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PUBLIC HEARINGS BEFORE THE
NATIONAL COMMISSION ON EMPLOYMENT
AND UNEMPLOYMENT STATISTICS

VOLUME 3

Hearings held in Atlanta, Ga., July 11, 1978; Washington, D.C.,
July 26, 1978; and additional statements submitted for
the hearings record

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PREPARED FOR THE USE OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES



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(II)

LETTERS OF TRANSMITTAL

DECEMBER 13, 1978.

To the Members of the Joint Economic Committee:

Transmitted herewith are the transcripts of the final 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.

DECEMBER 6, 1978.

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

DEAR MR. CHAIRMAN: Transmitted herewith are the transcripts of the final 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 feed-

back 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., November 29, 1978.

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

DEAR MR. STARK: This is the final volume of transcripts of the public hearings conducted by the National Commission on Employment and Unemployment Statistics. It contains the record of the hearings held on July 11, 1978, in Atlanta and July 26, 1978, in Washington, D.C., written submissions by persons who could not appear in person to testify, and a representative sample of the correspondence dealing with substantive issues which has been received by the Commission.

In transmitting this final volume, I once again would like to thank the Joint Economic Committee for making possible the widespread distribution of this testimony. The Commission is hopeful that the public response will insure a more thorough and constructive examination of the current system of labor force statistics.

Sincerely,

SAR A. LEVITAN,
Chairman.

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AND UNEMPLOYMENT STATISTICS

(Created pursuant to Sec. 13 of Public Law 444,
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TRANSCRIPT OF PUBLIC HEARINGS

TUESDAY, JULY 11, 1978

NATIONAL COMMISSION ON EMPLOYMENT
AND UNEMPLOYMENT STATISTICS

Washington, D.C.

The Commission met, pursuant to notice, at 9:30 a.m., in room 276, 1375 Peachtree Street, N.E., Atlanta, Georgia, Sar A. Levitan, Chairman, presiding.

Present: Bernard E. Anderson, Jack Carlson, Samuel L. Popkin and Joan L. Wills.

Also present: Marc Rosenblum, staff economist; and Wesley Lacey, administrative officer.

OPENING STATEMENT OF CHAIRMAN LEVITAN

CHAIRMAN LEVITAN: This is the sixth hearing of the National Commission on Employment and Unemployment Statistics. It's a delight to be in Atlanta to hear testimony of the Mayor and many other important citizens from this area of the country. We will open these proceedings as we usually do with a welcome statement from the regional representative of the BLS. Mr. Don Cruse, you will proceed in your own way, please.

STATEMENT OF DONALD CRUSE, REGIONAL COMMISSIONER,
BUREAU OF LABOR STATISTICS,
U.S. DEPARTMENT OF LABOR

MR. CRUSE: Thank you, Mr. Chairman. On behalf of the regional office and the Bureau of Labor Statistics as well as the other departments of Labor agencies in

this region, I'm pleased to welcome you, the other members of the National Commission on Employment and Unemployment Statistics and your staff to this region and to Atlanta.

The Commission has a very important objective in the area of employment and unemployment, having been mandated to study and recommend improvements in the method of measuring this critical economic activity. We are all very much interested in your work since a better set of statistics for this purpose at the national as well as the state and local area levels is one of the things we've all been working toward.

Here in this regional office and among the eight states comprising the Southeastern Region, one of our primary concerns in the last few years has been the day-to-day activities surrounding the local area unemployment statistical program and the distribution of funds that are based on day-to-day arrivals in this program. Recently, however, the Current Population Survey data used for national estimates of employment and unemployment have been mandated for direct use on a monthly basis in one of these states, Florida. And this, too, has caused concern to most of us, especially the people at the Florida Employment Security Agency.

I feel confident this public hearing will assist the Commission in determining the thinking of people in this part of the country about the current employment and unemployment measurements and how they might be improved. A single set of labor force data that would serve as a basis for fair and equitable allocation of funds to state and local areas as well as a reliable source for economic analysis at these levels is one of the things we would like to see resulting from your study.

So, with that, Mr. Chairman I'll close, wishing you and the other members of the Commission every success in your efforts to derive a more precise gauge--a more precise measure for gauging the employment and unemployment in this country. Thank you.

CHAIRMAN LEVITAN: Thank you, Mr. Cruse, on behalf of the Commission. We would like to thank you for extending your southern hospitality which you did so nicely and for arranging for our first witness, the Mayor of this city, the Honorable Maynard Jackson.

Mr. Jackson, I understanding you have a statement. We'll include it in the record and you can proceed in any way you would like.

STATEMENT OF HONORABLE MAYNARD JACKSON, MAYOR,
ATLANTA, GEORGIA

MR. JACKSON: Thank you, Mr. Chairman. My name is Maynard Jackson. I serve as Mayor of the city of Atlanta. On my right is Mr. Aaron Turpeau, who is the Director of the city of Atlanta's Conference of Employment and Training, otherwise called CETA. On my left is Dr. Devon Bent, Special Assistant to my office. Dr. Bent has been specializing in, among other things, the BLS methods of reporting unemployment.

CHAIRMAN LEVITAN: We found that out.

MR. JACKSON: I am pleased to submit for the record, as you've indicated, a copy of my testimony this morning entitled A Measure of Employment Need, a statement by Maynard Jackson, Mayor to the City of Atlanta to the National Commission on Employment and Unemployment Statistics attached to which, Chairman and members of the Commission, is a position paper on the unemployment statistics and lays out the discussions, I think, in some comprehensive detail, we hope adequately to your needs and our concerns.

I welcome Chairperson Sar Levitan and the distinguished members of the National Commission on Employment and Unemployment Statistics. We are gratified that you have chosen Atlanta for the site of a regional hearing and we are pleased that you actively have solicited the testimony of local officials. We are interested vitally in an unemployment statistic which is used for the allocation of \$17 billion per year in federal funds and we have been disappointed that the Federal Bureau of Labor Statistics never has sought our opinion.

I will not attempt to offer the Commission any technical advice; however, I will offer some broad policy directions for your consideration.

First, Mr. Chairman and members of the Commission the allocation of federal employment and training funds to localities, we believe, should be made on the basis of need--the need for jobs and the need for job training. In recent years, we all have become familiar with the concept of structural unemployment. Yet it amazes me that some of us have accepted apparently the co-existence of very low unemployment rates for some favored groups in our society with critical levels of unemployment for others as, simply, a hard fact of modern American life. We don't think that's good enough. In Atlanta's metropolitan area, a 1976 survey conducted by the Institute for Urban Research and Service of Georgia State University revealed an unemployment rate in metropolitan Atlanta of 3.6% for whites in suburban Fulton County. In stark contrast, however, the study showed an unemployment rate for minorities within the City of Atlanta of 12.8%. As you will know, the younger the black the higher the rate of unemployment.

These intolerable disparities in employment opportunities require that we target assistance to the areas of greatest need. Now, we think that's a fairly simple policy that frankly commands our respect. If we continue to pump a disproportionate share of

Federal employment dollars into affluent suburban areas where the unemