	56	3	43	12	0	0	4
869								
Bldg.Const. Laborer	147	147	0	63	31	0	45	5
899.381								
Bldg. Maintenance	14	14	0	5	5	0	0	0
905								
Truck Dr. Heavy	67	67	0	54	4	0	9	0
906								
Truck Dr. Light	67	67	0	38	24	0	0	0
911								
Water Trans.Oces	96	96	0	56	0	0	12	27
913.363								
Taxi Driver	22	22	0	11	5	0	1	0
913.463								
Bus Driver	12	9	3	1	8	0	0	3
915								
Auto Serv.Attn.	61	61	0	45	10	0	1	5
920								
Packaging Oces	113	42	71	41	18	0	30	20
922								
Laborers, Stores	265	243	18	154	45	4	44	12
929								
Material Handler	28	14	14	1	17	0	10	0
973.381								
Type Setters & Rel.	36	31	5	26	0	0	0	10

CHAIRMAN LEVITAN: Thank you, Ms. Elton. When I introduced you, I said San Francisco is one of the most distinguished CETA prime sponsorships, equal to what we found on the East Coast in Baltimore.

MS. ELTON: The other verbal one.

CHAIRMAN LEVITAN: If the other 542 were in the same league, CETA would be in very good shape, indeed.

MS. ELTON: Thank you.

CHAIRMAN LEVITAN: I think, Ms. Wills, that since you were last before, you'll be first now.

MS. WILLS: Super.

Eunice, I'm very appreciative of the need to get more detail on the "others," and there is no question that we absolutely need to do that. We've had testimony from several organizations that want, vis-a-vis a census as well as CPS, to get breakdowns by country of origin, even within the Hispanic community--Cuban, Mexican-American, Puerto Rican, etc. We are told by BLS, at least in terms of the size of the CPS sample right now, that even getting Hispanic, a collective statistic, is--you know this deals with Micro-Eurasian populations also--even getting Hispanic data with statistical reliability is tough. And I couldn't agree with you more, probably the only salvation is because we're serving everybody inadequately, and that would be our only saving grace.

But, as a planner, two questions come to my mind. How much breakdown do you think you really need--agreed we need more than "other"--how much do you really need? Vis-a-vis the census and then the 1985 census, would five-year data be valuable, or do we need that on a quarterly basis? And the second question, attached to that, do we need information regarding education and other socioeconomic characteristics? Do we need that as a part of the CPS or can you think of better ways, perhaps such as has been done with an HEW-funded survey on education and income, once a year? We need some help.

MS. ELTON: I really have quite a wish list, I know. I am sure we could settle for the breakdown by country of origin on a less frequent basis than quarterly. We are still using the 1970 country of origin information because it's the best we have. As a real practical fact, the thing that happens to you, you have a meeting of your citizen advisory group, and in comes one of the members of your citizen advisory group demanding that there's this tremendous pressure now for the Peruvian refugees who are just hitting this area, and you must do something about the Peruvians. It turned out we did, but we never did find out how many there were.

The political impact is separate from the rational impact on many of these things. And it's because of the political impact, the ability to respond to the pressure groups from the various communities, that we need much of this information. We do need information at least down to the basic language, because it is very much easier to plan a training course if you can sort it out reasonably by language. We need--I don't know, do you think we could live with the country of origin on a five-year basis?

MR. HOLLAND: Yes, I think so.

CHAIRMAN LEVITAN: For the record, will you introduce yourself.

MR. HOLLAND: Ray Holland, from the Mayor's Office in San Francisco.

MS. ELTON: Ray is in charge of our planning data systems and evaluation.

MR. HOLLAND: I think, since we're going into five-year censuses next decade, I think that will be helpful in the sense we will have a renewal of the basic data base on which the CPS is benchmarked.

MR. POPKIN: You mean if once every five years you get unemployment by origin and language that would be adequate?

MS. ELTON: It would certainly be better than every 10 years.

MR. HOLLAND: And the artful use of the CPS data could be used to estimate off that base, I would think, in the interim between. Right now, we're in the eighth year between decennial censuses, and it's very, very frustrating. I think of any year to hold the hearings this is the worst year for you to be holding the hearings, because we're all frustrated with the stale data we're working off of.

But, I think there's--more importantly, there's a definitional problem still that has to be dealt with. In the late 60s, for instance, over half of the Cuban refugee program that came into San Francisco were ethnic Chinese. Now, right now, neither census nor CPS can deal with that, and there has to be something done to deal with those kinds of things. We are truly a polyglot nation and our data don't reflect that.

MS. ELTON: By way of further identification, let me introduce Mrs. Roberta Doyle. She's one of the marvelous hybrids. She has years in the state employment service as one of the labor market analysts there, and is with us now. So, we're able to transfer her skills and bring them with us and that's why some of this material is attached to your paper.

CHAIRMAN LEVITAN: Any questions, Sam?

MR. POPKIN: Yes.

CHAIRMAN LEVITAN: Well, make a speech if you don't have any questions.

MR. POPKIN: No, I will ask questions. First, I welcome, in a letter from you after today, suggestions as to specific wording you would like to see the language and origins questions on the surveys. If San Francisco can't come up with a set of wordings for the questions, then forget it. You know, who else is going to do it, if not San Francisco?

MS. ELTON: We'll give it a try.

MR. POPKIN: Secondly, on the issue of complaints about the new methodology and the old, if L.A. was also done by the claims-ratio method instead of by CPS, would you then be willing to live with the claims-ratio method, and would that eliminate your complaints?

MS. ELTON: I think I would like to be sure that Los Angeles, Detroit, New York, the District of Columbia and San Francisco, and everybody else were on the same system, whatever it is. I'd like us all to be on a system that is comparable where we don't have the constant suspicion that we're being ripped off. We don't know for sure that we're being ripped off, we just think we are.

MR. POPKIN: It's more and more clear to me that no matter what you do with sample sizes, almost all money is going to go to units that are somehow rule of thumb down from a survey unit, and that therefore people in these units, whether it's San Francisco or the County of San Diego, should be thinking about what forms of aggregate data they think most fairly should be used for breaking things down. For example, when we go to a hardship index, it's very clear to me that almost all money allocated on the basis of a hardship index, if we do, is going to have to use aggregate data, whether it's W-2 forms or unemployment forms. So, I think people like you who are so good and know so much should be thinking for us about which forms of data and which rules of thumb you'd like to use. There's going to have to be some breakdown formulas used for almost all cities and counties, and I really encourage you, in particular after this presentation, to think about how you might like to see the claims-ratio method adjusted in some way to maybe more fairly reflect the situation in San Francisco.

MS. ELTON: I think I didn't mention the hardship index at all. I knew about it, but we are so immersed in working with people who have income problems that we forget sometimes that there are others. The economically disadvantaged are being served on a 95 percent basis in Title I programs in San Francisco, so that we just get those blinders up and forget there are other people who have income problems.

CHAIRMAN LEVITAN: Glen?

MR. CAIN: Well, I don't really have any questions; it's more comments of some dismay that it does seem that the demands you're asking of the statistical gathering system really do seem to outrace their capacities at reasonable cost, I would think. I don't know really what to say beyond that.

MS. ELTON: I'm wondering if it isn't possible for the information to be collected as a part of your sample and analyzed as we need it on a local basis.

MR. POPKIN: Are you willing to pay?

MS. ELTON: I'm paying already, just in a different way. If your tabulations, if your gathering of data picked up the racial and ethnic information separately, we certainly could pay the tabulator, and we would be better off to do that than to go on with guesses.

MR. POPKIN: Not just paying for tabulation. Would you be willing to pay for the sample size needed to do the things you say you need?

MS. ELTON: Well, I've said we're perfectly willing to go from a monthly to quarterly unemployment rate information and go to sampling on a less frequent basis on a broader scale. I think we probably are paying for it. I'm sure that the state CETA office is buying a good deal of labor market information time for us. I think we need it. We probably need it more than others.

MS. WILLS: Can I pick up on that? At least the way I read your testimony, you're not really suggesting that everything needs to be done by national surveys, and that there is a lot of detailed information that you certainly need within the state, certainly with planning as it relates to education. The question--I don't know whether any of you are familiar with it, or if it's even gotten started here in California--SOICC, State Occupational Information Coordinating Committees, Congress' latest version of pulling us all together ---

MS. ELTON: I read about it.

MS. WILLS: Just as a point of information, is it off the ground here, and do you see, if not SOICC, something conceptually ---

MS. ELTON: I don't think it is.

MS. WILLS: Do you see something conceptually like that? I'm not particularly interested in the current construct per se, but as a valuable tool within states to provide both data for users, planners, and also data for the consumer, career information systems, educational information systems, etc..

MS. ELTON: I don't have enough detail to even have an opinion. I think there are people in the room who do. Jim Neto is back there somewhere. Jim may be closer to it, or was.

MR. NETO: Yes, I'm sorry. I didn't hear the first words of the question?

MS. ELTON: One of the things that we're demonstrating is that there is a close association between the state data people and the prime sponsor in California.

CHAIRMAN LEVITAN: By the way, while Mr. Neto is coming up, if there is anybody in the audience who wants to say something at about 3:30, you'll be welcome to have your say.

MS. ELTON: Come on up, Jim.

MS. WILLS: My question really is whether something like SOICC is the appropriate construct? Do you think that is a useful mechanism?

CHAIRMAN LEVITAN: Ms. Wills, so the record will be clear to the people who are uninitiated, would you tell us what SOICC is?

MS. WILLIS: State Occupational Information Coordinating Committees, created in the 1976 Vocational Education Act.

Do you think that that kind of mechanism would be useful, or can be useful to provide a lot more of the detailed information? Certainly, as Eunice talked about the educational information that she needs, as opposed to, for this Commission's consideration, what kinds of things need to be collected to improve the data at the national level. I'm not sure that it's very clear to a lot of people how we separate--Glen's comment, we can put too many demands, is my concern also--we can put too many demands on national collection of statistics at that level. We can go that round, and then ignore what I think I'm hearing you say, some detailed information that is unique within state or within city.

Do you think SOICCs can do that?

MS. ELTON: I did not identify Jim because I can never remember his title. Perhaps you can tell us.

MR. NETO: I'm the manager of the Labor Market Research Section here in San Francisco, which covers a portion of Northern California.

In response to your question, there is a system in California that's under development called COIS, California Occupational Information System. Basically, the portion of that system which is furthest along are occupational projections by industry and occupation. I really don't see--I see that this is a necessary labor market information component, but it does a different type of thing from what Eunice is asking for.

Obviously, there's a need for information on occupational trends: what are the growth areas? what are the occupations that are declining? COIS is addressing itself to this question at this point. California has developed, or is in the process of developing, occupational projections for, I believe, 23 metropolitan areas, and in some cases, aggregations of nonmetropolitan counties. This is an essential and critical portion of the labor market information program.

I don't know if you want me to respond further or not.

MS. WILLIS: We're running out of time. We'll talk later.

MS. ELTON: Can I add one thing? There is a question, of course, that I'm asking for detail which you couldn't possibly afford to get nationally. Is it possible for the CPS collection system to have a supplement, a locally-based supplement, from time to time, and New York might count Puerto Ricans, but in San Francisco we could count Central Americans?

MR. POPKIN: How much would you pay?

MS. ELTON: I'll consider paying what it takes.

MR. POPKIN: Then you're really serious.

MS. ELTON: I am serious.

CHAIRMAN LEVITAN: Val, do you know the correct answer to this question? Ken? Debbie?

MS. KLEIN: I don't see why it couldn't be, but I don't know of anybody who has actually explored the possibility of doing it.

CHAIRMAN LEVITAN: Well, since we always ask people to do homework, we'll do homework for you. We will respond to your question and let you know whether you can collect the data that you want on ethnic or heritage groups for San Francisco. Would you be satisfied with the CPS? Would the sample be enough for you? I don't think it would.

MS. ELTON: I doubt if it would. I think--again, I'm going back, saying get a bigger sample so it comes down to our area.

CHAIRMAN LEVITAN: I really don't think, Ms. Elton, that that will be helpful at all for the few hundred that you have for San Francisco. Even if you get the CPS, you would not get a single Korean or Samoan. I'm just wondering whether--to go back to the question that was raised before--why you throw that burden on the

Feds? It seems to me if you in San Francisco--I'm talking prior to Proposition 13 language--but, if you in San Francisco need something, why can't you go out and get it yourself? Why do you have to go to Jimmy Carter to do it for you, or to Julius Shiskin?

MS. ELTON: I think because we need it to be comparable.

CHAIRMAN LEVITAN: No, you can never get comparable Koreans and Samoans.

MS. ELTON: That isn't what I meant, sir. I meant comparable time period, comparable definitions, so that whatever it is that we come up with, we could come up with a ratio that could be used in other time periods.

CHAIRMAN LEVITAN: Well, we'll let you know about the CPS, but I don't think it will help you.

Just two points: One point for information and one for opinion. You made the reference to the allocation of defense contracts based on unemployment. Is that an important issue in San Francisco, because we didn't hear it from any of our other advisors?

MS. ELTON: It probably is not in San Francisco, because it's primarily for manufacturing, and we are not a manufacturing center. But, it should be a serious issue in places where manufacturing is a major factor.

CHAIRMAN LEVITAN: The next one concerns a judgment. You may have heard, Ms. Elton, the county people when they were up here. They suggested the idea of the allocation of funds on the basis of annual data. Could you live with annual data, rather than monthly or quarterly?

MS. ELTON: As far as allocations go, I think so. We don't have the wild fluctuations that are true in many parts of the state. There are parts of the state where there would be extremes of anguish because they are not on the typical seasonal fluctuation.

CHAIRMAN LEVITAN: In other words, if Congress were amenable to a change, let's say, every year--February, March, and I don't know whether it would be in February or March when BLS has the data for San Francisco or the other 543 prime sponsors--could you live with annual data, rather than monthly or quarterly?

MS. ELTON: As far as allocation, yes; not as far as local planning goes.

CHAIRMAN LEVITAN: Why?

MS. ELTON: Why not as far as local planning goes?

CHAIRMAN LEVITAN: I know you plan frequently, but do you plan that frequently?

MS. ELTON: It seems to me we plan all the time. This is one of my problems. I think we need to see the changes that are taking place more frequently than once a year, but as far as the dollar allocations, I think I'd be sort of happy to have something hold still once.

CHAIRMAN LEVITAN: Thank you. Anybody else? We are running overtime again. Thank you very much.

MS. ELTON: Thank you. And thank you, Jim.

CHAIRMAN LEVITAN: We try to mix our advisors. We have heard so far this morning from people who meet payrolls. We now want to hear from someone who doesn't meet payrolls, but just analyzes the data. I don't mean by "just" that it is any less, or an order.

Our next advisor is Dr. Barry Chiswick, of the Hoover Institution, who was a staff economist with the Council of Economic Advisers and has played an important part on the Washington scene in analyzing statistical data.

Mr. Chiswick, welcome to the Commission hearing. I should have mentioned before that Mr. Chiswick was a senior economist on the Council of Economic Advisers when all the trouble about allocation of funds started. So, since you started all the trouble, Mr. Chiswick, tell us how to get out of it.

DR. CHISWICK: Well, since I'm now in the private sector, there are wiser people at the Council of Economic Advisers. I'm sure they don't need advice from me on that.

CHAIRMAN LEVITAN: You mean how to get into more trouble, or how to get into less?

DR. CHISWICK: Getting into more trouble is very easy.

STATEMENT OF BARRY R. CHISWICK, SENIOR FELLOW,
HOOVER INSTITUTION, STANFORD UNIVERSITY

DR. CHISWICK: Thank you for the opportunity to testify before the Commission. I have had experience using the employment and unemployment data from the Current Population Survey (CPS) and other sources both as an academic researcher and as a policy analyst at the Council of Economic Advisers (1973-1977). I would like to focus my comments on several experiences and frustrations with the data as viewed from the perspective of an analyst who has to make decisions as the data are first released, without the benefit of the passage of time. I trust these comments will also be of value to persons interested in research regarding unemployment and policymaking.

(1) Seasonal Adjustment When There is a Severe Recession

The seasonal adjustment of data is one of those arcane subjects that is just too important to leave solely to the statistical specialist. Seasonal adjustments cleanse the data of normal seasonal behavior so that we can more easily identify changes due to other factors, such as a business cycle, an exogenous shock to the economy, or some other random event. A good seasonal adjustment procedure should allow for gradual changes in the seasonal factors (the adjustment multipliers) as there are gradual changes in seasonality in the economy. It appears, however, that if there is a big change in the unemployment rate for cyclical or other reasons the seasonal adjustment procedure currently in use interprets too much of it as a change in

seasonality thereby distorting the "seasonally adjusted" changes in the unemployment rate.

As I will show in a moment, this problem arose most recently from the sharp rise in unemployment in 1975, and could occur again if the statistical procedures are not changed. In 1975/76 the Council of Economic Advisers was aware of the distortion of the data and we prepared, and used internally, what time has shown to be more accurate estimates of the unemployment rate. We could not "go public" with this issue because of the CEA's concern about being accused of self-serving or political manipulation of the statistical procedures. Statistical procedures should not be changed in the heat of the moment. Yet, Congress, the press, and the general public were presented with a distorted picture of the unemployment situation.

We brought this matter to the attention of the Bureau of Labor Statistics. As a consequence, the BLS Commissioner's monthly testimony before the Joint Economic Committee shows the unemployment rate seasonally adjusted under 13 different procedures. Thirteen seemingly arbitrary procedures, however, confuse and obscure rather than illuminate. I would encourage a return to only one (or at most two) seasonal adjustment procedures that would avoid the problem I shall now describe.

The Bureau of Labor Statistics uses the X-11 program developed by the Bureau of the Census to seasonally adjust data. ^{1/} At the end of each year the data for that year and the previous four years are revised using

^{1/} For a technical description of the computer program see Julius Shiskin, et al., The X-11 Variant of the Census Method II Seasonal Adjustment Program, U.S. Bureau of the Census Technical Paper No. 15 (1967 Revision), U.S. Government Printing Office, Washington, D.C., 1967. Until 1975 multiplicative seasonal factors were applied to employment and unemployment by broad age and sex groups to compute the unemployment rate. Since the end of year revisions for 1975, teenage unemployment has been seasonally adjusted using additive factors. See Thomas Plewes, "Revision of Seasonally Adjusted Labor Force Series," Employment and Earnings, February 1976, pp. 7-10.

seasonal factors incorporating the latest year's data. The data for the most recent year have a very heavy weight (28.3 percent) in the end-of-year revision and in the factors to be used as the monthly data are released in the coming year. Effectively, a longer series with each year having a smaller weight is used to revise the seasonal adjustment of the data for earlier years.

In most years the end-of-year seasonal adjustment has very little effect on the quarterly unemployment rates for that year, as shown by the data for 1973 and 1974 (Table 1, columns (1) to (4)). ^{2/} That is, seasonal factors are typically subject to very little revision from year to year.

The year 1975 was very unusual. Starting in December 1974 the unemployment rate increased sharply and continued to increase until it reached a peak in the second quarter of 1975, after which it started a slow decline. Apparently the X-11 program "interpreted" some of the very sharp rise in unemployment in the first two quarters as a new seasonal pattern, as there was a relatively large change in the seasonal factors. With the end-of-year revisions for 1975 the unemployment rate was lowered in the first two quarters and raised in the last two quarters (Table 1, columns (4) to (6)). This also affected the seasonal factors used in 1976--the new factors anticipated greater seasonal unemployment in the first half of 1976 and less seasonal unemployment in the second half.

As the data were released in 1976, there was a sharp drop (0.9 percentage point) in the unemployment rate from 1975 IV to 1976 I (Table 2). The decline in the unemployment rate in the second quarter was smaller (0.2 percentage point), but over the next two quarters the unemployment rate increased (by 0.4 and 0.2 percentage point, respectively). Seasonal factors that give 1975 a smaller weight indicate that the decline in the unemployment rate in the first half of 1976 and the rise in the second half were milder than the original

^{2/} The original data and end-of-year revision of the unemployment rate are reported annually in the February issue of Employment and Earnings.

official data suggest. ^{3/} For example, one-third of the decline in the unemployment rate from 1975 IV to 1976 I and one-half of the rise from 1976 II to 1976 IV disappear when more recent seasonal factors are used (Table 2).

Because of the very sharp changes in the unemployment rate in 1975 the seasonal factors applied in 1976 were apparently distorted and resulted in a misleading impression of the unemployment situation in 1976. Policymakers must rely on the most recent data, and political pressures for policy changes are also influenced by these data. Data that may provide faulty signals are counterproductive. The Commission will perform an important service if it develops less cyclically sensitive seasonal adjustment procedures.

(2) Economic Well-Being In a Downturn

There are important research and policy questions on the impact of a recession on the economic well-being of families, that is, on how families smooth out their consumption over the business cycle. In 1978 we can look back at the CPS data on the unemployment rate, family income and poverty for the period 1973 to 1976 and have a fairly good estimate of the impact of the recession on the economic well-being of families measured by money income but not by consumption. If the income question separated unemployment compensation from the other social insurance transfers with which it is combined in the questionnaire (workers compensation, veterans payments and government pensions), more precise estimates would be available of the extent to which unemployment compensation benefits replace lost earnings. There would, however, still be two serious data gaps that I would like to discuss.

(a) An important aspect of economic well-being in a recession is the ability of families to maintain their level of consumption. Although data are collected periodically on consumption, as in the BLS Consumer Expenditure Survey, this is too expensive for a monthly or even an annual survey. Estimates of the ability to consume could be obtained from better esti-

^{3/} To a lesser extent some of this effect existed as the 1977 unemployment rate data were released.

mates of disposable income, including in-kind transfers. More detailed questions on the monetary value of income in kind (e.g., Food Stamp benefits, subsidized housing, coverage by Medicaid) and taxes should be included in the March CPS Supplement to provide better estimates of "real disposable income." A few questions on the level and change in assets could help determine the extent to which families use their assets to mitigate the effect of cyclical changes in earnings on consumption.

(b) From the policymakers' perspective, the monthly CPS data on employment and unemployment, the monthly establishment survey data on employment, hours of work and earnings, and the unemployment compensation system weekly data on new (initial) and continued claims and benefit exhaustions provide fragmented pictures of the economic well-being of households. Some very simple questions are difficult, if not impossible, to answer immediately, and sometimes even after a long delay. In a recession, perhaps the most basic is: "What proportion of the unemployed (CPS) receive unemployment compensation benefits (UI system)?" Or, "What is the effect of the rise in unemployment on poverty?" Policymakers are compelled to use a variety of indirect techniques to develop answers. ^{4/}

Links are needed between these disparate data sources. One such link would be to add a question to the monthly CPS on application for or receipt of unemployment compensation benefits. Those unemployed under the CPS definitions who are not receiving unemployment compensation should be queried as to why they are non-recipients.

When links are developed between the disparate data sets regarding employment and unemployment policymakers and researchers will have a much clearer picture of what is really happening in the economy.

^{4/} As an example, see Barry R. Chiswick and Michael McCarthy, "A Note on Predicting the Poverty Rate," Journal of Human Resources, Summer 1977, pp. 396-400.

(3) Are Discouraged Workers Really Discouraged?

It is frequently argued that the unemployed should include not only those currently defined as unemployed but also discouraged workers. I believe that the current data on discouraged workers are gross overestimates of the true number.

Discouraged workers are persons without a job, not on a temporary layoff, and who have not searched for a job in the past four weeks because they believe they could not find a job. Other persons indicate they are outside the labor force because they are not willing, able or available for work. Those who stop searching or who never start searching for a job because there are just no vacancies are presumably as unemployed as those who continue to search in vain.

But are all of the "discouraged workers" really discouraged by the absence of job market opportunities? The data indicate that in 1975, the most recent peak in unemployment (8.5 percent), there were 1.1 million discouraged workers and adding them to the unemployed (and hence the labor force) would have increased the unemployment rate for adult men by 0.5 percentage point and for adult women by 1.8 percentage points.^{5/} In 1969, however, a year of very low unemployment (3.5 percent), 679,000 persons reported they were discouraged workers. Adding discouraged workers to the number of unemployed in 1969 would have raised the adult male and adult female unemployment rates by 0.3 percentage point and 1.2 percentage points, respectively.

While some workers may have substantial difficulty finding a job even in a period of very low unemployment, it is unlikely that many of the so-called discouraged workers in a year of over-full employment (1969) were willing, able and available for work but believed that even reading the job advertisements in the local newspaper once a month was too much effort. Many persons who report themselves as discouraged workers (or for whom the responsible adult respondent reports they are discouraged workers) in a period of full employment may

^{5/} The data in this paragraph are from Barry R. Chiswick and June A. O'Neill, Human Resources and Income Distribution: Issues and Policies (New York: Norton, 1977), pp. 86-87.

be concerned with a social stigma associated with not wanting or not being able to work. If we include only the cyclical increase (from 1969 to 1975) in discouraged workers among the unemployed, the adult male and female unemployment rates in 1975 would be increased by 0.2 and 0.6 percentage point, respectively. It could be, however, that some of the cyclical increase is also due to response error. Believing that no jobs are available is a more plausible reason for being outside the labor force when unemployment is high.

An economist is accustomed to thinking in terms of labor supply and employment as a function of wages. Are discouraged workers discouraged because they have unrealistic wage expectations? Are they not looking for work because they know that no employer will hire them at the wage that would induce them to work? Without any information on past wages, reservation wages and wages of job offers that were declined, it is difficult to know how to interpret data on unemployment and discouragement.

There are people outside the labor force who are capable of working but who through no fault of their own cannot find a job, and this number undoubtedly increases in a recession. 6/ The data currently collected on discouraged workers, however, are not credible estimates of this population. Perhaps more probing is needed to identify reservation wages and reasons for not participating in the labor force before those who are truly discouraged workers can be identified.

I would be pleased to answer any questions you may have regarding my testimony or the other issues that are of concern to the Commission.

6/ On the other hand, some persons who are reported as unemployed are not interested in working, but go through the motions of job search to collect welfare or unemployment compensation benefits or because of the social stigma associated with not wanting to work.

TABLE 1

Unemployment Rates by Quarter Under Alternative Seasonal Adjustments, 1974-76⁽¹⁾

Quarter	Seasonal Adjustment Does Not Include 1973 Data	Seasonal Adjustment Includes 1973 Data	Seasonal Adjustment Does Not Include 1974 Data	Seasonal Adjustment Includes 1974 Data	Seasonal Adjustment Includes 1975 Data		Seasonal Adjustment Includes 1976 Data	Seasonal Adjustment Includes 1977 Data
					Multiplicative Factors for Teenage Unemployment	Additive Factors for Teenage Unemployment		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1973 I	5.0*	5.0					4.9	4.9
II	4.9*	4.9					4.9	4.9
III	4.8*	4.7					4.8	4.8
IV	4.7*	4.7					4.8	4.8
1974 I			5.2*	5.2		5.0	5.0	5.1
II			5.1*	5.1		5.1	5.1	5.2
III			5.5*	5.5		5.6	5.6	5.6
IV			6.5*	6.6		6.7	6.7	6.6
1975 I				8.4*	8.2	8.1	8.1	8.2
II				8.9*	8.8	8.7	8.8	8.9
III				8.4*	8.6	8.6	8.6	8.5
IV				8.4*	8.5	8.5	8.4	8.3
1976 I						7.6*	7.6	7.7
II						7.4*	7.5	7.5
III						7.8*	7.8	7.7
IV						8.0*	7.9	7.8

(1) Starting with the revisions at the end of 1975, additive factors have been used to adjust the teenage unemployment data.

*Indicates data as originally released.

Note: Except for rounding errors, the unemployment rate for a calendar year is not affected by the choice of seasonal adjustment procedure.

Source: Bureau of Labor Statistics.

TABLE 2

Quarterly Changes in the Unemployment Rate, Under Alternative Seasonal
Adjustments, 1975 IV to 1976 IV

Change	As Data Were Released in 1976	Current (1978) Estimates
1975 IV to 1976	-0.9	-0.6
1976 I to 1976 II	-0.2	-0.2
1976 II to 1976 III	+0.4	+0.2
1976 III to 1976 IV	+0.2	+0.2

Source: Table 1, columns (6) and (8).

CHAIRMAN LEVITAN: Thank you, Dr. Chiswick. Mr. Cain, would you accept the invitation?

MR. CAIN: Yes, I'm not sure if I have very specific questions to ask of you, because it seems to me that, hearing your testimony, you're mainly raising areas where problems exist, but I don't see that you have very specific recommendations to make changes in the light of those problems.

For example, the seasonal adjustment, I take it, is just an area that needs more analysis or study in such a way that we can avoid this cyclical bump in seasonal adjustment procedure, is that it?

DR. CHISWICK: I think at the very least there should be some decision rule built into the seasonal factors. If the factors change by a large amount by including the new year's data, that should be viewed as a red flag. Perhaps that year's data should not be included in such a heavy way, but the previous year's seasonal factors should be retained. That would be one simple, and perhaps naive, decision rule that could be used to avoid the factors themselves being cyclically sensitive.

MR. CAIN: I don't find that particular rule very appealing. I mean, it has kind of a notch effect, one-hundredth of a percent over we use--that is, one-hundredth of a percent we don't use it, and one-hundredth of a percent under we do. It seems to be just creating another problem.

CHAIRMAN LEVITAN: Glen, if you will yield; how would you overcome, then, the problem that you faced in 1975, when you were there? By this I mean the problem of not going public, to use your beautiful phrase, because of the concern that you are politicizing the figures. How would BLS buy greater flexibility without the suspicion or accusation of politicizing the figures even if we should take the dates that you used in your testimony? Obviously, 1976 was an election year. By the way, people with different concerns expressed the same thing. Franco Modigliani expressed the concern that, although he was happy with the election results,

he didn't want it to be on the basis of seasonal adjustments. Also, in 1977 BLS could easily have been accused of trying to play up to the Administration by showing that economic conditions were improving.

Now, how would you overcome that problem?

DR. CHISWICK: The drop in early 1977 in the unemployment rate is in part due to the same problem. The problem created in 1975 carried over. It had its biggest impact in 1976, because the prior year has the biggest weight, but even two years back in the seasonal factor there is a heavy weight.

One of the procedures we used in our crude attempts to figure out what was going on was to use factors which did not give any particular year such a heavy weight. The prior year has a weight of almost 30 percent in next year's factors. In the factors for 1976, the 1975 data had a weight of 30 percent. If you use a procedure which gives a much smaller weight, for example, using nine years' data and giving each year a weight of 11 percent, then the problem wouldn't have arisen. And that's a procedure that could be done year-in and year-out, without having to worry about some decision rule.

MR. CAIN: But, presumably you pay a price in not having your data as current; that is, not having the seasonal adjustment factor represent our more recent experience to a larger extent, which I think we would ordinarily like to have as a good feature of the seasonal adjustment procedure. As new technology changes construction of seasonal patterns, we'd like to be able to take those into account.

DR. CHISWICK: Using data for years in which you don't have big jumps within the year in the unemployment rate, the seasonal factors change very slowly. I think that's because seasonality changes very slowly. If you use a per year--pick an arbitrary number, nine years--and it wouldn't be the same nine years, because each year a new year would be added and an old year would be dropped out. Only if you speculated that there were some changes in seasonality that the current procedure would have advantages over a procedure that

gave the most recent years more typical weight, less heavily weighted toward the more recent years.

MR. CAIN: Okay. Now, let us go to the second main area of your set of issues, having to do with transfer payments and the need to gather data to answer various questions about the relationship between unemployment experience and the receipt of unemployment compensation and get at replacement ratios and so on. And moving on, you talked about getting at asset data, getting at data on consumption, or at least some dimensions of it.

DR. CHISWICK: I don't think data on consumption would be feasible for the CPS, but a richer set of questions on income.

MR. CAIN: Well, I must say I tend to agree with at least the spirit of what you're suggesting and I've made some recommendations myself, but I think the question that you'll get--or challenge is perhaps a better term--is that these sorts of probing questions, particularly on unemployment compensation and to some extent on food stamps and so on, would be in some ways threatening to the respondents, particularly on a month-by-month basis, and particularly if it is being used in conjunction with hoping to get accurate statistics on their labor force status. If they once say that they were searching for a job and then had to answer questions about why didn't you get unemployment compensation or something, or ---

DR. CHISWICK: The BLS raised those same questions when we suggested this to them years ago. Can I give you the same answer we gave them?

MR. CAIN: If it's the right one.

DR. CHISWICK: There is no right answer, yet I think it would be a successful procedure. We don't know whether more probing about the receipt of transfer income would result in more accurate or less accurate data on unemployment. It might result in more accurate responses. People who report themselves unemployed who

are not really unemployed may change their response; however, let's leave that issue aside for the moment. In each month one-eighth of the CPS sample disappears. It's not going to be sampled again. The regular CPS questions can be asked, and then for that panel a set of supplementary questions could be asked, including this kind of question, with the requirement of the interviewer that they can't go back and change the responses on the basic CPS questionnaire after going through these supplementary questions. That could be done for the panel that leaves CPS. Although that is one-eighth of the monthly sample, over a year there would be a sufficiently large sample to work with and to test whether responses change, depending on whether these questions are asked. There is a problem, of course, that even though you tell the interviewer no, you're not going to go back and change the answers, we all know that some of them might. I think that would be a way of experimenting with these kinds of questions without major tampering with the basic instrument.

MR. CAIN: I have just two comments. One, I think that's a brilliant suggestion, and two, for the record, it's completely independent of the fact that I made it myself. So, we're not conspiring here. I did not realize that Barry and his colleagues on the Council had made that suggestion in the past.

DR. CHISWICK: I didn't realize that you had made it.

CHAIRMAN LEVITAN: The record will show that Mr. Cain has already submitted his in writing.

MR. CAIN: Without knowing about theirs at all.

DR. CHISWICK: Well, I am ignorant of that.

CHAIRMAN LEVITAN: Can we go on to your third point, Barry?

DR. CHISWICK: Sure.

CHAIRMAN LEVITAN: You assure us that the discouraged workers are overestimated because people attach a stigma to not looking for work, and therefore say that they are discouraged.

DR. CHISWICK: I think the number of discouraged workers is overestimated because almost 700,000 people said they felt they just couldn't find a job in 1969.

CHAIRMAN LEVITAN: Well, on the other hand, some other advisors to the Commission tell us it's underestimated. Now, they may not be as learned as you, but they are equally honorable. And what will the Commission do when you tell us that they attach a stigma and they report themselves as being discouraged? Other advisors tell us that there are lots of people out there who have given up completely and they are not even counted, or they are undercounted, and therefore the number is even larger than the 900,000 that are reported now. Why should we believe you rather than them?

DR. CHISWICK: You shouldn't believe either me or them. You should look at the data and ask how one can devise questions to probe more deeply as to why these people are not looking for jobs. One of the interesting features of the question is that there is no category which says, "I just don't want a job."

CHAIRMAN LEVITAN: Let's try it once more. Consider a worker who is discouraged because no jobs are available. As you know very well, they move very closely with the business cycle. Why should people lie more when unemployment rises than when unemployment declines? Or is there some kind of relation between bad times and the number of liars?

DR. CHISWICK: No, I do not refer to these people as liars. I will, however, quote the learned Dr. Chiswick, and I quote, "Believing that no jobs are available is a more plausible reason for being outside the labor force when unemployment is high."

MR. CAIN: Yes, I guess I would only ---

CHAIRMAN LEVITAN: I'm sorry, I didn't mean to interrupt.

MR. CAIN: No, that's okay. It does precisely cover the area that I was going to turn to next. I think I would really interpret your comparison between 1969 and 1976, or 1975 ---

DR. CHISWICK: 1975.

MR. CAIN: --- 1975, a little differently. That would be that at any point in time there is always going to be a kind of a level of affirmative answers to that question that we can look upon as almost a norm, in the sense that we look upon a certain level of unemployment as kind of a norm, or even--perish the thought--almost an optimum. That is, the idea that the optimum unemployment rate is probably not zero percent, and, similarly, with discouraged workers. So, I think the fact that it does move pro-cyclically, and that it is indicating directions of change in a plausible way might be thought of as strengthening the integrity of the concept. I don't know just why saying that there was a certain level in 1969 should thereby just be dismissive of this construct.

DR. CHISWICK: I think the concept is very useful. My only concern is the way the concept is currently measured. I have difficulty in believing--and maybe it's simply because I am so naive--but I have difficulty believing that in a year in which the unemployment rate was so low, in which labor markets were so tight, 700,000 people didn't even look for a job because they thought they couldn't get one; 700,000 saying that it was hopeless for them to look for a job in a year such as 1969. I find this too big a number to be credible. And I would guess the only way to resolve this issue would be if in some survey there were more probing to find out what's happening, and hopefully the next time the business cycle peaks, we can compare that with 1969 and see how many were really discouraged.

CHAIRMAN LEVITAN: Dr. Chiswick, the Commission is working to find out what the work experience of the discouraged workers has been in the past year. So, you will get your wishes, at least partially, as a result of BLS and Commission interest in what you are saying.

DR. CHISWICK: One of the problems of being all the way out in California is it's hard to keep up with the great things that are happening in Washington on a daily basis.

CHAIRMAN LEVITAN: I assure you that they miss you in Washington.

MS. WILLS: Two very quick questions. You referenced early in the testimony the confusion that you thought perhaps Congress was feeling when there were 13 different ways to resolve the problem of seasonal adjustment. As I know you are aware, they also publish seven different unemployment rates.

DR. CHISWICK: Yes. I think the seven different unemployment rates are more useful, because that really describes the condition of different demographic groups, and Congress is interested in how different demographic groups are faring. But it is my impression that except for a Congressman from Maryland who used to work for the National Bureau of Economic Research, I doubt if there are very many people in either House who could understand even what the seasonal adjustment of unemployment is. So, when they're presented with 13 different ways of doing it, I think that does add confusion. Part of the purpose of that testimony is to provide a structure. When you put 13 different ways of doing something, I believe that in that instance that is not providing a structure. That is saying "I don't know how to provide a structure, so here's everything."

MS. WILLS: We heard testimony in Chicago focusing more on the publishing issue: how to present data and in an understandable and useful way to policymakers. Are you aware, for example, of any public policy decisions that were based upon the U-7 or U-4, as opposed to a U-5, which I believe is the official unemployment

rate? Are you aware of any policies that were different as a result of those different sets of statistics?

DR. CHISWICK: No, because policymakers were looking at a wide range of unemployment rates long before BLS thought of mimicking M-1 through whatever M it is at the current time.

MS. WILLS: Another very quick question. There have been some suggestions in testimony that perhaps one of the things that this Commission should recommend is not the continuation of this Commission, but the development of an oversight body so that you don't wait 14 to 16 years when we have another credibility crisis with the statistics to have a commission. Do you think that there would be any value in a quasi-governmental or an outside public oversight body that could on a systematic basis deal with the methodological changes, technical changes, and perhaps even concept changes?

DR. CHISWICK: It depends on what you mean by an oversight body. If by that you mean advisory committees to the Bureau of the Census and the BLS, and if by that you mean having the commissioner have to appear periodically to explain the numbers and the procedures before Congress and before the Executive Branch agencies, then I think that's fine and that has existed in the past. If you mean a special commission that would have the authority to dictate to the Bureau of Labor Statistics how it should do something, then I think that would be undesirable.

MS. WILLS: Why?

DR. CHISWICK: I think there would be a temptation for problems of the moment and political pressures to dominate that kind of commission. And, in spite of the fact that I often criticize the people at BLS, they are professionals, they are excellent in their job. I criticize them only on the fringes to try to push them in the direction which I think would make their good product even better, and I would not want to see them subject to political pressures or whims of the moment.

At least, I wouldn't want to see them have to succumb to them, even if those pressures are occasionally put upon them.

CHAIRMAN LEVITAN: Dr. Chiswick, thank you very much. I'm sorry the time runs so fast, but we still have one more advisor this morning.

We have heard this morning from data consumers with very voracious appetites, I must say; we have heard from data analyzers; now, we'll hear from a data producer who does not satisfy all the appetites.

Mr. Martin Glick is Director, Employment Development Department, State of California.

Can we hear just about data, without the number 13 in it?

MR. GLICK: I would be the first government official in the last month to make a statement without referring to the Proposition.

CHAIRMAN LEVITAN: Would you identify the gentleman who is with you, Mr. Glick, since we don't have it in the record?

MR. GLICK: This is Bob Hotchkiss. He is the Chief of our Employment Data and Research Division of the Employment Development Department.

CHAIRMAN LEVITAN: Welcome, Mr. Hotchkiss.

MR. HOTCHKISS: Thank you.

STATEMENT OF MARTIN R. GLICK, DIRECTOR, CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT

MR. GLICK: We appreciate very much the opportunity to appear. We have submitted a summary of points, and having submitted that, I offer it to the Commission to read at its leisure, but I would rather simply talk to you about some California concerns, and perhaps some recommendations for your consideration.

Let me start by sketching what my responsibilities are. In addition to being a data producer, we run the

state unemployment insurance program, the disability insurance program, the employment service program, the governor's CETA responsibilities, including the balance of state operations. So, we find ourselves as consumers as well as producers of our own product, and as coordinators of the product that CETA prime sponsors receive. A good deal of the early testimony you heard today is information I receive, not so much as testimony, but as sometimes anguished cries and concerns about the data that they are receiving.

I wanted to mention at the outset that we strongly endorse the testimony you've already heard from Murray Dorkin of New York, from O'Neal of New Jersey, and, without repeating any of that or outlining any of the history which I think they did a fine job of doing, I just want to mention that we have read that and we do agree generally with it.

In spite of the number of programs I just mentioned that I administer in California, I think it's fair to say that I receive more questions from policymakers and from the public and the press about the labor market information program than perhaps all of the others combined during my two and a half years in my position. And the problem is that the process of producing the data, from the public point of view, and the view of policymakers, that is our state legislators, the governor's office, and the press and county officials, the process has had little credibility and unfortunately I'm afraid it is getting worse.

The previous problem, before the recent revision in methodology, was the annual benchmarking. And coming in January or February and radically changing all of last year's data and changing the annual indications that we were giving to the public on a monthly basis produced total disbelief in the private sector of our economy and among our policymakers.

As you were referencing earlier, it was viewed as a political manipulation of numbers for political ends. And all the explanations in the world about the difference between the CPS methodology and the handbook methodology and yearly reconciliation was simply too complicated for the public to understand, or to want to understand.

The problem with the solution for California, as one of the 10 states that now receives monthly CPS data, is the fairly wide fluctuations that that data goes through because of the insufficiency of the size of the sample. And even worse, I think, is the problem of getting the data from CPS for one SMSA in the state, Los Angeles-Long Beach, and having the balance of the state handbook method for the others, and then trying to reconcile the balance out. Murray Dorkin testified about the same problem in New York. I think it's well before the Commission and you need not, I think, hear further explanation of it. I just wanted to mention that in California, also, that procedure is creating enormous problems.

The second problem, I think, is the entire concept of the use of the unemployment rate as an economic indicator. We have permitted, as policymakers in this country over time, the unemployment rate to occupy a place, in its indication of what's happening to the economy, that is disproportionate to what it can really tell us. And the principal problem with it is in what labor force participation change does to that economic indicator. We're trying to give perception from year to year, when 4 to 5 million new persons are coming into that labor force, about what the state's economy is or is not doing, or a local economy, or the national economy, and explain that again to the public. This has caused terrific credibility problems that I just don't believe in any way help the system.

I promised some recommendations. Let me see if I can lay out what at least we think would be extremely helpful.

Number one, we think the sample sizes drastically need to be increased to allow for reliable monthly CPS measures for all 50 states so that all of the states are on an identical methodology.

We also believe that there must be a higher level of reliability: only a 68 percent probability that sampling error is limited to a plus or minus 10 percent is simply not adequate for us to be confident about the information we are giving to the public. And what that balances against is the cost of the increase in sample size involved in achieving a higher level of confidence.

We did a study in California, because of our feeling of great need for better data, of what would be required here for us to get reliable data for SMSAs on monthly, quarterly and annual basis, using it in a cumulative fashion in order to get ethnic data such as Eunice Elton testified is needed, or job entry, job leaver, or by industry, by skill: the kinds of things you need to design a truly meaningful local manpower program in the way that Congress tells us we should be designing manpower programs. And in our study we are weighing what you would get from different sample sizes and what it would cost to do it. We produced a document which indicates that for California we need a 35,000 sample in order to get the kind of data that would truly be good for manpower planning, at a cost, in our discussions with the Bureau of Labor Statistics and the Bureau of the Census, of around \$7 or \$8 million annually. We compared that to what we would get from 50,000 and what we would get from 25,000 and what we would get from 15,000. I cannot suggest the final answer on a national basis as to what amount of money should be committed to the effort to produce what level of data. But, I do suggest strongly, and we of course would be willing to cooperate from our own research in California, that those kinds of policy choices need to be raised in the course of the work of the Commission so that one can come in and say, yes, for this cost at this level of confidence, we'll be able to produce this amount of data, and then force upon the policy decision-makers, when budget decisions are made, the clear and inescapable knowledge of what it will and won't produce in the way of data. It is my judgment that at that juncture, with the billions of dollars we're committing in CETA, and in public works, and in revenue sharing, that the amount of money necessary to make this sample meaningful in terms of accuracy and in terms of level of detail to do adequate planning, will ultimately compel a decision to make the necessary expenditures to get a better overall sample.

So, that's our number one recommendation.

Number two, within state methodology, it seems to us again that it doesn't take much analysis to determine that getting sufficient sample sizes to do within-state CPS-type estimating is just not going to be

practical, and that therefore we should work together, state and federal government, on an improved handbook methodology which would be applied to all SMSAs within the state, a uniform methodology to make those within-state determinations which Congress seems clearly entrenched in the direction of positing expenditures on. We believe that with the changes in Public Law 94-566, with increased coverage, that steps can be made to greatly improve the handbook methodology.

I want to mention here in passing that I am extremely concerned with present Bureau of Labor Statistics plans beginning in January of 1979 to use a new method of disaggregation at the local level to determine fund expenditure. As I understand it, they plan to move from use of 1970 census to claims data in disaggregating to counties within SMSAs. I do not disagree that claims data might be a more accurate way of making that expenditure. But it will produce--we have run some tests on it--very great deviations in expenditure. I think this close to the next census, to put out once again to public officials here in California--and I'm sure around the country--radical change in the way dollars are going to flow, is a policy error, and that that change should be deferred at least until the Commission completes its work and until after the next census can be done.

I also wanted to mention what I think may be of long-term assistance in the problem of the use of the unemployment rates, coupled with the labor force change. That is, I believe we should systematically be publishing the employment population ratio, that data, along with the unemployment rate data. I just took a look at the last document I got routinely, which happened to be for May, at the employment-population ratio in the 10 largest states. In California, seasonally adjusted for May, it was 60.5 percent, while we had an unemployment rate of 7.7 percent. New Jersey, in the same month, had a published unemployment rate of 7.8 percent, but they had an employment-population ratio of 56.8 percent. It clearly suggests that, although those unemployment rates are about the same, the economic situation in New Jersey and California are vastly different. And as you compare state to state trends in any sort of measure, I think that the data

about the percentage of the working-age population employed in the state tells you far more about what is going on economically in that state. If we were beginning the difficult process of educating the press and the public and policymakers to that piece of data, and isolating how labor force change is a key part of this, I believe we will do a better job of reestablishing credibility about the process and informing policymakers of what really is or is not happening in the economy, as well as the public who responds over and over again to just that 7.3 this month, 7.7 last month. And it's particularly important when we look at our own month-to-month trend, just in this year, between February and March our published rate of unemployment went from 7.6 to 7.8, while our employment population ratio went from 59.7 up to 60.4. So, our economy responded by employing more of our people, but our unemployment rate went up. And, of course, you all know that happens frequently, but, again, unless those things are published together, it is going to be very difficult to get the public to understand that it's a function of all these people who are out there suddenly coming into our labor force. But they didn't move in from out of state--if we could get those figures, and they don't come close to the annual change in labor force participation. But it's something else which again we say to the press when we meet with them, "Well, you see, as the economy moves, labor force participation moves, and that's why the unemployment rate really doesn't change much," and it just ends up being very, very difficult to produce any comprehension.

I wanted to make, if I might, one other point. Before I pass on to that point, I suggest to you that a look at the employment population ratio may tell us something about the discouraged worker phenomena. It is inconceivable, to me at least, that there is some intrinsic difference in New York and New Jersey, versus California and Massachusetts, that would produce a 6 to 8 percent spread among the people in those states, versus the people who live in California, in the desire to work. I think that's evidence right there that, as those economies are slow, we do have people who are not out looking for work in an active fashion. I just

thought I'd mention that in passing, in view of the testimony of the last witness.

I think it goes without saying that we are opposed to quarterly rates replacing monthly estimates. I don't think it's the solution to the present dollar crunch to move to the quarterly rates and avoid the sample size problem. We need the monthly information, we need it for trends and we need it to get quicker response to what's going on in the economy. We need that larger sample in any event. The ethnic data, the job-leavers, the industrial breakdown, is really what's important to policy planners in order to make sensible manpower programs.

Finally, I wanted to comment on what I believe is a need for a much closer working relationship between the Bureau of Labor Statistics and the states. I want to agree first of all with the last witness, that we believe it--the Bureau of Labor Statistics--is a highly professional operation, which is doing its best to do an honest job and a job with integrity. Unfortunately, the partnership that is supposed to exist between the Bureau of Labor Statistics and the states just simply has not manifested itself since I've been in this job. The conversion to the 1978 methodology was done with no consultation with the states. We received a letter from the Bureau indicating that the changes would be made, and the letters to the governors went out literally only days before the actual methodology change occurred. The meeting with the Labor Market Committee of the Interstate Conference of Employment Security Agencies, when the change was announced, without state consultation; nevertheless, when the Mayor of Oakland complained to the Secretary of Labor, he received a response that indicated that this change was one done in consultation between the states and the Bureau of Labor Statistics. That's simply not accurate.

At the Chairman's pleasure, I'm close to completion, but will do as you request.

CHAIRMAN LEVITAN: Please finish, Mr. Glick.

MR. GLICK: A second concern I have is with the BLS-790 program, the monthly establishment survey. I was called before a legislative committee of our Senate

here in California, to explain why the Department of Finance and the banks in California have different data than we publish in our monthly estimates from the 790 program. And I have said that their data is more accurate than ours. As you may be aware, we do receive quarterly the actual report information from our employers in the state. What we publish monthly from the 790 program is estimates from the sample, which is dominated with large employers in our state, and typically underrepresents large growth or decline in actual employment in our state. We had the ability to benchmark it on a quarterly basis. Unlike the unemployment rate, this is not one of those figures which has great public credibility because it's not published in the newspaper. We should be benchmarking on a quarterly basis, but the Bureau of Labor Statistics' response is we don't want to change it because of the public confidence in the figures; where, in this situation, the policymakers who need the monthly estimates, don't have confidence in the data because they know that there is more current data available to "benchmark" it with and they can get that data; so we're publishing something that's clearly behind what they have.

Finally, there has been an unwillingness over the past several years to share with us, to simply share with us, unofficial data from the CPS that would enable us to make policy in a more rational effort. We believe a close working relationship would be mutually beneficial to both entities, in using existing data and existing opportunities, as well as exploring new ones.

Thank you.

Prepared Statement Submitted

- I. Accuracy of Monthly Unemployment Estimates
 - A. The procedures now being used in preparing monthly estimates of unemployment for the states (and some local areas) are, from California's view, completely unsatisfactory. Monthly estimates based directly on data from CPS samples as large even as the sample(s) for California (and Los Angeles) do not have the reliability required of measures subject to the use we are now imposing on unemployment statistics. For smaller states,

the use of CPS measures to adjust the level of monthly "handbook" estimates has produced results that were often embarrassing.

B. Using monthly CPS measures in the unemployment estimating process is defended as the best means of attaining the impartiality needed in the fund allocation process; yet we are cautioned that these estimates are not suitable for use in any type of economic analysis. If the statistics do not accurately reflect the real economic situation, then it is unconscionable to use them to allocate money.

C. Rather than expand the CPS to obtain more reliable monthly information, BLS has proposed to discontinue monthly estimates in favor of "more reliable" quarterly averages. Reliable monthly estimates for the states and major labor market areas are a necessity. The substitution of quarterly measures is an expediency that does nothing to solve the basic deficiencies in the present system.

D. The unemployment estimating process now differs substantially between the larger and smaller states. Measures from the CPS are used directly as monthly estimates for larger states while "handbook" estimates adjusted to CPS "moving average" levels are used for the smaller states. Reliable CPS measures are, at the present time, our only means of arriving at uniform estimates for the states. The monthly CPS measures for all states must be uniform in derivation, however, and must satisfy a much more rigorous reliability requirement.

The direct release of CPS-based unemployment rates for a labor market area such as Los Angeles results in the use of two different methods of estimating unemployment for areas within California. As among the states, estimates for areas within a state should be based on a single estimating procedure. Uniform treatment of all major areas within a state is a practical and political

necessity. The CPS methodology is preferred as the basis for state-level estimates for all states because it is not affected by the differences in the states' application of the "handbook" estimating procedures. In preparing estimates for labor market areas within a state; however, problems of comparability are less serious. Estimates for areas within a state are prepared under a single state's--rather than several states'--application of "handbook" estimating procedure. Use of CPS measures at the area level may needlessly introduce sampling variation into estimates for both the labor market area and the balance of state.

E. Any foreseeable new procedure for collecting monthly data would compete for funds better spent on improving CPS sample measures and "handbook" estimates and would introduce further confusion and mistrust regarding the "real" unemployment rates.

The available definitions of unemployment are sufficiently varied and precise to meet analytical and administrative needs. The deficiency is in the unavailability of reliable measures of the various categories of unemployment at the state and labor market area level.

II. Improvements:

A. The reliability of CPS measures for the states must be increased. For the allocation of funds, for example, measures of unemployment rate must identify relatively small differences from period to period and from state to state, at a high level of confidence. Reliability of other measures should be adequate to support economic and program analysis.

B. Although CPS measures for substate areas should not be used as direct estimates of employment and unemployment, expansion of the CPS sample is essential in providing more usable detail about various components of the labor force at the area

level. The information would be particularly useful in program analysis and evaluation, even if it were necessary to aggregate some data over time to achieve greater reliability.

C. Within the foreseeable future, "handbook" methods will have to be used in making estimates for substate areas. Although the quality of employment estimates has increased in pace with additions to UI coverage, more progress is needed in estimating noncovered employment.

The quality of unemployment estimates for covered workers has increased substantially with improvements under the Data Base Contracts between the states and the Bureau of Labor Statistics, but estimates for some categories of unemployed persons are still a problem. Substantially greater efforts are needed in devising ways of making current, localized estimates of new entrants, reentrants, and other groups for which no administrative statistics are available. More accurate detail from an expanded CPS would help in the research into new relationships between noncovered groups among the unemployed and known components of the labor force and working-age population.

III. Other Considerations

A. We are not arguing for new or changed definitions or concepts regarding employment or unemployment. We do advocate a system which provides greater detailed information about the population and those in the labor force. An enlarged Current Population Survey sample will provide more detailed characteristics that will enable us to get a better perspective of labor market conditions. One single number--the unemployment rate--is not sufficient to give a complete assessment of unemployment conditions. A more complete array of characteristics about such groups as discouraged workers, household heads, the long-term unemployed, and new entrants and reentrants into the labor force are necessary at the state level in order to more accurately describe the nature of unemployment.

Moreover, additional information about those who are employed is necessary. Expanded use of the employment/population ratio as a measure of local economic conditions should be recommended. Other data about the employed, such as full- and part-time status, skill levels, and industrial attachment, are an integral part of providing sound labor market analysis. Differing definitions of employment and unemployment are available; the critical need is for data to apply to these definitions.

B. An expanded Current Population Survey also will provide more detailed and reliable demographic data about the racial and ethnic minorities, youth, and women. We recognize that, even with an expanded CPS, we would not entirely satisfy our informational needs about these population segments; the data would be far superior, however, to what we now receive.

C. There is a critical need among the states to have good quality data bases (both from CPS and from administrative program sources) for focused program planning, analysis and evaluation. This is a need for and use of the data which must not be overlooked by the National Commission.

IV. There appears to be an overall trend within BLS to provide, at the state and local levels, only the minimum data needed to satisfy congressional mandates with respect to computations for the allocation of funds. This trend is wholly unacceptable and must be reversed. States and local governments need good, local information. In the absence of these data, states and local governments encounter great difficulty in performing such necessary and fundamental activities as writing legislation, distributing resources, and operating focused manpower programs.

V. All data collection programs and methodologies must be of a cooperative nature. Whatever actions BLS or other federal agencies initiate in this

area, state and local agencies must be involved in the planning and design as well as in the implementation. State and local involvement is necessary at the inception of any proposed action; it is not enough for federal agencies only to seek "comment" after program changes have been implemented.

CHAIRMAN LEVITAN: I'll take the liberty to start this time.

Mr. Glick, obviously my introduction was wrong. I thought as a data producer you would be very sympathetic, you wouldn't want to consume any more. But, obviously, you want to consume even as much, even more than the previous advisors.

Now, you are suggesting 35,000 for California for the CPS?

MR. GLICK: No, sir.

CHAIRMAN LEVITAN: I don't know whether your estimate of 7 or 8 million is right or not, but who is quarrelling about a few million dollars? That means at least 10 times as much nationally, and I imagine even more than that, so we're talking about several million.

Now, you were kind enough not to mention Proposition 13, but I'll mention it. Is it, first, a part of your expenses? Secondly, what does it cost not only the feds or the taxpayers to collect it, but also the taxpayer as the respondent? Do you want to go to half a million households every month and ask for all these detailed data? Aren't you concerned that you might have additional problems with nonresponse? And, finally, if you need that so much for planning purposes, what is to prevent the great State of California from having its own little sample, play your own game, and do it? Why do you have to go to the feds, when, from the last few comments you made, you believe that you're not exactly the best of friends, although you pay the proper respect to them? Why don't you do it all on your own?

MR. GLICK: Let's start from the back and go forward. We explored doing it on our own. The fact is

that, of course, the census data by block, the methodology, the skills, the training, all exist in the Bureau of the Census. The two or three organizations that exist in California that could even conceivably do it give us information that points to a cost of from \$30 to \$40 million.

We discussed with the Bureau of Labor Statistics and the Bureau of the Census their interest in conducting such a survey and they indicated, "We're not saying we'll actually do it, but we're very interested in what you're talking about." The unit cost figures came from them to us. So, as a practical matter, if it's going to be done, in terms of who would carry it out, the operator if you will, it would need to be done on a national level. Now, we have explored doing it in the state. In fact, we had set aside public works funds, Title II funds, to conduct a two-year pilot in the state to see what we would get and see how useful it would be. That has gone by the boards, unfortunately. We have talked to CETA prime sponsors in the state about their willingness to put out a share of their resources, if congressional mandates after CETA reenactment would permit it, to produce the data out of existing resources. I threw the 35,000 out just to give you an idea of something we work with. I'm not suggesting that that's the right number.

One other very key point. In no way am I suggesting that additional resources over and above those put into present manpower programs is the only answer to our labor market information needs. It may well be that an intelligent use of \$11 to \$12 billion requires putting aside out of that money a somewhat greater share, which in the overall allocation of actual manpower dollars would make relatively little difference, so that if we are going to say to local entities, "You must make these plans and decide who gets it and who doesn't within your jurisdiction," that we make somewhat greater effort from the national level to allocate some of that total dollar pot that exists--without increasing it--to our labor market information needs. I don't suggest for a moment that those kinds of trades and balances are easy to arrive at, but what I do strongly suggest is that the present level of confidence is not adequate and that the present methodology,

given the sample sizes in the state, is also not adequate, and we would be pleased to work with the Commission in trying to arrive mutually at what that adequacy level may be.

CHAIRMAN LEVITAN: Your offer is appreciated. One more point. Could you elaborate, or could you suggest to us how we can make better use of administrative data, or possibly some matching or linking of available data, so we don't have to go ask citizens additional questions?

MR. GLICK: Let me clearly start here. In our staff discussions, we agree that we don't know how to do it. We believe that there must be ways to do it, to use the ES-202, to use the handbook sources, the unemployment claims information, and with more research to make better use of those existing systems. A few years ago there was a great concern by the people in our labor market information division that the 790 data had not been benchmarked for two years. We have pushed hard for that, so that we could make better use of the ES-202. We believe--as I think you're suggesting--that the data we receive on a quarterly basis from all employers, of the number of people on their payrolls, is an extremely vital piece of information which should be better linked into our estimates that we receive from the CPS system. Some kind of cross-match might be made in order to test the validity of the information we're receiving from the sample surveys.

Similarly, use of other existing measures such as the employment-population ratio would greatly enhance the overall delivery.

If the Chairman please, I would give Bob an opportunity. He might have some further statement on reconciliation.

MR. HOTCHKISS: I think the previous witness' suggestion that it might be possible to include some questions in the CPS concerning the receipt of UI benefits, and the exhaustion of those benefits, might be an example of one way a match could be made between the administrative data and sample data.

I think the other area that we should be concerned with is the general quality of the data in administrative systems such as the mandatory quarterly employer reports which use the Standard Industrial Classification, and where employer classifications need to be reviewed thoroughly on a systematic, routine basis.

CHAIRMAN LEVITAN: You realize, of course, Mr. Glick, when I asked these questions it wasn't because I disagree with you, but whenever I hear any attacks on BLS I always jump to their defense. Debbie Klein is here, and she'll tell Mr. Shiskin that I said so.

I think we'll hear now from your constituent from San Diego.

MR. POPKIN: I think you're the first person who ever claimed that there were things that were buried in the data. It must be an election year for the governor. I just want to get straight one little thing you said. You are so serious about wanting better data that you're actually willing to see it come out of the CETA money itself? I just want to clarify that.

MR. GLICK: That is correct, or a combination of CETA money and Unemployment Service money.

MR. POPKIN: Okay. Let me make the request for some homework because we've been doing that so often, and ask you a question. I would like to see explicit suggestions from you about better ways of breaking down data within the state. I don't care if it's 20,000 or 100,000, you're still going to have to go from a state survey to the units, and I'd like to see your explicit suggestions on how to do it.

Then, a quick question. When we had hearings in Washington, Herbert Stein testified that he felt very strongly that we would all be better off if we only released the data quarterly, and he said that once they had talked about doing monthly GNPs, and, thank God, they only did them quarterly because otherwise you'd have more people running around like chickens with their heads cut off. You're talking about how people start going crazy and the sky is falling down if

there's a tenth of a point change. Do you really need monthly data as opposed to quarterly?

MR. GLICK: Yes, in my opinion we do. First of all, I believe it's inevitable if we continue on the same way in which we're running manpower programs. Whatever sample size we're going to need to provide us even fragmentary data about the composition of the labor force in our state, of the unemployed, some information about who they are and what industries they are in is going to require a sample size that is certainly sufficient to produce monthly data.

Second, I guess it's just my view that as policy-makers, given the way in which the counties moved in the past, that the trends from month to month with valid data are extremely useful in policy planning. We talked about this, too, to some great extent, and what would it look like if we had a quarter, January through March, and the next quarter and the next quarter, and tried to look at that. And it was our view that you really would need to see how the months within that quarter proceeded to have a very good indication of what the economy might do and how you would plan policy at a national level as well as the state level.

MR. POPKIN: Can you give me an example of one thing you would do differently if you only had quarterly data, or you couldn't do that you do now?

MR. GLICK: I think the first answer is from a national policy perspective, and that is what stimulus you would proceed with in the economy if you received information on a quarterly basis or a monthly basis, and I suggest to you that it would be much more difficult to mobilize many programs which already take far too long to start up when a need is felt for them, if what we had was data that was valid solely for the quarter and not for the months within the quarter. And the tendency before spending large amounts of money to say, "We'd better see what the next quarter looks like before we commit ourselves to very large expenditures here," instead of seeing a substantial change from month to month within a quarter or within two quarters that clearly rings the bell that it's time to do some remedial things in the economy.

MR. POPKIN: That's good for the national level, but I don't see where that then goes on to say that California needs money.

MR. GLICK: We are totally dependent for our economy, like all the other states, on the procedures and policies that are adopted to deal with unemployment at the national level. We don't have large numbers of options at the state level to deal with economic conditions.

MR. POPKIN: I think what you're saying to me then is that we should have a monthly national figure and a quarterly state figure?

MR. GLICK: The only problem I have with the quarterly state figure is I'm afraid that the sample sizes that will result will simply not give us any valid data, particularly for the subsets within California.

MR. POPKIN: Suppose we keep the sample size, even enlarge it, and then give you the breakdowns of Koreans by age and employment on a quarterly basis? Then do you have complaints?

MR. GLICK: I don't, but you can't do that. That can't be done. Oh, if you can do that, marvelous. I mean, the most important thing to us--two things--number one, is to have sufficient indications of what's really happening to our unemployed and our employed to plan our programs. That's number one, from at least an operating point of view. And number two is to be able to answer the legitimate concerns of our constituents, and the people who reside here and the public officials who must govern here, about what is or isn't happening in our state. And to answer that last one: weekly, quarterly, it doesn't really make a great deal of difference.

CHAIRMAN LEVITAN: Mr. Glick, wouldn't the reliability increase if you were going to have state or local quarterly data with the same sample, or with the 56,000 you have now for the national sample?

MR. GLICK: Reliability?

CHAIRMAN LEVITAN: Reliability of the data; wouldn't the reliability of the data improve if you were to have quarterly data for the state and collect the same sample nationally?

MR. GLICK: Oh, sure. The quarterly published data is more reliable than monthly published data. No question about that; just as if we published it annually, as we did in 1977 and preceding years, that would be more reliable yet.

CHAIRMAN LEVITAN: Well, wouldn't that be enough for your purposes, then, to have the national the smaller sample, and for state and local consumption use only quarterly data which would be more reliable and therefore more satisfactory for your planning purposes?

MR. GLICK: Absolutely, and clearly no. I disagree with it totally, and perhaps I haven't been sufficiently clear. I just don't believe that the public or the elected officials in California feel that they can adequately carry out programs to serve their constituencies with data that only arrives on a quarterly basis.

CHAIRMAN LEVITAN: Mr. Glick, you were very clear. I tried to bargain with you.

MS. WILLS: I didn't have anything to do with the bargaining, Marty. I think on that question, aside from the basic deficiencies that we've got in the system now--and you heard part of the demands for more and richer data, be it manpower planners or be it economists or any kind of people concerned with statistics--if you go for more and richer data, if you go for a larger sample that is clearly needed, I think, on each of the 50 states, then you do run into the question of money. And I think we're going to have to face a hard choice.

Do you go for an enlarged sample with more statistical reliability on a shorter period of time for the state and local data, not the national data? Does it

really then make that much difference? If you have a monthly survey at the national level, which nobody is arguing too much is not statistically reliable, that can meet the macroeconomic demands, analyzing what's going on on a national basis, and then for the manpower planner, for the program operator at the local level, have some better sense of how much money is going to come in and giving him richer data simultaneously, does it really make that much difference?

You don't need to answer it now, but if you're feeling very strongly about that, I guess what we're really saying is that it comes down to a tradeoff and choices, we're going to have to face it when we make our recommendations to Congress and the administration. Be aware that's one of the hard choices we're going to have to make.

MR. GLICK: Can I just add one further comment on this whole question? With a system of decisionmaking for expenditure of manpower funds that occurs at the prime sponsor level, counties and cities--the groups who have the least political power at those levels--succeed usually when they are backed up with something reliable to indicate that they truly have some need. As we compromise away the cell sizes and the information for those constituencies, we fear and we worry about the ability of those groups to do it or, more important, of the political leadership, who is generally--I can argue--quite responsible, to defend the decisions they have made to expend funds in that fashion. One need not look much further than what's happening to CETA maintenance of effort in California now to understand how that works.

MS. WILLS: One other quick question. You expressed concern about the projection for the 1979, January 1979 to utilize claims data, and you suggested that we wait until the census. Quite frankly, on the face of it that sounds fairly attractive on one level, but we've been advised that we won't have census data until 1982, perhaps 1983, and then with any changes in methodological or conceptual definitions that we as a Commission might make, it might be 1984. Do you want to wait that long?

MR. GLICK: I would suggest an alternative, and that is if the Commission is convinced, or the Bureau of Labor Statistics is convinced that the new method of disaggregation is substantially preferable to the old one, that we begin now, several months in advance, to send to all of the affected entities an indication of exactly what the new methodology will do, would have done in 1977, would have done in 1976, so that there is the kind of participation in this change that did not come with the last one. And there can be national discussion of it. It is being treated--at least today, as I've gone around the state, nobody is aware of it at the county level--as a mere statistical adjustment. And it's importance is very substantially more than that.

CHAIRMAN LEVITAN: Mr. Glick, a copy of our response will be sent to Mr. Shiskin in the Bureau of Labor Statistics for their consideration. We will do that, and we will send you a copy.

MS. WILLS: Just another quick question. You mentioned that Census was unwilling to share with you unpublished data. I would like to know, and you can provide it later, what kinds of unpublished data they were unwilling to share, because we've had this constant kind of complaint.

MR. GLICK: I will be pleased to do that.

CHAIRMAN LEVITAN: Thank you very much, Mr. Glick. We will now take one hour for rest and recreation, and to digest all the intellectual food we gathered this morning, and get other types of food, and we'll start with Alaska, that has big-sized problems also, in 60 minutes.

Thank you very much.

(Whereupon, at 12:40 o'clock p.m., the hearing was recessed, to reconvene at 1:40 o'clock p.m., the same day.)

AFTERNOON SESSION

CHAIRMAN LEVITAN: We'll resume our hearing. Our next experts come from the biggest state of the Union, and based on the testimony they have also big problems.

Mr. Post, will you start, please?

STATEMENT OF JOHN POST, CHIEF OF
RESEARCH AND ANALYSIS, DEPARTMENT OF LABOR,
STATE OF ALASKA

MR. POST: Thank you. Good afternoon. I'll mention again that my name is John Post. I am chief of research and analysis for the Alaska Department of Labor. I present the statement in behalf of our department and our Commissioner of Labor, Edmund Orbeck.

Just a few words of background on myself. I have recently returned to Alaska in late April 1978 (I was formerly Chief of R&A for the Alaska Department of Labor in 1971). Most recently, I have been the Executive Director of the Northwest Regional Planning Commission in Wisconsin. I mention my recent background because I wish to draw upon my observations and experience on labor force data from both my Wisconsin and Alaska experiences.

In my presentation I wish to talk to you about labor force statistics, especially employment and unemployment data, their use and importance, some problems perhaps unique to Alaska, and hopefully some recommended solutions to these problems. Many of the points I raise were also presented to you in a February 6, 1978 letter from Commissioner of Labor, Mr. Orbeck.

There is a pressing need locally, regionally, statewide and nationally for a comprehensive, reliable, timely and consistent system of measuring employment and unemployment and indicating trends. A broad range of public and private industry decisions rely on these measurements and trends. Employment and unemployment figures receive intense media coverage at all levels. For example, our monthly estimates generally receive banner headlines in the Fairbanks News Miner, since Fairbanks long has been through a roller coaster ride of booms and busts in its local economy.

Especially because of growing federal grant-in-aid programs tied to unemployment levels, there is an intense interest in the local and statewide "unemployment rate." The dollar stakes are high! In the most recent year, the State of Alaska received over \$63 million in programs and grants through the Comprehensive Employment and Training Act (CETA), the Public Works and Economic Development Act (PWEDA), and the Public Works Employment Act (PWEA). Unemployment levels and rates were the main eligibility criteria for these programs. A wide range of other federal and state program decisions were also influenced by unemployment levels and rates.

Communities monitor their rate carefully, often times hoping that it will stay up high so they will be eligible for federal programs. I recall a recent news article in Hurley, Wisconsin, that reported the "bad news" that the unemployment rate had dropped.

Alaska is unique in many ways. Its vast geography and sparse population are unknown in any other state in the union. Although wages are high, so are living costs. Although workers work long hours when they work, the season is short. Our statistics show that about 60 percent of all wage earners in Alaska, for whatever reason, make their year's income in six months or less. Some leave the state for warmer climes while others become the seasonally unemployed. The fact that a large percentage of its population lives in communities under 2,500 is not startling. What is different is that much of Alaska's population is relatively isolated during a large part of the year. Even in Juneau, the state capital, a city and borough of 18,000 people, movement to even nearby communities is extremely limited because Juneau is accessible only by air or water. Commuting for work to or from Juneau to even nearby communities is virtually impossible. The villages of western and northern Alaska are far less accessible. Alaska is a vast nation-sized land of many features whose 586,000 square miles extends through four time zones and whose coast exceeds the entire coastline of the "lower 48."

The construction of the Trans-Alaska Pipeline has had a fantastic impact on the Alaskan economy. From 1970 to 1977 resident population grew by 36 percent,

from 302,400 to 411,200. During the same period, annual average employment grew by 86 percent, from 85,100 to 158,000 and the number of unemployed grew by 147 percent, from 6,500 to 16,000.

Statistical estimating techniques for population and labor force data have been strained during this period of rapid growth. Small area estimates have presented special problems. With this background, I would like to point out a number of problems with labor force data in Alaska.

Beginning with January 1976, the Current Population Survey (CPS) was expanded to include all 50 states (including Alaska) and to provide current monthly labor force statistics. Since that time, our BLS handbook labor force data has been adjusted to the CPS estimated data. It is my opinion, shared by many others, that the process is unsound and the results are inaccurate.

There are some problems that I feel exist with the CPS:

- o The population estimates used as magnitude controls on the CPS are inaccurate and cause both employment and unemployment estimates to be low. Population estimating techniques which rely on indicators such as births, deaths and school enrollments did not capture the large immigration of young, mostly male workers without dependents who came to work on the pipeline.
- o Persons working in Alaska for a few months, who expect to return to their home state, are considered nonresidents in the CPS. The economic activity levels in Alaska related to seasonal fishing, fish processing, logging, mining and construction therefore is understated by the official estimates of population, employment, and unemployment.
- o Labor force concepts, utilized by the CPS, specify that a person must seek work during the four-week period up to and including the survey week. With Alaska's small communities, and severely limited commuting possi-

bilities, many of Alaska's jobless are officially classified as out of the labor force. This understates the magnitude of Alaska's unemployment problem.

In summary, Alaska's employment and unemployment have been understated and this has had a negative impact on the eligibility of communities in Alaska for federal grant-in-aid funds.

A second concern I would like to bring to your attention regards employer sampling. For many years our department has been cooperating with the Bureau of Labor Statistics in its BLS-790 (employment, hours, and earnings) and labor turnover samples. We have more recently begun asking employers to cooperate in occupational (OES) and accident related (OSH) surveys. To achieve good statistics in a small state, it is often necessary to keep asking the same employers to participate. To be honest, there has been a backlash. Just last week I was on the telephone with a small manufacturer from Soldotna in South Central Alaska who told me he "had it up to here" with government involvement (forms and inspections) and was planning to go out of business. Many Alaska businesses now refuse to fill out any form not specifically required by law. Small firms especially see little benefit from the surveys, but only the time and cost involved. The resulting poor response from small firms may bias response toward activities of larger firms.

A third concern that I have regards allocation of limited funding resources (I might mention that this is not a plea for more money). On one hand, we have critical programs such as the BLS-790 which is underfunded. On the other hand, we have programs such as the labor turnover statistics program which uses resources but is of limited value.

Significantly more accurate labor force characteristics, including labor turnover data, could be derived from an expanded household survey (CPS) with less employer impact than with separate surveys. It could replace the patchwork of surveys used for labor force estimates of veterans, minorities, women, youth, and other age breakouts.

A fourth concern was one I alluded to in my opening remarks. I feel there is far too much reliance on the unemployment rate and number as indicators of economic need. To demonstrate what I mean I would like to quote a story from an interview of our Deputy Commissioner of Labor, Bill Spear, which appeared in the January 1978 issue of Alaska Construction and Oil magazine. He said in the interview:

As an example of what appears to be a widening gap between official figures and practical reality, the recent flap over unemployment in the Mat-Su Borough is interesting. Our department, using procedures prescribed by the federal agency, reported an unemployment rate of 40 percent in that area. Either the figure is off, or our emotional and intellectual response to the term "unemployment" is inappropriate. There are no riots in the streets of Palmer: no reports of starving masses demanding overthrow of the government in Talkeetna. Instead we read, perhaps on the same page of the newspaper reporting our Department of Labor figures, that Wasilla is the fastest growing community in the United States and that some of the unemployed are quite content to live on summer wage accumulations and become involved in experimental winter agriculture.

I might mention that we have subsequently learned that the 40 percent rate was due to poor allocation procedures in our last benchmark. Changes due to the three variances we received from BLS halved this rate. Still, Mr. Spear's statement provides good food for thought.

Well, enough of problems. I would like to take my remaining time to outline some possible solutions to these four problem areas I have mentioned.

Regarding the CPS adjustment method:

- (1) The sample should be greatly expanded in sample size and geographic coverage.
- (2) Special consideration should be given to counting the discouraged unemployed in the labor force.

- (3) The CPS should recognize residency to be whatever the individuals' household is during each month's survey week and these migrations should be reflected in the monthly population controls.
- (4) Research should be done to improve population estimates in communities that experience migration flows of workers with few dependents (for example: remote major construction sites such as for the pipeline).

Regarding the second problem concerning employer nonresponse, I would like to recommend that a system of reimbursement to employers be introduced for critically needed information. One approach may be a system of tax credits based upon time taken to prepare a report.

Regarding the third problem of lack of resources and unneeded reports, I recommend that a rigorous evaluation of data used be conducted statewide and nationally. Funding from discontinued series could be used to adequately finance the remaining critical data series.

The fourth problem of the inadequacy of the unemployment rate as an economic measure is central to your Commission's study. From my experience with local and state government, I strongly recommend that a composite indicator or series of indicators that incorporate income, wealth, cost of living, as well as unemployment be considered as a replacement rate in the long run.

In summary I wish to reiterate the special case of Alaska for your consideration. Our migration, seasonal work, isolation, weather, climate, geography, and explosive economy make our situation unique.

I'd like to now turn the mike over to Ms. Jones and have her give her statement, and then we can open it up for any questions you might have.

CHAIRMAN LEVITAN: Ms. Jewel Jones, Director of Human Support Services, Anchorage, Alaska.

STATEMENT OF JEWEL JONES, DIRECTOR,
HUMAN SUPPORT SERVICES,
MUNICIPALITY OF ANCHORAGE, ALASKA

MS. JONES: Thank you, Mr. Chairman.

At the time the Commission received the statement

from Commissioner Orbeck, I believe you received a very similar statement from the Mayor of the Municipality of Anchorage, George Sullivan, so these comments are just in addition to the statement primarily presented by Mr. Post.

Therefore, on behalf of the Municipality of Anchorage, I appreciate the opportunity to urge the Commission to make improvements in the current CPS adjustment method of counting unemployment. The Anchorage local government relies upon the official unemployment data in several important ways. With the hope that the current methodology can be more reliable and useful, I offer the following observations:

As stated earlier, both the Commission and the Bureau of Labor Statistics have been sent letters in the past couple of years by various Alaska officials in which the latter point out that the CPS adjustment method undercounts the degree of unemployment in Alaska. Primarily, the definition of the term "unemployed" excludes people who have not looked for work during the four weeks previous to the survey. In Anchorage, as well as the rest of Alaska, many of those seasonally out of work are excluded from the count because of this definition. The high degree of seasonality in the state translates into a significant undercount.

At the time that the statement was prepared, we did not, or failed to Xerox what I have referred to as the attached charts, but I'll attempt to make those available for you.

Comparisons of numbers of weeks claimed for unemployment insurance with the official unemployment levels over the past several years strongly suggest that the CPS method is missing many people. I refer to the attached chart, which has been provided by the Anchorage office of the Alaska Department of Labor, Research and Analysis Section. As the chart indicates, in 1975, a year in which the data was not CPS adjusted, the ratio between weeks claimed and total unemployment was a little more than half. The correspondent ratios for prior years are very similar. In contrast are the ratios between weeks claimed and the CPS unemployment counts for 1976 and 1977. It appears that in some months the number of persons drawing unemployment

insurance has been almost as great as the total officially counted as unemployed. The deficiencies in the estimating procedures, as dramatized by the figures on the chart, are summarized in the statement attached here.

Municipal CETA staff estimate that conservatively in the last couple of years the number of unemployed persons in this labor market has been undercounted by 25 to 35 percent. Relating this to the official unemployment statistics for the early months of 1978, this undercount could mean a difference in rate of a couple of percentage points. To illustrate how the unemployment count can affect federal allocations, let us consider the 1978 CETA Title I allocation to Anchorage. Using the CPS adjusted count, the Employment and Training Administration allocated \$895,921 to this community. The Municipal CETA staff has estimated that with even a one-tenth of one percent point increase in the unemployment rate, this allocation would have been increased by roughly \$15,000. A full percentage point difference would have meant a significantly larger allocation. The difference in funding would have been more pronounced for a program such as CETA Title VI as the allocation is larger and the formula for it is based totally upon estimated numbers of unemployed.

A final comment relates to the usefulness of unemployment data as currently produced. Basically, the CPS method provides little more than a count of the unemployed. This gross total is of little use to CETA prime sponsor staff interested in data which reveals characteristics of the unemployed, and for that matter, of residents eligible to participate in CETA. Some characteristic data is available; for example, we currently use information from ESARS, profiles of food stamp applicants, and characteristics of the insured unemployed. The problem is that frequently these and similar sets of data are not mutually comparable and they are difficult to relate to a total universe or to the total population.

The Municipality of Anchorage strongly urges the Commission to consider expanding the CPS sample so that reliable characteristic information can be gathered and analyzed for use in planning CETA and related programs.

Most importantly, the definition of the term "unemployed" must be broadened so as to result in data which more accurately reflect the need and desires of local residents for jobs.

CHAIRMAN LEVITAN: Thank you. Ms. Wills?

MS. WILLS: Thank you.

What kind of responses have you received back-- I've seen copies of the letters from Anchorage and the State on a lot of issues related to this, and I'm curious to know what kind of responses have you received back from BLS, for example, in terms of recommendations to count people who are only part-year residents? What reasons have they given or not given?

MR. POST: I don't think we really have gotten a good set of answers yet to these questions, and that's one of the reasons that we're again bringing them to the Commission. In some ways I feel that reading the charter of your Commission, people are taking unfair advantage of bringing these to your attention, but you're kind of a court of last resort for bringing these issues. We still haven't gotten satisfactory answers, and hope that you can operate as a long-term vehicle for answering some of these questions. And reviewing the correspondence prior to coming to this meeting, we haven't really gotten back answers to the questions that we've raised, in my experience.

MS. WILLS: You mentioned in your testimony two things I found fascinating. You don't have to agree in your answer, but you mentioned that you thought we probably needed to take a look at both state and national data, and establish some priorities. I have two questions. You obviously don't have any felt need for labor force turnover data. That's one priority of data series that you would obviously cut. I've read where some people would want to increase that. You mentioned food stamps and using a lot of other administrative data. In your remarks you suggest we expand CPS to get common data. You, I think, are suggesting that we take a look at the variety of data series and see what we can do to come up with something more consistent. Do you really need all that on a national

level, or would it be more useful for you, inside the State of Alaska, not dealing with allocation of funds problems, but would it be more useful if you could get common data series, common definitions, within states?

MS. JONES: Yes.

MS. WILLS: If so, where would you put your priorities and where would you put your favorites?

MR. POST: Well, one answer kind of as a clarification to the need for labor turnover data. By using that example, I didn't mean to indicate that we'd have no use for labor turnover data. But what we have is an inadequate, or certainly a limited BLS-790 sample, and we have also a very limited and therefore not very useful labor turnover sample. What we're saying is in our priorities we'd just as soon scrap the limited turnover data and put the resources into the BLS-790 sample, and right now, based upon the importance of employment and unemployment data, building that sample and expanding the CPS sample size would be extremely high priority in our program.

MS. JONES: I would certainly agree that we could be very compatible in that particular use. I was almost fascinated with the testimony of Ms. Elton here in the City of San Francisco, relating back to the CETA program in Anchorage, and I think probably all CETA programs are struggling to serve everyone. And just as she stated, we have that same problem. We have a very large Filipino community and we know people are there and we're trying to do the best that we can, but we have a growing, what is now termed the Central-American population, and we're not sure what you call whom any more, but we know that these people are there and they are certainly demanding service, as she stated again, with the elderly, the handicapped. You know, we really are just kind of responding by the seat of our pants as everyone else seems to do, doing the best we can. But we don't have the reliable data to defend significantly what we're doing and why we're doing it.

MR. POST: I think, too, responding to one other group of statistics outside of employment and unemployment, the need for reliable income statistics on a regular basis is very important to program decisions. I tried in my remarks to show that there is perhaps an undercount, and an underrecognized unemployment rate in our rural areas, in the bush communities, and the native communities. In our urban areas, there is another problem of high unemployment. Fairbanks has measured now a 15 to 18 percent unemployment rate, which is probably the highest for its size of any community in the nation. Still, in the last year the average family income was \$30,000 plus. So, that's somewhat different than in the bush communities. So, by using the unemployment rate to measure this problem and measure that problem, it's just not reasonable. It's just not reasonable.

CHAIRMAN LEVITAN: Mr. Post, what does the \$30,000 apply to--to what particular community?

MR. POST: Fairbanks, which really had a large impact from the oil pipeline.

MR. CAIN: With the cost of living adjusted, that would be equivalent to \$18,000 and something?

MR. POST: No, it would be higher than that, considerably higher than that.

MR. CAIN: That's a family income you gave us, with usually two workers, or typically one?

MR. POST: Not two; maybe 1.8, perhaps.

MR. POPKIN: It's a good plea for a hardship index.

MR. CAIN: I must say I find your testimony extremely interesting and fascinating, but one of the problems that I am having--I don't really expect you to resolve it for me, but I'll just express it--and that is that it's difficult for me to know to what extent the problems you're talking about are so peculiar to

Alaska that they don't have that much generalizability into the other communities of the states. I think this issue is perhaps brought out by taking one of the issues that was mentioned, namely, the seasonal unemployment, and the way in which it is exacerbated, at least in the sense of being understated, because of the geographic isolation. I would think that that probably does generalize to other rural areas, those that are in the rest of the continent; that is, those that are perhaps quite far from a major urban center, beyond commuting distance. So, again, there would be this tendency for people, once they are seasonally unemployed, to realistically not search for work since they know it is a small community and they know that there are no jobs available.

On the other hand, of course, it remains that the immobility problems in Alaska do seem to be so much more severe than typically in the rest of the states. But, there does seem to be a contrast between ways of looking at seasonal unemployment. In the first half of your statement you talk about the seasonal unemployment as being understated and thereby understating a need for funds, or at least a requirement that you feel is being met for funds. On the other hand, if you take this one statement that Mr. Spear made, someone could say that this gave you a different interpretation of seasonal unemployment. That is, the point is that some of the unemployed--I'm quoting now--"are quite content to live on summer wage accumulations and become involved in experimental winter agriculture." How do we then interpret this?

MR. POST: Let me answer that kind of freely. When I came to work for the state, Mr. Spear called me into his office and he said to me, "John, what I really want to know from you, just who are the unemployed; what are they; where are they; and how critical is their problem, so we can define programs for them." Because here we've had probably one of the largest construction programs of all times--you know--\$10 billion was invested in this large, but tiny state, and yet oftentimes, to answer, we're going to resolve the problems of our unemployed, but our unemployed grew from 6,500 to 16,000. So, I guess, Mr. Spear is saying,

"Okay, there's a chronic unemployment out there. Somehow, maybe a unique system--to heck with the feds--a unique system, we have to identify who they are so we can design programs for them."

And there's another problem out there that's caused by this immigration. And you start asking yourself what kinds of economic development are really good to resolve the unemployment in your state, and that's a debate that's going on very actively in the State of Alaska.

MR. POPKIN: This is not just Alaska; Douglas County, Wisconsin, where the lake freezes over and everybody is out for the winter. But, I'm not sure, since a lot of these people are in occupations that are very well paid over the rest of the year, that by a hardship index standard these people would not be people who would cry for need. I don't know about the small towns in Alaska, but in some of the places where people work on the boats and the trains, you're expected to work eight months a year. Or farming--somehow it seems to me it's not clear that they are either discouraged workers or unemployed. And if a farmer takes a rest for two months after the harvest is in because he's exhausted from working 20-hour days, I'm not sure that he's either discouraged or unemployed.

MR. CAIN: Particularly when he's in Hawaii where he's resting.

MR. POST: That's right. I couldn't agree with you more, because that same situation, as you mentioned, occurred in northern Wisconsin, on the boats and on the railroads, and these people, while they collected unemployment during the winter months were no more really ready and available for work than ---

MR. POPKIN: Right. So, the whole idea of targeting them--I mean, they were not the worst-off people in those communities.

MR. POST: That's why using strictly the unemployment rate as the indicator has its limitations. But,

in making these decisions, there's another case in Alaska of the bush areas and the rural areas which have significant need beyond even what the statistics are reporting.

You made an interesting observation on this, Mr. Popkin, in saying, "Well, if you don't like the CPS figures, what figures do you like?" And my staff reminded me, they said, "John, don't say that you like the handbook, because there's problems with the handbook, also."

What we're saying is that these just don't meet our need, and they present us with some very grave problems in answering the issues that are brought.

MR. POPKIN: You came closer, I think, in some ways. You made an extremely revealing comment when you were testifying that--when you were talking about the need for more data, and you mentioned the Filipinos and the Central-Americans--I think you made a comment which for the record is extremely honest. You said, in terms of meeting the demands or in terms of being fairer, that data will do nothing about putting more people to work for CETA, and that data on the ethnic categories will do nothing about making the overall fund allocations more valuable, and it's not even clear that sharing money within cities by ethnicity is even a more effective way than the way being used at present to serve the various different types of people who have unemployment needs. But, it seems to me that everybody is asking us for more data on the demographic characteristics just so that nobody has to make a decision themselves. People can use more and more automatic formulas at the local level just so that someone can say, "Well, I gave 8 percent of my money to Central-American unemployment programs and 17 percent to old age unemployment programs because that's what the breakdown was." And I think you came closer to saying that than anybody else. That's why we need the data, not because we need it for planning, but to avoid having to be put on the hotseat.

MS. JONES: No, I don't think--if that's the way it sounded, honest as it might have been, that's not exactly true.

MR. POPKIN: I'm looking for that, I guess.

MS. JONES: No, opposed to that, I suppose everybody tries to find some reason or the other to sit back and say, "Well, we gave," it's kind of like the United Way. But, the local government is forced to have to be faced with those decisions. You know, you can go to your local council meeting or assembly meeting, or whatever it is, and you can stay there all night if they meet every day of the week or once a week or every two weeks, and you can't quite as easily get to the state government, and it's impossible to figure out where to go in the federal government. As John said, you're kind of our court of last resort. So, whatever decisions we make in local government, we have to live with it, and we have to deal with it. So, we're not worrying that much about the allocation. We can defend that. But, if we're going to get involved in the collection of data, all we're saying is to help us get some useful data that is available that tells us--you know, even if you're not serving people adequately, at least we know who's there and what we need to do to try to plan with our own local resources, whatever they are.

MR. POPKIN: Why aren't communities doing this themselves, if it's so important?

MS. JONES: I recall you asked that question, "How much are you willing to pay?" And I think one of the answers that you got was "we're not too sure that we're not paying for that already." We don't quite know how to answer that. Again, if we are going to be meshed into that total big picture, I think we are paying, but if we have to pay, give us a figure, give us a price, and let's see what we can do. I'm not sure that we're not willing to pay for that.

MR. POPKIN: Let it never be said that I'm against data. I love to collect it. I think it's a wonderful thing. Everybody should have tapes in their bedroom.

MS. JONES: I'm not sure we agree there.

MR. POPKIN: I don't ever want it to be said I'm not in favor. If somebody came in and said, "We planned a CETA program for 1,700 people who spoke Samoan and then 3,000 people showed up who spoke Korean, and if we'd had the data that wouldn't have happened," I'd feel better. But, I haven't seen a case yet where money wasn't spent completely because of a lack of information.

MS. JONES: Maybe not.

CHAIRMAN LEVITAN: Well, I think on this note, to keep the record clean, and out of the bedrooms, we want to thank you very much for coming down all the way, and I don't know what we'll do about it, but we'll certainly try.

MR. POST: Thank you, very much.

MS. JONES: Thank you.

CHAIRMAN LEVITAN: Our next advisor is Dr. Eduardo Marenco, Director for Policy Studies and Research, Mexican American Legal Defense and Educational Fund.

I might tell you, Dr. Marenco, I think the first official duty I performed when I was appointed to this job was to talk to your colleagues in Washington, and I told them about the times we would be holding hearings, and I hoped to hear from you. I'm delighted that I can now realize my promise.

STATEMENT OF EDUARDO MARENCO, DIRECTOR FOR
POLICY STUDIES AND RESEARCH, MEXICAN AMERICAN
LEGAL DEFENSE AND EDUCATIONAL FUND, INC.

DR. MARENCO: Thank you, Mr. Chairman and fellow commissioners.

I am delighted that you have asked the Mexican American Legal Defense and Educational Fund to provide their concerns and recommendations with regard to the very critical need for better employment statistics for Hispanics. My name is Eduardo Marenco, and I am Director for Policy Studies and Research for MALDEF.

As a preliminary step, I would like to state that the purpose for my testimony, Commissioners, is not to provide specific solutions to problems that are the more proper province of the thousands of professionals who are employed by the Department of Labor and the Bureau of the Census. These agencies are provided with millions of dollars of public funds to generate very specific solutions--solutions which have had a detrimental effect on the Hispanic community in ways I will soon explain. Instead, my goal is to provide you with some guidelines and suggestions based on the Hispanic perspective to improve and outline fundamentally the products these agencies should be generating in terms of Hispanic employment statistics. This problem is indeed so critical that it may very well require new legislation from the Congress in order to ensure that these agencies perform the services that are required of them for the Hispanic community in particular, and the nation in general.

In my presentation today, it should be understood, Commissioners, that while we are speaking generally of unemployment and employment statistics, I believe that these necessarily include data on the underemployment rate of Hispanics, as well as the categorical levels of Hispanic employment in terms of salary and position.

My presentation will essentially cover three points. They are as follows:

(1) First, there is the major concern of the unbelievable human cost through lost employment opportunities for Hispanics that has resulted from a lack of appropriate employment measurement statistics.

(2) The second point relates to the need for comprehensive statistics for Hispanics on not only unemployment, but on the ramifications of this problem, including the hardships suffered by Hispanics as a result of their unemployment and underemployment; and the social and economic implications of classification based on unemployment for Hispanics; and, finally, the need for a broader employment portrait of Hispanics and its specific uses.

(3) The third and final point involves our recommendations to this Commission for appropriate action by both the Department of Labor and Congress to ensure that employment statistics for Hispanics are improved and expanded to the proper degree.

In reference to my first point, the failure of the appropriate governmental agencies to develop employment statistics for Hispanics that are comprehensive, current, reliable and in a form that can be understood by community leaders and community clients has resulted in a great human tragedy for the Hispanic community. The fact is current statistics on unemployment, as well as on employment and underemployment, are needed by business, labor, Congress, federal agencies, state and local governments, universities, and the general public as essential tools in the design of their products, and for research, planning and economic forecasting. These statistics for Hispanics are woefully inadequate. The obvious significance of this state of affairs, then, is that the Hispanic community is either not being included or is sorely underrepresented in the planning process for every facet of American society. These points have been well documented in a study published just last month (May 1978) by the United States Commission on Civil Rights, "Improving Hispanic Unemployment Data: The Department of Labor's Continuing Obligation."

My second point relates to the need for more comprehensive statistics on Hispanic employment and the specific forms which are most needed. First of all, current data on a monthly basis relating to unemployment is most basically needed, as well as an employment profile of Hispanics. The seriousness of this problem is underscored by the Census Bureau's recognition of the Hispanic undercount in the 1970 census and more recent surveys. Again, this is a critical policy concern, given the fact that population statistics are being increasingly used on both the federal and state levels to allocate money to community and social programs.

These statistics are absolutely necessary to establish and define the needs of the Hispanic community. In addition to the capacity to formulate and readily disseminate more precise unemployment data for Hispanics, there is a concomitant need to develop refined statistics on the specific effects of unemployment, specifically the hardships that are caused by unemployment, such as increased problems with health, motivation, family structure, and the danger of deportation.

We simply do not have reliable statistics which track the Hispanic employment rate according to industry, job level, and educational and experiential requirements for various structural categories of employment. If these kinds of statistics were available, then it would be possible to compare across racial and ethnic lines for various categories of employment--unskilled, skilled pre-professional, and professional. With this type of data it would be possible to diagnose the progress, or lack of progress, by Hispanics vis a vis other groups, in terms of specific categories of jobs, broken down by industry, and the requirements for those positions.

On a similar vein, we also need statistics and measuring instruments designed to provide data on the effects of underemployment on Hispanics. The fact is we simply do not know what the underemployment picture is for Hispanics. This is an extremely crucial point, since Hispanics, like other minority groups, cannot afford to undertake rigorous educational and vocational training programs if the job rewards are not commensurate with the results that have been obtained by the majority Anglo-Saxon groups. These statistics will therefore enable policymakers to develop more precise legislative and administrative remedies so that Hispanics, with a given level of education and experience, are provided with the same level of income and job opportunities as their majority-group counterparts.

Finally, there is a blank as far as an economic profile of Hispanics is concerned, which means that we have woefully inadequate or virtually nonexistent data on Hispanic businesses, Hispanic consumers, or Hispanic markets. As a consequence, it is exceedingly difficult for policymakers to institute programs that will assist Hispanics to become full-time partners in the American economic community. In addition, without a Hispanic demographic profile, the private sector cannot possibly relate to the special needs of Hispanics as a consuming market.

Within the framework of the needs I have described, I have specific suggestions to make with regard to the work of this Commission: The first course of action needed is the reorganization of the substantial resources of the Department of Labor and its related

agency, the Census Bureau, to ensure that the concerns I have outlined for you are in fact addressed.

By conservative estimates, the Hispanic population of this country is 5 percent of the total population. We recommend, based on this figure, that at least 5 percent of the resources of these governmental agencies be used to improve the enumeration techniques, reliability, currency, comprehensibility, and availability of statistics on employment and unemployment of Hispanics. Most definitely such a program should include a much more serious effort to recruit, train and employ Hispanics by providing professional career tracks for them within these agencies, until the 5 percent parity figure is reached.

The second recommendation concerns the uses of the new Hispanic data I have outlined in this presentation for both governmental agencies and Hispanic community organizations. This new data must be formatted in such a way as to assist those bodies to measure the immediate employment effects of large-scale, federally-funded manpower programs of the Hispanic community, as well as the long-range implications of such programs.

The final point I have to explain is the need for urgency. The measures necessary to improve statistics on Hispanics should be taken as soon as possible. The time factor involved between the development of employment measurement devices, the collection of data and, finally, its dissemination is considerable. The Hispanic community cannot even afford the delay inherent in the preparation of statistics, let alone the time which could be lost to a slow decisionmaking process and lack of commitment on the part of the Department of Labor and the Bureau of the Census.

Thank you.

CHAIRMAN LEVITAN: Thank you. Mr. Popkin?

MR. POPKIN: I'll make this very short.

Dr. Marengo, I have one request, which I've asked everybody, and then I'll ask a question. That is, I would like MALDEF to send to us a note specifically suggesting what questions you think, if asked, would sort out the language, color and origin issue for the category you wish to define as Hispanic. We've had lots of testimony about either overestimating or under-

estimating because of the way you ask a question. We need to literally decide on the exact question to be asked if we're going to decide on the basis of some question. Should we say to people, "Are you Hispanic?" Should we say, "Where are you from?" Should we say, "What color do you consider yourself?" I'd like you not to answer that now, but I think that's the guts of a lot of this problem. Is it going to be by language, origin--I mean, I do think people are missed. I'm familiar with this from other kinds of surveys where you lose a lot of people in Texas if you have country of origin; if you ask language of them you miss people. If you want data, I'd like you to address it.

The other half of the question is--this is now a question, not a request--as a representative of MALDEF, does the fact that you didn't mention Central Americans and Puerto Ricans mean that you'll settle for one category called Hispanic, or brown, which represents everybody together? We've had requests that you should have Puerto Ricans separate, Cubans separate, Central Americans. Will you settle for one category?

DR. MARENCO: We're interested in people of Spanish-speaking origin, and if that can be broken down into various categories, then we'll take that, too.

MR. POPKIN: But, for most purposes, is it adequate if Hispanic remains as one category?

DR. MARENCO: With the conditions I've given you.

MS. WILLS: You mentioned current, you're saying monthly. I think you were here this morning when we were kind of groping. Do you really mean monthly data? Would your needs be better served if you had richer data and more detailed data, but published less frequently, with an increase in the survey so that you would be able to reach more people and find out more things? Because I think we are going to have to come down to some tradeoff questions later on.

For example, what would you do if you had totally reliable data on Hispanics on a monthly basis? How would that affect, or how do you perceive that would affect, policies, program policies, program priorities,

as opposed to having it on a quarterly basis, or even an annualized basis?

DR. MARENCO: Well, as far as the tradeoff, if you're saying that before we can provide data on a basis that is as current as a monthly basis, that we must have research methodology for collecting the data, and a richness of data as a condition of making it current, then what I'm saying is that we want data on Hispanics, in terms of the dialogue I had with Mr. Popkin, that is on a par with that richness of the data and the currency of the data that is provided for other groups.

MS. WILLIS: Well, I understand that. We've had talk about the discouraged worker. We don't have very good statistics for anybody on either underemployment or discouraged workers. We have not really been able to reach some kind of national consensus on what we call the underemployed. So, assuming that we are successful in one of our many missions of this Commission to come up with some recommendations on what we're going to do about, let's say, discouraged workers, it's becoming at least fairly obvious to me that we will not have, or will not be able to finance on a monthly basis with a national population survey, that kind of data. So, one option becomes, you can begin to talk about what kind of data you need on a census basis, 10-year census basis, five-year census basis, one year, a richer survey, and then let the needs of the macro-economic data users at the national level have their monthly data. That's being simplistic, but I'm one of the more simple-minded Commissioners.

Does that make some sense to you?

DR. MARENCO: Well, of course, I understand the object of your question, but being a director of a policy studies department that's focused on Hispanics, I can tell you that there are studies that relate to the problems of our Hispanic community, whichever way you want to define Hispanic, that are so critical that for me to talk to you about what the tradeoff is and where to cut it is almost impossible, as far as the specific areas of problems that we're concerned with.

In the first place, questions about what is a Hispanic and how they are to be enumerated, and knowing that as tenuous as the lines may be and complicated and confounding between different kinds of data and methods of enumeration, and social programs at the state and federal level and how those are decided, yet it's quite clear that the data on Hispanics is inadequate. And we're--in addition, we're also concerned with educational problems and programs, voting rights area, and related areas. They're all linked, and they all require--not data, Mr. Popkin--the data themselves do not make the decisions, and I'm very clear on that. But, when the data base is quite incomplete, it's very difficult for us to make progress in the Hispanic community in these critical areas.

MS. WILLS: In the latter part of your testimony you were really referencing things that are more familiar to me in terms of EEOC, and equal opportunity issues. We have had testimony from EEOC, and I'm curious to know have you done any thinking about how you can take EEOC data and the kind of data demands that you have for EEOC issues, and perhaps begin to combine them administratively? They have a lot of information, but we haven't done very well, I don't think, to begin to match it with data collected from BLS. Do you think that can be done? If you haven't thought about it, you can just say, "I haven't thought about it."

DR. MARENCO: Well, we have done some work in that area, with EEOC, as to whether it can be matched or not. I really don't know.

MR. POPKIN: I have been concerned, and I'm sure you have, about the fact that since CPS is weighted to the census, any undercount in the census is repeated every month on CPS. Are you satisfied with the efforts the Census Bureau is making to eliminate the undercount?

DR. MARENCO: Well, I'm very glad you asked the question, Mr. Popkin. No, we really are not. We're pressing very, very hard on this specific question with

studies, with every line of influence that we have, to bring this critical problem to the attention of the Census Bureau.

CHAIRMAN LEVITAN: What is the Census not doing that you want them to do?

DR. MARENCO: Well, the same question Mr. Popkin asked me about, which is the question of the enumeration of Hispanics, and we know, because they have admitted undercounting Hispanics---

CHAIRMAN LEVITAN: I'm not talking about the past census. The Census people tell me that they are making every effort--and they are responsive to MALDEF and other organizations--that they are trying to correct that deficiency. I'm asking, have you made any specific recommendations to the Census that they are ignoring?

DR. MARENCO: Yes.

CHAIRMAN LEVITAN: The 1980 census?

DR. MARENCO: Yes, and that is that a Spanish-speaking origin question be placed on the 100 percent form.

MS. WILLIS: And what is their reason for rejecting the recommendation?

DR. MARENCO: It hasn't been rejected. I understand that it's under consideration, but we want to be absolutely sure that that will be the focus of attention and it will continue.

MR. POPKIN: You know, we would certainly look long and hard at any suggestions you had for alleviating the impact of the undercount of the CPS.

CHAIRMAN LEVITAN: Thank you very much. If you have anything specific in response to the questions that you were asked, we would appreciate getting it into the record.

Thank you very much, Dr. Marenco.

Our next advisor is Ms. Cris Heaton, Department of Agricultural Economics, University of California at Davis.

Ms. Heaton, you have a very long statement.

STATEMENT OF CRIS HEATON,
DEPARTMENT OF AGRICULTURAL ECONOMICS,
UNIVERSITY OF CALIFORNIA AT DAVIS

MS. HEATON: Recent labor force expansions and persisting high unemployment rates have focused attention on the growing importance of women in the nation's labor supply. Since 1950, the labor force participation rate of females has risen from 33.9 to 49.2 percent. During the same period the proportion of males 16 and older in the labor force declined. When coupled with population increases this rapid growth in female labor force participation resulted in a near doubling of the female labor force during the third quarter of this century. Today, women comprise over 40 percent of the civilian labor force.

This aggregate trend toward rising female labor force participation masks variations in the labor force behavior of women living in different residential sectors. Although nonmetro and rural women have traditionally performed less market work than their urban counterparts, both the metro-nonmetro and the metro-rural gaps in female labor force participation rates are narrowing. 1/ Between 1960 and 1970, the labor force participation rate of nonmetro females rose substantially more, in both absolute and percentage terms, than that of urban women. Furthermore, with the exception of females living in the most rural areas, there was a positive correlation between the degree of rurality and the size of the participation rate increase. More recent figures, though less detailed, appear to confirm these sectoral differences.

Coinciding with the most recent expansions in the labor force participation of nonmetro and rural females is an unusual shift in the distribution and flow of the national population. After remaining at a level of approximately 53 million persons for half a century (i.e., 1920-1970) population growth in nonmetropolitan counties between 1970 and 1976 increased both the

number and the percentage of people living in counties with populations of less than 50,000. Today, over 67 million persons, nearly one in three Americans, have nonmetro residences.

Given these three factors (i.e., (1) the growing importance of women in the labor force; (2) the rising labor force participation rates of rural and other nonmetro females; and (3) the renewed population growth in these areas) it is apparent that the potential exists for a significant expansion of the female labor force in rural and other nonmetro areas in the next decade. Hence, an understanding of the dynamics of rural female labor force behavior is essential for comprehending current and future rural labor market developments and for designing effective policies to deal with continuing rural labor market problems. Highlighting the need for such comprehension is the growing pressure to alleviate rural poverty and unemployment problems by increasing government expenditures on employment and training programs.

Key Policy Issues

Most research questions related to rural and other nonmetro women pertain to one of three main policy issues:

- (1) the nature and objectives of our national employment and training policies;
- (2) the impact of various social programs; and/or
- (3) the impact of labor legislation.

A major concern, related to the first issue listed above, is whether special programs should be developed to deal with the poverty and unemployment problems of rural women, or whether current programs are equally effective in meeting the needs of both urban and rural females. ^{2/} A discussion of the effectiveness of current employment and training programs in meeting rural needs can be found elsewhere (Martin, 1978; Martin and Heaton, 1978) so I will not pursue the point in depth at this time. However, to a large extent the answer to the above question depends on two factors: (1) whether the needs of rural and urban women are the same, and (2) whether the labor force behavior of rural and urban women responds in the same way to the same factors.

An example of specific questions which must be answered before the above issue can be settled are:

(1) Does the labor force behavior of urban and rural women react differently to changes in local employment indicators? There is some evidence to suggest that the added worker effect is predominant among rural women, whereas urban women are more likely to be discouraged (Brown and O'Leary, 1977). If so, national programs designed to reduce aggregate unemployment in urban areas may induce offsetting changes in male and female participation and unemployment in rural areas.

(2) Are the low levels of rural and nonmetro female labor force participation, relative to metro women, due primarily to differences in supply or demand characteristics? The answer to this question is of utmost importance since different policies are necessary to cope with supply and demand deficiencies. For example, investments in human capital (e.g., formal education, on-the-job training) and public services (e.g., job placement, improved transportation, child care facilities) are generally thought to be effective in dealing with supply factors, whereas structural intervention (e.g., subsidies, taxes, regulations) may be warranted to correct demand problems.

A critical matter which falls under the second policy issue listed above concerns the effect of various welfare proposals on rural areas and whether, or how, they will differ from that in urban areas. A research question directly related to this matter is whether the absolute and/or relative strengths of the income and substitution effects vary between metro and nonmetro women. Evidence of significant differences in the response of the two groups to changes in wage and income levels would indicate the possibility of substantial area variation in the effects of various welfare reform (as well as other public assistance) programs, especially the negative income tax.

With respect to the third policy issue, rural women have traditionally been less attached to the labor force in the sense that, percentagewise, they hold more part-time and seasonal jobs. Hence, labor legislation, such as minimum wage laws which raise per worker costs, would be expected to have a greater impact on rural, than on urban, females. On the other

hand, to the extent that rural women are employed in industries not covered by such legislation, they will be less affected than their urban counterparts.

Why Aren't There Any Answers?

If one concedes that the above policy issues are of substantial importance, then the question arises as to why so little is known about the determinants of rural female labor force behavior. The answer is two-fold. There has been a lack of interest and a lack of data.

The problems and processes of rural America have long been neglected by labor economists, especially those interested in female labor force behavior. Agricultural economists, on the other hand, have confined their research largely to the farm sector. Thus, although there exists a substantial body of literature on the determinants of female labor force behavior, few studies included rural or other nonmetro females.

I suspect, however, that the primary reason for this neglect is due to the absence of an acceptable data set to serve as a basis for empirical investigations. Theoretical models of labor force behavior have become increasingly complicated in recent years and as Dooley (1977) puts it, most of these complex models, with their interrelated decisions, "exceed the capacity" of all existing sets of data. Nevertheless, certain types of data are more suitable than others and observations on certain variables are more informative than others. Consequently, at this point I wish to outline some of the advantages and disadvantages associated with different types of data sets and to note some of the most important information needed when studying labor force behavior. This will set the stage for the discussion of the sources of data on rural and other nonmetro women which follows.

Advantages and Disadvantages Associated with Different Types of Data When Researching Labor Force Behavior

Every set of data relating to female, or male, labor force behavior can be classified according to both the level of aggregation (i.e., individual or grouped--e.g., state, county, SMSA, etc.), and the

time span during which the information was gathered (i.e., cross-sectional or longitudinal). The advantages and disadvantages of each type of data have been debated at length. The major points of each argument are listed in Tables 1 and 2. 3/

It appears that the predictive value of a cross-sectional study depends upon the degree to which the cross-section reflects the life-cycle profile. If cohort profiles are changing rapidly, as appears to be the case, it is impossible to infer anything regarding the effect of changes over time. The usefulness of grouped data depends on the degree to which the aggregate measures reflect long-run phenomena. In summary, I think there is little doubt that in most circumstances individual, longitudinal data are most desirable since grouped and/or cross-sectional observations can always be obtained from these.

Types of Information Which are Most Needed when Studying Female Labor Force Behavior 4/

To a large extent the particular variable which an individual researcher considers important depends on the problem which she/he is studying at that time. Hence, my comments are undoubtedly biased by my own interest in the study of rural female labor force participation. Nevertheless, I feel that they apply equally to those interested in all types of labor force dynamics.

As I see it, there are six types of information which are of greatest use to those studying female (rural or otherwise) labor force behavior. These concern (1) the allocation of time; (2) sources of income; (3) constraints or restrictions; (4) intentions; (5) previous experience; and (6) characteristics of the local labor market.

Detailed information on the allocation of time during the day, week, and year is especially important. Mincer (1962) noted that a female's participation and labor supply decision really involved a choice between three alternative uses of time--leisure, market work, and nonmarket work. This viewpoint was formalized by Becker (1965) in his household theory of production. More recently, Seater (1977) has added search as a fourth alternative. The point is that once there are

Table 1. Cross-sectional versus Longitudinal Data

Advantages

1. Can obtain a larger sample size for less money.
2. Can control for historically conditioned factors such as:
 - a. price changes over time
 - b. technological changes
 - c. historical experience
3. Tastes probably vary only slightly across areas in comparison to their variation over time

Disadvantages

1. Interpretation of parameters measured from cross-sectional data is unclear due to:
 - a. a correlation between preference and certain dependent variables; 1/ and,
 - b. difficulties in distinguishing transitory from permanent variations in dependent variables. 2/
 - c. certain "independent" variables are really endogenous (e.g., wages, asset levels, etc.).
2. Labor force status is measured at a single moment in time so seasonal variations are ignored.
3. The timing of a response to a change must be overlooked, therefore, cross-sectional tests are apt to overstate or understate the sensitivity of labor force behavior to most changes.
4. Leads to a selection bias because the probability of being observed in a particular labor force status is proportional to the length of time in that status.

1/ As Greenberg and Kusters put it; cross-sectional data measures "differences in the dependent variable (e.g., labor force participation) of individuals with different levels of each independent variable are measured and it is assumed that the

Table 1 (continued)

systematic relationship between the dependent variables and the difference in a particular independent variable can be used to infer the response of a typical worker faced with changes in the independent variable similar to the differences observed." (Greenberg and Kusters, 1970). However, this assumption is valid only if the values of the independent variable are distributed independently of preferences. Such does not appear to be the case (see Greenberg and Kusters, 1970).

2/ Heckman (1977) casts grave doubt on the validity of using cross-sectional estimates of participation parameters as estimates of life-cycle labor supply. Schultz (1974) argues that "cross-sectional information from age-specific groups is no longer a satisfactory data base for estimating life-cycle behavior" since one is trying to get too much information from too little data.

Table 2. Individual versus Grouped Data

Advantages

1. Does not ignore variations in underlying coefficients.
2. The underlying theory is based on individual behavior and averages mean little to the non-average individual. a/

Disadvantages

1. Grouped data is less noisy, so it is easier to see when the regression misses. Measurement error and omitted variable bias should be less of a problem.
2. Aggregate data are more likely to reflect long run phenomena (i.e., community averages can serve as good proxies for long run or permanent levels of the relevant variables).

a/ Ashenfelter and Heckman (1974) note that unless labor force behavior parameters differ among households and their deviations from mean values are distributed independently of the explanatory variables, the parameters estimated from a grouped regression will not satisfy the underlying micro theory.

more than two uses of time, labor supply cannot be viewed as the reciprocal of the demand for leisure. All uses of time should be considered simultaneously. Furthermore, Hanoch (1976) noted that hours per day and weeks per year are not alternative measures of the same time allocation decision (since the two types of leisure are not perfect substitutes). This implies that one should have estimates of both hours and weeks for each major use of time (i.e., "leisure," nonmarket work, market work, job search, formal education, on-the-job or other training). This distinction is especially important for rural farm women who are more likely to work as unpaid laborers.

Information on the sources (rather than the absolute amount) of income is particularly important, because one of the greatest difficulties in labor supply analysis is accounting for the dependency between hours worked and various types of income (e.g., wages due to progressive income taxes, public assistance payments). If such factors are not properly considered, wage effects tend to be underestimated and income effects overestimated.

Whenever restrictions are effective, theoretical and empirical models based on marginal analysis cannot be adequately tested. Hence, it is important to know when individuals feel they are restrained from achieving the optimal allocation of their time. A prime example of such a constraint would be minimum or maximum hour per day or days per week requirement.

Ideally one would like to know whether a female who is not currently working intends to seek a job or one who is currently working intends to change jobs. One would also like to know under what conditions (e.g., wage, hours, availability of services such as childcare facilities and public transportation) she would consider accepting employment. Admittedly, answers to such questions are highly speculative, but they would at least serve as rough indicators of potential labor supply. Estimates of the reservation wage would help settle the question of whether those women who work value their time more or less than those who don't. This type of information could also be used in conjunction with that on time allocations to estimate hidden unemployment. Information on childcare and

transportation needs could indicate which types of government intervention are likely to be most (and least) effective in promoting female labor force behavior. Such information would be of great use in formulating rural development plans. Fertility intentions are also of great import in explaining labor force participation.

As noted earlier, longitudinal data is most desirable; however, in the absence of such measures one would at least like to know the pattern and extent of previous job search and work experience. The need for such data is highlighted by recent research (Heckman and Willis, 1977; Heckman, 1977) indicating that women who work in period $t-1$ are more likely to work in period t . Empirical models which cannot account for such dependencies will overestimate the degree of labor force turnover.

Finally, because desired and actual labor force status do not always coincide, it is important to know the characteristics of the local labor market (e.g., number and type of industries, level of unemployment) in order to judge the relative importance of supply and demand factors in determining actual outcomes.

Having outlined the types of data and information which are of greatest use in studying female labor force behavior I now turn to a discussion of the sources of employment and unemployment statistics pertaining to rural and other nonmetro women. The adequacy of these data sets will be evaluated against the criteria outlined above.

Sources of Employment and Unemployment Statistics Pertaining to Rural and Other Nonmetro Females

There are six principal sources of data on the rural and nonmetro female labor force: (1) the Census of the Population; (2) the Current Population Survey; (3) the Continuous Work History Sample; (4) the University of Michigan Panel Study of Income Dynamics; (5) the National Longitudinal Survey; and (6) the Rural Negative Income Tax Experiment.

1. CENSUS OF THE POPULATION. The national Census of the Population is conducted every ten years by the Bureau of the Census, U.S. Department of Commerce. Out

of the six data sets, this one contains the largest number of records. Information on rural and other non-metro females is available in both individual and aggregate form. Individual and household data can be obtained from either the State or the Neighborhood Characteristics Public Use Samples.

Grouped data from the 1970 (and to a smaller extent the 1960) Census have been compiled by Brown, Hines, and Zimmer (1975) of the Economic Development Division in the U.S. Department of Agriculture. Employment and earnings data were aggregated to the county level and then the 3,097 counties were arrayed on a ten-way rural-urban spectrum. Counties can also be identified by state and census region. A separate tape for nonwhite groups is available.

The major weaknesses of the census data (most of which are not unique to the study of rural females) are:

1. It is too infrequent (although a five year census is scheduled to begin in 1985);
2. Little information is provided on actual time allocations and the time dimensions of labor supply are not consistent; 5/
3. Hourly wages must be calculated using noncomparable data (i.e., annual earnings and weeks from the previous year, hours from the current year);
4. The count is made in April, introducing substantial seasonal bias, especially in rural areas; and
5. No information on intentions, restrictions, and in some cases area labor markets is provided.

The major advantage of census data is the large number of records which allow a relatively detailed residential breakdown. This is particularly appealing since nonmetro and rural areas tend to be heterogeneous.

2. CURRENT POPULATION SURVEY. The Current Population Survey, administered monthly by the Census Bureau for the Department of Labor, has recently been expanded from 47,000 to 56,000 households and is scheduled to be enlarged to 110,000 by 1980. Much of the data collected by the CPS would be useful to those interested in the dynamics of rural female labor force behavior, especially that on work experience and employment intentions. Unfortunately, with the exception of

aggregate statistics on labor force status, this information is not available by residential category. Even the aggregate figures are only broken down into metro and nonmetro categories.

3. CONTINUOUS WORK HISTORY SAMPLE. The Continuous Work History Sample (CWHS) is a "sample of workers' earnings records from employers' quarterly reports to the Social Security Administration." ^{6/} Data are available from the Bureau of Economic Analysis, U.S. Department of Commerce on an annual basis from 1957 forward with approximately a two and one-half year lag. Because records are coded by social security number it is possible to compile a work history for an individual by linking observations. There are seven different types of files available.

The major disadvantage of the CWHS is that the records are taken at the place of employment. Unless these data can be combined with a residential identification, females who live in rural and other nonmetro areas, but work in metro areas are indistinguishable from those who live in metro areas. An additional drawback is that only persons working in jobs covered by social security are counted (in contrast to the Census). Also, few demographic variables are provided.

The advantage of the CWHS is that observations are available over time, but given the problem of residential identification noted above, this data set is not particularly useful for studying the dynamics of rural female labor force behavior.

4. THE MICHIGAN PANEL STUDY OF INCOME DYNAMICS. The Michigan Panel study is a ten-year longitudinal study which began in 1968 as an offshoot of the 1966 and 1967 Survey of Economic Opportunity. It was administered by the Institute for Social Research at the University of Michigan. The data available from this study are extremely detailed in comparison with the three previous data sets. The Michigan data set is unique because it contains information on time spent in nonmarket activities.

The data can be classified into residential categories in one of two ways. County and state of residence are indicated for each family in each year. This information could be used in conjunction with the Brown et al. county classification schemes. Secondly, information is provided on the size of the largest city in the sampling unit.

The major drawback of the Michigan data is that the family was used as the main unit of observation. Hence, data on single females is sorely lacking.

5. THE NATIONAL LONGITUDINAL SURVEY. The National Longitudinal Survey which began in 1968 is a ten-year longitudinal study of the educational and labor market experience of four population groups. Two of the groups were female, the younger cohort was aged 14-24 when the study began, while the older cohort was aged 30-44. The NLS data are similar to the Michigan data in the wealth of detail provided and unlike the Michigan data are not biased toward married females.

Regrettably, detailed residential information is provided only in the initial year of the survey. Beyond that year one cannot tell if a respondent lives in a rural or nonrural area. One solution would be to confine the study to nonmovers, but in view of the initial sample size the number of observations is likely to be quite small.

6. THE RURAL NEGATIVE INCOME TAX DATA. An experimental negative income tax program was administered by the Department of Health, Education, and Welfare in rural counties of North Carolina and Iowa during the three-year period from 1970 to 1972. ^{7/} Married females (both farm and nonfarm wives), as well as female family heads were included. Interviews were conducted quarterly and a data listing is available from the Institute for Research on Poverty at the University of Wisconsin.

I have not personally seen a complete data listing and therefore am unfamiliar with the range of information available, although earnings and industry data were obtained. Aside from this, however, there are two major disadvantages with this data set. First, the number of observations is quite low. Any division into age cohorts to account for life-cycle influences would be impossible. Secondly, comparable data are not available for metro and other nonmetro areas, so that policy implications are limited.

So What Can We Conclude About the Adequacy of Employment and Unemployment Statistics Pertaining to Rural and Other Nonmetro Females?

It should be evident from the above discussion that, relative to metro women, (1) there are fewer

sources of data on the labor force behavior of rural and other nonmetro females, and (2) the sources which do exist are frequently less satisfactory because of the special characteristics of the rural female labor force (e.g., higher percentages of seasonal workers and fewer jobs covered by unemployment insurance or social security). Why are rural female labor force participation rates lower than those of urban women? Do we need a diversified national employment and training policy with special programs tailored to meet the needs of rural areas? Will various welfare reform proposals have differential impacts on rural and urban areas? Can rural poverty be alleviated by encouraging the labor force participation of rural women? If so, to what extent and how can this best be accomplished?

As yet we do not know the answers to most of these questions and until a greater effort is made to collect data which at least equals the caliber of that available for urban areas and rural areas, it is doubtful that more than speculative answers will be forthcoming.

I would like to close with a brief word about the importance of linking data on employment and training efforts in local areas, rural or otherwise, with statistics on employment and unemployment. Models of labor force dynamics can be used as guides in formulating public policy, but they will be most effective if the loop can be closed by examining the consequences of such programs on a continuing basis. Ideally, information on other assistance programs (e.g., welfare, food stamps, etc.) should also be included, so that offsetting effects can be identified and eliminated.

Footnotes

1. Much discussion has centered on the appropriate definition of rurality (Sinclair and Manderscheid, 1974; Babin and Field, 1977). Throughout this paper the term "rural" will refer to a county with no town whose population exceeds 2,500. The term "nonmetro" refers to counties with at least one town whose population exceeds 50,000. "Metro areas" are counties with at least one town whose population exceeds 50,000.

2. I make this point without raising the question of whether current programs actually meet the needs of urban females. The issues are distinct, though related.
3. The advantages of cross-sectional (individual) data should be interpreted as the disadvantages of longitudinal (aggregate) data so they are listed but once.
4. The following list is in addition to the usual age, race, number of children, education, marital status, etc., variables.
5. This raises the problem of the "typical week" since if hours for the week preceding the census week are not typical and weeks for the previous year are not typical, multiplying the two to get annual hours will compound the error. Furthermore, unless an individual worked in both years, observations on each variable will not be available.
6. U.S. Bureau of Economic Analysis (1976), p. 1.
7. Rural, as used here, refers to counties with no town with a population over 3,000 and at some distance (25-50 miles) from a larger town.

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CHAIRMAN LEVITAN: Ms. Heaton, you're the first one today who is not asking for more data, and saying you'll live with what's available.

Well, I suppose this dissertation must be reminding you of your past. Do you have any questions?

MR. CAIN: I'm not quite clear, based on your testimony and given the fact that I didn't have a chance to read what's in front of me, whether the purposes that you're addressing with regard to data, are mainly research purposes, or more directly policy. And policy of what level, national versus local?

MS. HEATON: It is sort of a process of elimination, you might say. In a way, the data dictated what my research question was going to be, in that I would prefer to look at specific policy questions of specific programs in rural areas, as opposed to, say, urban areas. However, that type of detailed data is very difficult to get without either conducting a survey, which costs money and is also very time consuming considering that one is a student and would like to complete one's work. So, basically, it is more of a general, say, research investigation to identify whether supply concerns or demand concerns as a general policy recommendation, whether for, say, economic development in rural areas or increasing female labor force participation. And one of the rationales for this has been that one means of alleviating poverty in rural areas is to have two breadwinners in a household. So, having more women work would be something that might be desirable. So, if a rural area--well, if a national manpower policy is to be instituted, should it be something that is across the board the same for rural and urban areas, or are there special characteristics, say, of rural and nonmetro females? And the same could be said for males that would, say, dictate special considerations or certain types of policy orientation. Like I'm speaking of the mobility assistance as opposed to rural areas, and it's sort of at a general level to try and identify the factors that seem to be most important in promoting rural female or female labor force participation in nonmetro areas as opposed to urban areas, and then tying in just at a general level, suggestions for manpower or employment areas that come out of that.

MR. CAIN: I think a lot of the questions you raised regarding sources of income, whether or not a person is searching for a job, searching for a full-time job or part-time job, or, for those people who are working part-time, whether or not they wanted to work full-time, about job search during the past--I think really all those questions are now available, aren't they, on the CPS? And so is your complaint ---

MR. POPKIN: But not for a five-year period.

MR. CAIN: I didn't mention a five-year period; job search behavior during last year, and last year with respect to whether or not you were unemployed, how many weeks, and how it relates to income. I mean, that would be available from the March survey.

MS. HEATON: The CPS, as far as I could ascertain, at least what I was told when I called, was that it was available in aggregate, just metro and nonmetro basis, and that I couldn't get individual data. It specifically wouldn't be broken down into, say, rural areas as opposed to other nonmetro areas, which is sort of a large gap.

MR. CAIN: Well, I don't believe that's right. I think the March survey is available to academic users, to any users, and it's not that expensive. And given that this is the individual data and you do have the possibility of breaking it down to levels much below the aggregate. On the other hand, I think there is a very pervasive problem with the CPS in that you cannot do much with it for small geographic areas. I mean, I think that's an inherent characteristic of a sample size that's roughly 100,000 or so. Once you get below the 20 largest SMSAs or something like that, you're out of luck. So, that really then wouldn't put rural areas at any more disadvantage than just small town urban areas.

I guess I can remain a little bit puzzled as to what--if you were asking for a body of data that would permit you to look at specific geographic areas to try to say something about supply and demand considerations and markets, I think that's probably asking too much.

And if it's just at a level of rural farm and rural nonfarm and so on, with a regional break, I think then at that level there are data. I'm not sure whether or not it is adequate. That, I suppose, would depend on the particular research questions you were posing and the policy you were trying to address. So, I do remain a little bit fuzzy as to just how to take your criticisms and so on, for our purposes.

MS. HEATON: I guess it was maybe along the same lines as the previous gentleman who spoke, that the same data that is available, say, for metro females is not always available for rural or other nonmetro females, and it seems that you could easily put in an indicator as to residence and solve the problem.

MR. CAIN: Well, there would be, I suppose, confidentiality issues.

MS. HEATON: Right, I realize that, but possibly just doing metro and nonmetro and then into regional, breakdown something along those lines, for people who are interested in regional questions. The other thing that comes along which is the problem of the heterogeneity in rural areas. That's something that you're never going to be able to solve, even with as fine a detail as you wanted to get. There's always going to be some rural areas or small towns that have 2,500 people which are booming and others that are stagnating. It goes along with an Hispanic indicator, too. An indicator like that doesn't tell the whole story. I don't think there's any way around that problem.

CHAIRMAN LEVITAN: Well, I'm afraid we're not going to solve your problem. You'll have to get it on your own.

Thank you very much, Ms. Heaton.

MS. HEATON: Thank you.

CHAIRMAN LEVITAN: We'll now turn to the final advisor for the day, who has had a great deal of experience in this business, Dr. Margaret Gordon. We're delighted that you could come to share your

thoughts with us, and as I understand it, Dr. Gordon, the major concern that you're going to advise us about is state and local data. It keeps on bothering us all the time.

STATEMENT OF MARGARET S. GORDON,
ASSOCIATE DIRECTOR, CARNEGIE
COMMISSION ON HIGHER EDUCATION

DR. GORDON: I'm very pleased to be here, and I'm going to read my statement. I don't normally do that, but it's not very long, and because it's concerned with rather technical matters to some degree, I think it would be better to read it.

CHAIRMAN LEVITAN: You have all the time, Dr. Gordon.

DR. GORDON: Mr. Chairman and members of the Commission:

It is a pleasure to present my views on needed improvements in our employment and unemployment statistics. As an aging economist, I have been interested in unemployment statistics ever since the 1930s and have been an intensive user of labor force and unemployment statistics off and on for the last three decades.

State and Area Estimates

It seems to me that the most critical need for improved data relates to estimates of state and area unemployment rates. Not only is the allocation of federal funds for a number of purposes, including the CETA program, partially determined by relative unemployment rates in states and areas, but our understanding of dynamic changes occurring in the economy would be greatly improved if we had more reliable ongoing statistics about relative changes in unemployment rates in states and areas. Underlying the development of improved unemployment estimates is the development of more reliable estimates of changes in the size and composition of the labor force in individual states and areas. I am sure that a number of witnesses have already stressed this need in appearing before the Commission, but I repeat it, not merely because of its

importance, but also because some of my own past research has shed light on forces influencing changing patterns of migration, which are a major factor in determining changes in the size and composition of the labor force in states and areas.

If unemployment rates in different states and areas bore a constant relationship to each other, the need for improved ongoing state and area estimates would be far less acute; one could simply develop estimates based on patterns revealed by decennial censuses. But constancy and stability are not at all the rule; in fact, some of the changes, even over the course of a single year, can be quite startling, and changes over several years even more so.

In 1970, for example, the areas with the highest unemployment rates (ranging upward from 8.0 percent) were Fresno, San Diego, and Stockton in California; Waterbury, Connecticut; Flint, Michigan; Lansing-East Lansing, Michigan; and Wichita, Kansas. In 1975, the areas with the highest unemployment rates (ranging upward from 13.0 percent) were Fall River, Lawrence-Haverhill, and New Bedford in Massachusetts; Muskegon, Michigan; and Buffalo, New York. Only Flint, Michigan, with a rate of 15.3 percent, appeared in this list of particularly depressed areas in both 1970 and 1975. Similar changes appeared in the list of areas with especially low unemployment rates in both years. I have long been convinced that these changing patterns reflect the changing fortunes of particular industry groups resulting from changing patterns of consumer and government spending and also, on the side of labor supply, from changing patterns of in- and out-migration.

To illustrate this point in a slightly different way, drawn from my current work on the problems of youth, in 1976, among the 30 largest metropolitan areas, the unemployment rate of nonwhite youth aged 16 to 19 ranged from a high of 55.4 percent in Buffalo to a low of 13.6 percent in Minneapolis-St. Paul. In a search for explanations of these variations, we found, in a multivariate regression analysis, a highly significant relationship between the nonwhite teenage unemployment rate and the percentage of nonwhites in the population of the area in 1970. This suggests that a heavy concentration of nonwhites in the population

has an adverse effect on employment opportunities of nonwhite teenagers. A significant relationship was also found with the overall unemployment rate in the area in 1976, which is also hardly surprising. Moreover, just as the pattern of variations in overall area unemployment rates can change markedly over time, so, also, can the related pattern of variation in nonwhite teenage unemployment rates. When we tested the rank correlations between nonwhite teenage unemployment rates in the 30 metropolitan areas in 1970 and 1976, we found no significant correlation.

My work on the relationship between in-migration to California and economic developments in the state has long led me to be skeptical of the contention, which crops up from time to time, that California has a chronically high unemployment rate. If one takes a longer historical view, one finds that the unemployment rate in California has been comparatively low in periods of rapid growth of the state's economy and comparatively high when the rate of growth slackened off, as it did when federal government expenditures on the aerospace industries began to sag in the first half of the 1960s. ^{1/} Moreover, net in-migration to the state

1. See M.S. Gordon, Employment Expansion and Population Growth: The California Experience, 1900-1950, Berkeley and Los Angeles: University of California Press, 1954; and M.S. Gordon, "Employment and Unemployment in California," paper prepared for the Governor's Conference on Employment, Monterey, California, September 30 to October 3, 1965, Berkeley: Institute of Industrial Relations, University of California (duplicated).

has increased sharply when employment conditions were particularly favorable and has slacked off, or even become negative, when employment became sluggish. But the adjustment is by no means perfect, and a slackening in the rate of employment growth tends to lead to a surplus of recent in-migrants who do not choose to go back to wherever they came from, so that California has experienced long periods when the unemployment rate in the state has exceeded that in the nation. Similar relationships can, I believe, be found in other states that have historically experienced heavy in-migration.

These shifts in patterns of migration greatly complicate estimates of labor force growth and make it extremely difficult to develop reliable projections of, for example, the size of the college-age population in a given state. Planners at the University of California had to revise their estimates of future enrollment growth sharply downward after net in-migration to the state fell off in the mid-1960s.

I am well aware of the fact that increasing the size of the household sample used in the Current Population Survey sufficiently to bring about a pronounced improvement in the reliability of state and area estimates would be extremely costly, but I have a suggestion to make that might make it possible to develop reliable estimates for a larger number of areas without inordinately increased cost. Would it not be possible to oversample selected areas on a rotating basis monthly throughout the year, without increasing the total size of the household sample much beyond the increase that is contemplated at the present time? This would make possible, not only improved overall area labor force and employment estimates, but also, if the oversampling were particularly pronounced for inner city areas, where minority group unemployment is especially severe, would give us greatly improved statistics on comparative employment conditions in these areas.

Even this approach, admittedly, would by no means solve all of the problems. Improved labor force and unemployment data for the San Francisco-Oakland Metropolitan Area, for example, would not tell us much about the nonwhite unemployment rate in, for example, my own city of Berkeley, which is a CETA prime sponsor. This leads me to an issue in which I have long been interested--the possibility of eventually having a

complete population census every five years instead of every ten years. I recognize that, in these days immediately following the landslide vote for the Jarvis-Gann initiative--which I strongly opposed--it may seem hopeless to contemplate the cost to the federal government of going over to a quinquennial census, but in the longer run conditions may well change, given a reasonably satisfactory rate of economic growth and success in achieving a moderate rate of inflation.

The Treatment of Students

One of the factors accounting, though in a modest way, for the fact that the unemployment rate in the United States tends to be considerably higher than in other industrial countries is the inclusion of full-time students seeking part-time work in our labor force and unemployment data. Full-time students are not considered part of the labor force in a number of countries of Western Europe and, in addition, are much less likely to seek part-time employment in most of these countries than they are in either the United States or Canada.

Some labor force analysts believe that full-time students should be excluded from our labor force and unemployment data, on the grounds that they tend to have a weak attachment to the labor force, are not usually heads of families, and that most student unemployment simply represents a lag between time of entry into the labor force to seek a part-time job and obtaining such a job. As the background paper on Employment and Unemployment Issues prepared by the BLS for the Commission points out, elimination from the data of students in the part-time labor force would have reduced the overall unemployment rate in either 1974 or 1975 by 0.6 percentage points, a significant reduction. On the other hand, as the same report points out, eliminating full-time students might seem to be justified during the academic year, but not during the summer, when most of them are not enrolled and when many of them are seeking full-time jobs that are vitally important in their efforts to finance their education. And yet, including students in the summer but not in the academic year would greatly complicate the problem of seasonal adjustment and would also impair the historical continuity of our labor force and unemployment statistics.

I believe that the solution to this problem is to publish regularly an unemployment rate that includes students--this would be the official rate as it is now--and an unemployment rate that excludes them. This would require the addition to the monthly questionnaire of a question relating to whether or not an individual was enrolled full-time in a school or other educational institution, rather than merely asking a question about school enrollment in October. For practical purposes, it would seem important to add this question on a monthly basis only for persons aged 16 to 24. I make this suggestion, not primarily because I regard it as important to have a monthly measure of how much difference the inclusion of full-time students makes in the unemployment rate, but rather because, for purposes of much analysis of the youth unemployment problem, it would be desirable for students to be eliminated from the data. As matters stand now, only a limited number of tabulations are regularly published revealing differences in labor force participation and unemployment rates of students and nonstudents. And yet, in tables relating to duration of unemployment of young people, for example, it would be very desirable to be able to distinguish between students and nonstudents, because the question in which one is likely to be particularly interested is the incidence of long-term unemployment among high school dropouts or recent high school graduates who are not enrolled in college.

Estimating the Number of Disadvantaged Youth

This brings me to a related problem in which I am very much interested, and that is how to estimate, among the 3 million or so unemployed persons aged 16 to 24, the percentage whose unemployment should be a matter of serious concern, requiring the provision of manpower services such as vocational training, subsidized private employment, or public service employment. In its 1976 annual report, the National Commission for Manpower Policy published an estimate that there were about 400,000 young people in serious need of intensive manpower services, and a substantial additional number who could benefit from such services. Given the inadequacies of existing statistics for the purpose, however, the criteria used by the Commission were somewhat arbitrary, and the Commission was not fully satisfied with the estimate.

One of the difficulties involved in identifying disadvantaged youth is not only the problem of distinguishing between students and nonstudents, to which I have already referred, but also the contention of dual labor market analysts--for which I believe that there is much supporting evidence--that many of the jobs obtained by disadvantaged, and especially minority group, youth are low-paid, casual or intermittent, and in other ways undesirable. Employers, often in marginal firms, have little interest in improving working conditions or stability on these jobs, and young people are often not greatly motivated to stay on the job very long. The result is that data on the duration of youth unemployment are of only limited value in identifying disadvantaged youth, because for many young people it is not so much a question of long-term unemployment as of unstable employment in a series of short-term and often dead-end jobs.

Labor market analysts recognize that access to more adequate longitudinal data would be of great value in relation to this problem. There are also, I believe, ways in which the annual work experience survey could be made more useful for this purpose. For example, one of the tables regularly published in this survey (Table B-2 in Work Experience of the Population in 1976) provides data on duration of full-time or part-time employment for young people aged 16 to 21 by race, sex, and whether or not enrolled in school at the time of the survey (March 1977). However, the results are somewhat clouded by the fact that some of those not enrolled in school in March 1977 may have been in school for part of the preceding year, and this may have accounted for their record of less than a full year of employment. This problem could be overcome by including a question--again only for young people--about when they left school.

I am also, in this context, impressed by the fact that our data could be more enlightening if more varied cross-tabulations were used from time to time rather than a standard format of tabulations for each publication. As an illustration of this, in the Canadian report prepared for the OECD Conference on Youth Unemployment that was held in December 1977, it was revealed that, although young people reentering the labor force were unemployed, on the average, for a

shorter period of time than unemployed persons in general, the duration of unemployment for young persons entering the labor force for the first time tended to be longer than that of all unemployed. I may have missed something, but I have not seen in any of our labor force publications a table that distinguishes between youthful entrants and reentrants in this way.

Disaggregating the Goal of Full Employment

In conclusion, I should like to refer to a suggestion that was made on a number of occasions by my late husband, who, as members of this Commission are probably aware, was chairman of the Committee to Appraise Employment and Unemployment Statistics during the Kennedy Administration. In the concluding section of a report that he prepared for the National Commission on Manpower Policy, published at just about the time of his death in April of this year, he expressed this suggestion, as follows:

This writer has long emphasized the need for a disaggregated approach in formulating the goal of full employment. Setting up a single figure for the national unemployment rate should be the last, not the first and only, step in establishing a full-employment target. Our detailed review of past and prospective changes in unemployment rates along the various dimensions of the labor force provide a strong argument for adopting this disaggregated approach.

Of course, monetary and fiscal policy must be adequately expansive, subject to the constraint of holding down the rate of inflation to a tolerable figure. But the more successful we are in reducing the differentially high unemployment rates for particular sectors of the labor force--whether these high rates be for youth, minority groups, women, or particular geographical areas--the more expansive can monetary-fiscal policy be without running the risk of accelerating the rate of inflation. 2/

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2. R.A. Gordon, The Need to Disaggregate the Full Employment Goal, a Special Report of the National Commission for Manpower Policy, Special Report No. 17, Washington, D.C., 1978, pp. 104-105.

CHAIRMAN LEVITAN: Dr. Gordon, if I may just add a personal note, Dr. Robert Gordon was extremely helpful to our Commission in starting our work, reviewing our work. Although he was slightly ill at that time, he came down several times to our office and helped us out. As I believe I wrote to you, the profession suffered a great loss and the Commission suffered really as near a terrible loss that we are not going to be able to fill.

DR. GORDON: Well, I know that it gave him a great deal of satisfaction to be able to help you, and the fact that he was able to go to Washington during the last six months of his life was a great source of satisfaction to him, because he'd been in and out of the hospital a great deal.

CHAIRMAN LEVITAN: Those visits were extremely helpful to the Commission, and we owe him a great debt.

MR. POPKIN: I was there at several meetings and he was very helpful in focusing properly.

CHAIRMAN LEVITAN: Excuse me for getting so formal all of a sudden.

MR. CAIN: It sounded very appropriate.

On some of the specific recommendations you suggested, I'd like to get a little more detail about them.

DR. GORDON: Don't expect me to develop a sample design for you.

CHAIRMAN LEVITAN: That's one question I'm not going to ask, Dr. Gordon.

DR. GORDON: I'm a user of statistics and I know what is necessary to know about the theory of sampling and so on, but if you were to ask me how large a sample we would have to have in a given metropolitan area, I wouldn't be able to answer that kind of question.

MR. CAIN: I think they are conceptual. On the exit interviews that you spoke of, do I understand that you would apply these to graduates as well as dropouts 16 years old?

DR. GORDON: Oh, yes, dropouts and graduates.

MR. CAIN: There is, I suppose, a practical question as to the mechanism for assuring followups. I mean, how ---

DR. GORDON: Well, I suppose the penetration of the British Public Employment Service is somewhat greater than ours. With ours it is a problem, because as we all know a lot of young people, and older people, too, don't go near the public employment service when they're looking for jobs. But, I think that if we were to develop a special force within the public employment service that was located within the schools, that was particularly concerned with the schools, ways and means could be developed of following young people for a couple of years after they leave school. I think this is terribly important, because anybody who's worked with the problem of youth unemployment knows that the problem is most severe for high school dropouts, particularly in the ghetto areas of our large cities, and the high schools are doing a very poor job there, for a complex set of reasons.

The more I work with the problem of youth unemployment, the more I see it as a problem in which we have to relate more closely than we have tended to in the United States, what goes on in the schools with what happens to a young person after he leaves school and enters the labor market.

MR. CAIN: You look upon those interviews as basically information gathering rather than the delivery of services, or were you thinking of perhaps ---

DR. GORDON: In the British practice, as I understand it, they are designed to provide some counseling and guidance with respect to future careers and opportunities in the labor market.

Now, the Swedes also--I happen to have just finished editing a very interesting book in which we arranged for essays on the problems of youth in a number of industrial countries--the Swedes have a far more extensive and adequate counseling and guidance service starting at quite an early stage in the schools than we tend to have. This is not directly, of course, a problem of employment and unemployment statistics, but there is a relationship which I think is important.

MR. CAIN: To your knowledge, have we tried this in any of the various states, communities?

DR. GORDON: Well, there has been a growth of placement services in schools. The National Center for Educational Statistics published the results of a survey not very long ago, which indicated that about 44 percent of secondary schools had some type of placement service, but it's my impression that it's very limited, a very limited staff, and so forth.

MR. CAIN: There's also probably another characteristic of the United States relative to those countries you mentioned, England and Sweden in particular, and I think it may also reflect kind of a general issue in how we gather in-school, out-of-school information, and that is, isn't it true that our youth between 16 and 24 are probably more fluid over several years of time with respect to going in and out of schools?

DR. GORDON: Oh, I think so, certainly. And the community college system encourages that kind of thing.

MR. CAIN: I'm not sure what the implication of that is. I suppose it may mean that there would need to be more emphasis on some past year's experience or something like that, which I think you did mention, commenting on March 1977 itself, or March of any particular year, being inadequate to get accurate figures.

DR. GORDON: I've been wrestling with the problem, because I would like to try to do more adequately what the National Commission for Manpower Policy was trying to do when it developed its estimate of 400,000 in

serious need of manpower services. So, I started looking at the tables in the work experience survey, thinking that these tables relate not just to a single spell of unemployment but how much unemployment a person experienced over the course of the year. But then you look at these and you realize that for those who perhaps worked only 16 weeks during the year, this may not be a very meaningful statistic, because a person might have left school last June, and there would have been three months in the previous year in which the person was full-time in school, for example. So, I am simply pleading for some attention by the Commission to this problem of distinguishing more clearly in all of our statistics. We do, of course, in the October survey.

MR. CAIN: I think the March survey, in asking about last year's experience, does distinguish between weeks not in the labor force relative to weeks in the labor force, both employed and unemployed, and so I guess the question would be whether or not for youth those weeks not in the labor force there's a very clear measure of how many weeks in school.

DR. GORDON: They may not be in the labor force because of being enrolled full-time in school or for other reasons.

MR. CAIN: Of course, yes, that's the prime question.

DR. GORDON: I'm not sure that I have--I may have missed something. I haven't gone through every conceivable table that's ever been published as yet.

MR. CAIN: Some things are available, but not published in tables, too.

DR. GORDON: But, I'm simply emphasizing the point that in trying to identify who are the really disadvantaged youth our statistics are somewhat difficult to work with because of the fact that so many of the tables that are published include both students and nonstudents, and what you really want to know most is what's happening to the nonstudents.

MR. CAIN: I have no further questions, but I was only going to say that all of us up here, as you've expressed, have a debt of gratitude to Professor Robert Gordon, but I'm one of the few perhaps who has a debt to Professor Margaret Gordon, as well, since 20-some years ago she was the Acting Director---

DR. GORDON: The brightest student out of Lake Forest College in 1954, or whatever it was.

MR. CAIN: Well, it's more my experience at Berkeley that I was going to refer to.

DR. GORDON: But, when I went over your records when you were applying for a research assistantship at the Institute, there were letters that said you were the brightest student out of Lake Forest College.

MR. CAIN: Well, I'm not supposed to know about those.

CHAIRMAN LEVITAN: Now it can be told.

MR. POPKIN: That was 20 years ago.

CHAIRMAN LEVITAN: I was wondering, Dr. Gordon, how we can go about defining the universe of need of the disadvantaged youngsters. Obviously, it would depend upon the definition. For example, you rejected one definition, weeks of unemployment.

DR. GORDON: No, I haven't rejected it.

CHAIRMAN LEVITAN: I thought ---

DR. GORDON: No, what I'm saying is that--first of all, it's not that easy to get a good measure of weeks of unemployment from nonstudents. But, what I'm also saying is that duration of unemployment might be a way of distinguishing one group of the disadvantaged. But, there's another group of disadvantaged who may not experience long-term unemployment, may be in and out of quite poor and dead-end jobs which don't hold out any promise of promotional opportunities, occupational

advancement, and so on; the people that have been identified in the research of the dual labor market theorists. So, I think we have to look at both of those groups, as well as, of course, those who have left the labor force because they are discouraged.

Now, the National Commission on Manpower Policy set up one group of people that had been unemployed 15 weeks or longer, as I recall, and identified several of the groups as belonging to the disadvantaged group. But, it's very difficult from our existing statistics to identify this other group who are in and out of jobs.

CHAIRMAN LEVITAN: What I was going to lead up to is the last conversation I had with Robert Aaron Gordon. It was about counting the 16- and 17-year-olds. As you may recall, his recommendation in the 1962 report, in the Gordon Committee report, was to count 14- and 15-year-olds separately.

DR. GORDON: Yes, I know. Since then they have not been included in the usual BLS statistics.

CHAIRMAN LEVITAN: And Gordon's idea actually threw them out completely. Although they still count them, they don't count them as part of the labor force. And I was asking Aaron at that time why would he object to doing the same now with the 16- and 17-year-olds, since 90 percent of them, as you well know, are in school. He opposed that. You are opposing that now, too?

DR. GORDON: I am opposing it, yes, because I think that around age 16 is the time when we begin to have a fairly significant dropout problem. And these young people are in the labor force looking for permanent jobs, not for just a source of pocket money while they are in school.

Now, I do think--I know that Aaron said in this last monograph that we might consider eliminating 16- to 17-year-olds who were in school from the labor force statistics. My own preference would be simply for publishing more data that would eliminate students, and if necessary add in a question here or there, as I

think you would have to do in the monthly labor force survey, about whether the person was a full-time student or not.

MR. CAIN: That gets beyond 16- to 17-year-olds; that would move up to 24.

DR. GORDON: Oh, yes, well sure. But, I would say that for many purposes we would like to have tabulations that relate to the 16 to 24 population, and with whatever breakdown the sample can stand, that relate to nonstudents in that population. And as matters stand, most of our tabulations, of course, throw students and nonstudents together.

CHAIRMAN LEVITAN: By the way, Dr. Kerr wrote to us and he made the same suggestion, independently.

DR. GORDON: Not entirely independently.

CHAIRMAN LEVITAN: Maybe you wrote it.

DR. GORDON: Well, he and I conferred on what was said in that.

CHAIRMAN LEVITAN: I thought it sounded very similar.

Ms. Wills?

MS. WILLS: I guess maybe just to pick up on this--you're making a recommendation--an adjusted labor force rate that would account for those full-time students and part-time students be published?

DR. GORDON: I wouldn't eliminate the part-time students. I don't think I would.

MS. WILLS: You would keep those in?

DR. GORDON: Part-time students tend to be employed, and tend to be dependent on their employment. I think it's the full-time students that we would like to eliminate. And I don't mean for all purposes, or even for the official unemployment rate, but just so

that we would be in a position to develop more tabulations that relate to nonstudents, that is to those who are not full-time students. And it's not because I'd like to see the youth unemployment rate drop down, just as a statistical maneuver, but I do think it would help to clarify the situation if the public realized that the effect is only six-tenths of a percentage point.

MR. CAIN: Actually, I think that the problem might be made more dramatic in the sense that, I think it's true that the unemployment rates for the out-of-school youth are actually lower.

DR. GORDON: No.

MR. CAIN: They are higher for the out-of-school youth than for the in-school youth?

DR. GORDON: I have developed charts for each sex separately, for 16 to 17, 18 to 19, and 20 to 24 year olds, and they fluctuated in much the same manner except that as I recall for the 16- to 17-year-old males the unemployment rates of nonstudents are higher than those for students.

MR. CAIN: Yes, that was my point.

DR. GORDON: But, for all practical purposes, you can say that roughly unemployment rates of students and nonstudents are pretty similar. So, you see, eliminating the students would not reduce the youth unemployment rate, because the rates of nonstudents and students are so similar. It would reduce the overall unemployment rate by eliminating a group with a comparatively high unemployment rate.

MR. CAIN: But it would make the 16- to 19-year-old rate higher, as I understand you, for 16- to 19-year-olds the unemployment of ---

DR. GORDON: Of the nonstudents.

MR. CAIN: Is higher?

DR. GORDON: Slightly higher. But, if you break it down more finely by age groups, the differences are not very pronounced, except for the 16- to 17-year-olds, as I recall.

MS. WILLS: Well, going back to the last page of the document, when you are referencing your husband's statement about the need to publish a variety of statistics.

DR. GORDON: Of course, he was speaking not just in terms of what statistics we publish there. He was talking about policies, too.

MS. WILLS: That's what I'm going to lead up to.

DR. GORDON: Yes, policies directed toward particular groups in the labor force.

MS. WILLS: Well, let me start by saying I guess one of the things that I was fascinated with was a recommendation for publication of, in essence, an adjusted labor force rate, one dealing with the issues of youth 16 to 24.

DR. GORDON: An adjusted unemployment rate is really what I think he said.

MS. WILLS: Right, and other kinds, I am sure in many of the things we have been talking about in this Commission might also be considered as factors that we would want to consider in that adjusted labor force rate.

The thing you also talked about--some of the struggles that the National Manpower Commission had in trying to identify who should be receiving our funds.

DR. GORDON: Well, it's not only who should be receiving our funds, but how do we determine the scope, as in a way the Youth Employment and Demonstration Projects Act of 1977 attempted to do.

MS. WILLS: Nixon attempted it, right?

DR. GORDON: Yes.

MS. WILLS: The question, I guess, really is, what do you think about the issue of a hardship index as one of the means and one of the mechanisms?

DR. GORDON: I think--yes, I think it's a promising way. What you're talking about is some measure that would take account of the low income of the individual as well as labor force status, and changing labor force status. Yes, I think that is clearly a part of it.

CHAIRMAN LEVITAN: As a commercial for that, I would remind you that Aaron endorsed it in his last piece that he wrote for the Commission.

DR. GORDON: Yes.

MS. WILLS: That was my only question.

CHAIRMAN LEVITAN: Sam?

MR. POPKIN: One very quick one. What about a notion I asked some other people about--almost like full-time equivalents, counting people looking for half-time work as half-unemployed, counting people with half a job as half a worker, and looking at the labor force in terms of full-time equivalents? It's a little academic sounding, I know, but in the sense that then if a person is looking for 14 hours a week while they are in school, you count them as a fraction unemployed; a person looking for a full-time job you count as a full unemployed, and then we have less problem of what to do with people looking for small amounts of work but who desperately, perhaps, need that work.

DR. GORDON: Well, I think that's a possibility. That's a little bit what Sar Levitan and Robert Taggart were trying to get at, isn't it?

CHAIRMAN LEVITAN: Thank you very much, Dr. Gordon. We appreciate your coming.

I said this morning that if there were any people who are not officially on the agenda, but have anything to say, now this is the time.

(No response.)

CHAIRMAN LEVITAN: If nobody wants to say anything, then we'll adjourn this hearing to meet again three weeks from today in Atlanta, Georgia.

(Whereupon, at 3:55 p.m., the meeting was adjourned to Atlanta, Georgia.)

APPENDIX A

Additional Submission by
Eunice Elton, Director
Mayor's Office of Employment and Training
City and County of San Francisco

(490)

City and County of San Francisco
Mayor's Office of Employment and Training
1453 Mission Street
San Francisco, California 94103

July 25, 1978

Dr. Sar A. Levitan, Chairman
National Commission on Employment
and Unemployment Statistics
2000 K Street, N.W.
Suite 550
Washington, D.C. 20006

Dear Sar:

Thank you for providing us the opportunity to address the Commission on June 20th and for your July 6th letter reminding us of some additional information which we had promised you at that time. Please excuse our delay in providing you that information but, for reasons I think that you would understand, we have been diverted by a great many other matters most recently.

As I recall there were basically two general issues around which you had asked us to provide you with additional information. The first, and that requiring the shortest statement, was the issue concerning the minimum periodicity of BLS data with which we felt we could live for purposes of planning CETA programs. At the June 20th hearing, I think that I indicated that we hoped that the periodicity of data would be more frequent than once a year. After the hearing you asked my assistant, Raymond R. Holland, to substantiate the reasons why only annually-produced data would not be sufficient.

Briefly, we are concerned that we not lose the monthly (or at least quarterly) variations in overall employment and unemployment data in the local area. While we, in San Francisco, are not as unduly concerned about these seasonal variations as others in some other local areas might be, they are still important in our minds if, for nothing else, to correlate with past data. In

addition, however, such more-frequent-than-annual data would be useful not only for correlative seasonality analyses but also for measuring the impact of events (e.g., implementation of Proposition 13) which are not directly related to normal seasonal fluctuations in local labor markets.

This does not mean, however, that we feel we need more detailed data on a periodic basis which is more frequent than once a year. We simply feel that we should maintain our capabilities to both correlate our future data with past data and to assess both seasonal and one-time-only major fluctuations. For these two purposes, we feel that only overall local employment and unemployment data would suffice, perhaps no more frequently than quarterly, without the other kinds of detail we feel we need, at least annually, for CETA program planning. This detail for which only annual data would suffice would include the sex, race, ethnic, etc. characteristics of both the overall employment and unemployment data and these overall data broken-down into geographic areas which are smaller than the SMSA and, perhaps, the boundaries of major cities.

I hope that this both clarifies and substantiates the issue of the frequency of BLS data we think that we need to adequately plan CETA programs. The second issue about which you requested of us additional information was what we would suggest in measuring the differing effects that BLS data have on the various race and ethnic groups in our society, both locally and nationally. You asked for the specific language we would suggest using in census data upon which BLS data could then be based and estimated.

The major problems we have with the race and ethnic characteristics presently used in census data are that they are too limited and, as presently defined, they overlap and are, therefore, inaccurate. For example "Black" and "White" are clearly pure-racial terms; "Other" and, all of its existing subcategories, may be either a pure-racial or combined racial-ethnic term with the exception only of "Spanish American" which is generally assumed to be a purely-ethnic term. Census

data tables (and, therefore, BLS data tables) always show "Black," "Whites," and "Others" as being components of a combined one hundred percent of the persons counted and, yet, we think it can be clearly shown that this count consists of "apples" and "oranges" not simply one or the other regardless of relative size (or color). "Spanish American" is the only separately-iterated, double-count of those components among the one hundred percent of persons counted.

Our suggestion is that both purely-racial and purely-ethnic characteristics be used for all persons counted, not just those who are counted as "Spanish Americans." This would be more consistent with the clear distinction made in related litigation between "race" and "national origin" (or, similarly, "ethnicity") and it would treat everyone who is counted in exactly the same manner. It would result in two complete one hundred percent counts--one of all racial characteristics and one of all ethnic characteristics--where there is now something like one one hundred and fourteen percent count (including the estimated fourteen percent, nationally, who are "Spanish Americans" and who are double-counted).

Secondly, we suggest that once all racial and all ethnic terms have been clearly defined (see below) that everyone counted be asked to identify for him or herself his or her proper racial and ethnic characteristics. Both characteristics, we feel, are more subjective than objective in nature; generally persons --even trained census takers--are unqualified to assess such characteristics to others and to allow such institutional characterization of others would only result in institutional racism and ethno-centrism. Much, if not most, of the present race/ethnic data in the federal census is now collected by self-identification; we suggest that if all be collected in this manner as a rigid rule.

If all persons counted are to be given the opportunity to self-identify, then they must be given a realistic set of options in both categories (i.e., both racially and ethnically) within each of which each of them can

confidently identify with one, and only one, characteristic.

For the racial characteristics we suggest that the following six broad categories should cover everyone in the United States:

- Black
- Brown
- Red
- Yellow
- White
- Other

The total of all counts in the six categories should total one hundred percent of all persons counted.

For the ethnic characteristics we suggest the following seven broad categories and/or thirty-one or more specific subcategories should cover everyone in the United States:

BROAD CATEGORIES

African

Asian

SPECIFIC SUBCATEGORIES

Other (specify) _____

Burmese

Cambodian (Khyner)

Chinese

East Indian

Iranian

Israeli

Korean

Laotian

Lebanese

Malayasian

Pakistani

Saudi

Thai

Vietnamese

Other (specify) _____

Australian	Other (specify) _____
European	Other (specify) _____
North American	Alaskan Native Canadian Native American Indian Native Hawaiian Other (specify) _____
Carribean, Central or South American	Brazilian Chicano, Mexican, Mexican American Puerto Rican Other (specify) _____
Other (specify)	Filipino Japanese Indonesian Sri Lankan Other Pacifican (specify) Other - Mixed (specify) _____

The total of all counts in the seven categories or in all subcategories should total one hundred percent of all persons counted.

For both the racial and the ethnic characteristics, the categories and subcategories are listed alphabetically by intention. Definitions for each of the racial and ethnic categories are separately enclosed with this letter.

For the ethnic characteristics, the list of subcategories can obviously be expanded or contracted. We have shown here what we think, from our somewhat provincial viewpoint out west here, would be most pertinent groups nationally to be separately interated. Obviously, others would want to see the list specifically expanded or specifically contracted; so long as the seven broad categories and the last (i.e., "Other-Mixed (specify)") subcategory are listed, we think that

this would be sufficient. The importance the last subcategory (and, perhaps, each of the other six "Other" subcategories) would be to begin examining if there is any validity whatsoever to the old "melting-pot theory"; at present there is absolutely no manner of assessing the validity of that theory.

We have been using such a dual-characteristic, self-identification system in our San Francisco CETA programs for four years now. It has proved to be surprisingly easy to administer and the results of the data collected in this manner have proved substantially and significantly different from the results we estimate would occur had we used any one of the six or seven different schemes (including the census) currently used by the Federal Government.

We hope that this information is helpful to you and should you have any questions or should you need any additional information, please contact either Raymond Holland or me. We have discussed both of these proposals in writing with the National Commissioners of both the Bureaus of Census and of Labor Statistics. We have yet to receive substantive reactions from either party.

Sincerely,

(Signed)

Eunice Elton
Director

EE/RRH/to

cc: Raymond R. Holland
Roberta Doyle

Attachment

SUPPLEMENTARY ENCLOSURE
TO E. ELTON JULY 25TH LETTER
TO S. LEVITAN

ABBREVIATED GLOSSARY OF TERMS

- I. RACIAL GROUP: Terms defining predominant groups of colloquial, physical characteristics of persons in the United States. These are terms relative to how people tend to look, physically, to others and the major determinant is how those appearances are characterized with respect to skin color. As differentiations of human skin colors are, at best, inexact (i.e., varying from a dark to a light brown, pink or a combination of the two) each individual person is requested to choose that skin color which he or she thinks best characterizes his or her physical appearance to others.
- A. BLACK: Term by which an individual person states best describes his or her skin color.
- B. BROWN: Term by which an individual person states best describes his or her skin color.
- C. RED: Term by which an individual person states best describes his or her skin color.

- D. WHITE: Term by which an individual person states best describes his or her skin color.
- E. YELLOW: Term by which an individual person states best describes his or her skin color.
- II. ETHNIC GROUP: Terms defining various predominant social groups in the United States within which individual persons are requested to classify themselves. The terms do not involve any consideration for skin color or racial group. Rather, the terms are classifications of groups of persons who have retained certain customs, language, cultural patterns, or social views that are distinguishable from those of other groups in U.S. society. These are characteristics related to how people tend to act, live, and think as opposed to how people tend to look, physically, with respect to others.
- A. AFRICAN: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to an area on the African continent. This does not include the separate island-nation of Madagascar which is classified under "Other (Ethnic Group)."

1. OTHER
(SPECIFY):

Specify those nations or tribal groups (or combinations thereof) on the African Continent with which the individual person identifies.

B. ASIAN:

Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to an area on the Asian Continent (i.e., east of the Ural Mountains, east of the Black Sea and of the Straits of Bosphorus, and east of the Suez Canal). This term does not include either "Filipino," "Japanese," "Indonesian," or "Taiwanese," all of which are classified under "Other (Ethnic Group)."

1. BURMESE:

Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of Burma.

2. CAMBODIAN (KHYMER):

Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of Cambodia.

3. CHINESE: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of China, or the colonies of Hong Kong or Macao.
4. EAST INDIAN: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of India.
5. IRANIAN (PERSIAN): Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of Iran.
6. ISRAELI: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of Israel.
7. KOREAN: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of Korea.

8. LAOTIAN: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of Laos.
9. LEBANESE: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of Lebanon.
10. MALAYSIAN: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of Malaysia.
11. PAKISTANI: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of Pakistan.
12. SAUDI: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of Saudi Arabia.

13. THAI: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of Thailand.
14. VIETNAMESE: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of Vietnam (North and South).
15. OTHER (SPECIFY): Specify those nations or countries (or combinations thereof), not listed above, on the Asian Continent (i.e., east of the Ural Mountains, east of the Black Sea and of the Straits of Bosphorus, and east of the Suez Canal) with regard to which an individual person identifies his or her ethnic, geographical, or cultural heritage.
- C. AUSTRALIAN: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to an area on the Australian Continent.

D. EUROPEAN:

Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to an area on the European Continent (i.e., west of the Ural Mountains, the Black Sea and the Straits of Bosphorus) including the British Isles, Iceland, and the Azores.

1. OTHER
(SPECIFY):

Specify those nations (or combinations thereof) on the European Continent with which the individual person identifies.

E. NORTH AMERICAN:

Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to an area on the North American Continent (i.e., north of the U.S.-Mexican Border including the Islands of Hawaii).

1. ALASKAN NATIVE:

Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the Alaskan Peninsula (e.g, Aleut, Eskimo, etc.).

2. CANADIAN: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to either the English or the French-speaking parts of the nation of Canada.
3. NATIVE AMERICAN INDIAN: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to one or more of the Native American Indian tribal nations on the North American Continent (i.e., in Canada or the United States).
4. NATIVE HAWAIIAN: Term by which an individual person identifies his or her cultural heritage to ancestors who were natives of the Islands of Hawaii prior to 1778.
- F. CARIBBEAN, CENTRAL AND SOUTH AMERICAN: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to an area of the Central or South American Continent (i.e., south of the U.S.-Mexican Border) or to one of the Caribbean or Gulf of Mexico Islands.

1. BRAZILIAN: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of Brazil.
 2. CHICANO, MEXICAN, OR MEXICAN AMERICAN Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the country of Mexico.
 3. PUERTO RICAN: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the island-territory of Puerto Rico.
 4. OTHER (SPECIFY): Specify those nations (or combinations thereof) on either the Central or South American Continents (i.e., south of the U.S.-Mexican Border) or on islands in the Caribbean Ocean or the Gulf of Mexico with which an individual person identifies.
- G. OTHER (SPECIFY): Term by which an individual person identifies his or her ethnic, geo-

graphical, or cultural heritage to an area not comprehended within one of the six continents listed previously OR to more than only one of the six continents listed previously.

1. FILIPINO: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the islands-nation of the Philippines.
2. JAPANESE: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the islands-nation of Japan.
3. INDONESIAN: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the islands-nation of Indonesia.
4. SRI LANKAN: Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to the island-nation of Sri Lanka.

5. OTHER PACIFICAN
(SPECIFY):

Term by which an individual person identifies his or her ethnic, geographical, or cultural heritage to an area predominantly in the Pacific Ocean, North and East of Australia, East of Asia, and West of the American Continents (e.g., Fijian, Guamanian, New Zealander, Samoan, Tahitian, Taiwanese, etc.). This term excludes the specific Pacifican categories listed (i.e., Filipino and Japanese).

6. OTHER MIXED
(SPECIFY):

Term by which an individual person specifies his or her ethnic, geographical, or cultural heritage to two or more of the six continental areas listed previously.

APPENDIX B

Additional Submission by
Martin R. Glick, Director
Employment Development Department
State of California Health and Welfare Agency.

(508)

STATE OF CALIFORNIA HEALTH AND WELFARE AGENCY
EMPLOYMENT DEVELOPMENT DEPARTMENT
Sacramento, California 95814

August 11, 1978

Sar A. Levitan, Chairman
National Commission on Employment
and Unemployment Statistics
2000 K Street, N.W., Suite 550
Washington, D.C. 20006

Dear Dr. Levitan:

Thank you for your letter inviting our further response to several of the questions raised at the Commission's recent hearings in San Francisco.

You asked whether we could suggest methods to make better use of administrative data in order to avoid the added cost and inconvenience to the public of a larger household survey.

As I stated in my remarks, we believe that, regardless of the amount of improvement in state's administrative statistics, "Handbook" estimates would never be able to entirely replace CPS measures. The need for a consistent, uniform, unbiased estimating approach for state level estimates appears to be inescapable. Use of administrative data, because of state-to-state differences in Unemployment Insurance laws, reporting procedures, demographic or industrial composition and other factors, may produce estimates that are inconsistent on a state-to-state basis. For this reason, alone, we foresee no possible avoidance of the demand for state CPS measures that are of truly adequate reliability.

We realize that it is unreasonable to think that CPS alone may be able to provide, or even control, monthly estimates for all substate areas. As a result, there is the concomitant need for further improvement in administrative statistics, such as the improvements either completed or, in the case of California, underway through the U.I. Data Base improvement contracts

funded by the Bureau of Labor Statistics. These improvement contracts called for changes which aligned U.I. data more closely with CPS concepts; for example, obtaining unduplicated counts of claimants for the survey week by place of residence, rather than by field office location is an obvious improvement. Likewise, disregarding claimants who had earnings below the states' U.I. "forgiveness" levels is another important alignment with CPS. These improvements need to be accompanied by similar efforts to improve "Handbook" methods for estimating noncovered employment and unemployment. Hopefully, with these types of improvements, "Handbook" methods may become a more reliable means of producing adequate estimates for substate areas.

You also asked whether we could provide explicit suggestions about methods for the area disaggregation of estimates. As I have mentioned, we believe that state level estimates should be based on an expanded CPS, and improved Handbook methods should be used for areas (Standard Metropolitan Statistical Areas and counties) within the state. Disaggregation within a labor market is an issue for which we have no specific solution. We are not aware of any suitable new data set which can be used for this purpose. In some states, I understand that the U.I. claims/population share method has or will soon replace the census share techniques for developing city and other subcounty estimates. Our U.I. reporting system is not designed to produce data at this small geographical level. However, we will be using this new approach to disaggregate individual counties from multi-county SMSA beginning January 1979. As I stated before the Commission, I believe this change should be postponed until it has been thoroughly tested and validated. This, to the best of my knowledge, has not been done.

After 1980, with new information from the Census of Population available at five year intervals, the existing census-share technique may be more acceptable. Until then, there should be an intensive effort, involving the states, to research better methods of measuring employment and unemployment conditions and changes in these conditions in the smaller jurisdic-

tions. This effort would be invaluable during subsequent intercensal periods.

Sincerely,

(Signed)

MARTIN R. GLICK
Director

APPENDIX C

Additional Submission by
Maria B. Cerda, Executive Director
Latino Institute

(512)

LATINO INSTITUTE
55 East Jackson Boulevard
Suite 2150
Chicago, Illinois 60604

July 27, 1978

Sar A. Levitan, Chairman
National Commission on Employment
and Unemployment Statistics
2000 K Street, N.W., Suite 550
Washington, D.C. 20006

Dear Dr. Levitan:

We have just run across your letter of June 29, 1978 with the draft of the testimony given to the National Commission at the hearings in Chicago on June 13. These were misplaced, therefore the reason why we did not respond. My sincere apologies.

In reply to the questions asked, I recommend the following:

1. More thorough and specialized data published twice yearly that takes into consideration the annual employment cycles and how these affect different Latino populations. We recognize that monthly statistical gatherings would be too costly and, therefore, unrealistic to hope for.
2. A broader sampling that the 5% sampling now conducted by the Bureau of the Census. Chicago, being unique in its Latino population distribution, should be studied and sampled separately.
3. Concerning the evidence to support the need to "separate" Puerto Ricans from Mexicans, etc., and for what programs and policies would such a separation be important, I have consulted with Dr. Jose Hernandez, Professor, Department of Sociology, University of Wisconsin at Milwaukee, (whom the National Commission should contact for the kind of specific answers the committee seemed

to wish we could provide, forgetting we aren't experts in the field and therefore, cannot come forth with solutions!)

Dr. Hernandez emphasized that each Latino group is composed of significantly different populations. Lumping all the Spanish speaking under an artificial banner doesn't work and brings forth meaningless statistics that become the basis for sets of conclusions, which in turn become policy determinants. The groups differ greatly in their socio-economic status, for example, which creates vastly different needs, i.e., the highly urban vs. the rural, migratory, non-city needs in the areas of employment, skills, education, and others.

Lastly, concerning the question of what instrument to use to obtain the type of information needed, and what questions should be asked of people to ascertain size or background of groups, Dr. Hernandez recommends the following questions:

Which of the following is your national origin or descent?

Mexican - American
 Chicano
 Puerto Rican
 Cuban
 Central or South American
 Other Spanish (specify)

Again, I regret the circumstances that prevented my early reply to your letter.

Sincerely,

(Signed)

MARIA B. CERDA
 Executive Director

APPENDIX D

**ECONOMIC DISLOCATION:
THE NEED FOR DATA**

**Additional Submission by
Howard Young,
Special Consultant to the President
United Auto Workers**

(515)

ECONOMIC DISLOCATION:
THE NEED FOR DATA

Economic dislocation in the form of plant closings and plant relocations has played havoc with the lives of scores of thousands of workers, their families, and their communities. At a minimum, these workers are entitled to a transition income, a continuation of their health care insurance, and an opportunity to conduct a thorough job search (including relocation allowances) as well as to acquire new skills through training.

Statistical information is necessary to understand the extent of the problem--and thus prod Congress into action, to guide the design of policies and programs, and to facilitate the implementation of those programs.

The operation of the state unemployment insurance programs yields as a byproduct a considerable amount of information on the claimants. In spite of some shortcomings, (not every displaced worker may be eligible for U.C., not everybody files a claim, etc.) there are some advantages to this source, especially their geographical detail and the frequency of reporting. The main drawback is that there are differences in coverage, disqualification provisions, and duration of benefits among states. The information collected varies accordingly; additionally, there are variations in the kinds of information sought.

Claimants for unemployment insurance would become a good source of data on economic dislocation if questions such as the reason for unemployment were asked of each claimant. Tabulations could then be obtained, for example, of the unemployed by reason: plant closing, plant permanently reducing its operations, or plant temporarily reducing its workforce. Cross-classification by industry, previous earnings, geographic and demographic characteristics would be obtainable as well.

If data from the various states are to be merged successfully, uniformity of reporting must be required of all states. A National Commission on Unemployment Compensation is currently in operation to make recommendations to the President and the Congress on the needs of the system. We urge the NCEUS to advise the

U.C. Commission of the need for data pertinent to the study of economic dislocation problems.

On a more modest scale, data could be obtained through a Special Labor Force Survey such as those now conducted for BLS by the Bureau of the Census. The supplementary questions to a monthly Current Population Survey would deal with the job experience of the interviewed workers: e.g., how many times in the last X years did he/she change jobs, what was the reason for the change, did he/she migrate in order to get a new job (if one had been lost), what length spell of unemployment did he/she sustain, etc.

The number of workers affected by a reduction or closing of operations could be obtained through employers' reporting as well. Indeed, the state Employment and Security Commissions have been instructed by the U.S. Employment and Training Administration to fill out Mass Layoff Notification forms for many years. However, there is not legal requirement for the agencies to collect his information, and the results are thus very poor: the overwhelming proportion of layoffs goes unreported. By requiring that plant closing notifications be made in advance, an early warning system--quite widespread in Europe--would be set in place. Apart from any measures that could thus be taken by a public body to exercise control over a plant closing or relocating, notifications would be a source of data showing labor market trends and spotlighting emerging problems in a geographical area and/or a particular industry and occupation.

Uncovering investment and disinvestment patterns by industry and regions is a prerequisite for the preservation of economies which are sound and the restoration of health of those which are weak, and thus for the establishment of successful manpower policies leading to a full employment economy with a minimum of human hardship. In terms of statistical information, the end output would be a matrix representing net changes in employment resulting from plant closings, relocations, and openings by state or region and industry; data on earnings, as well as occupation, hours, race and sex would be important complements.

As an intermediate goal, information on the distribution of employment gains and losses by firm

behavior within regions and industries should be compiled. In all cases when plants--their birth, death, and migration--are the primary observation, collaboration should develop between the proper division in the Department of Commerce and the BLS so that the data satisfy the purposes of both agencies.

○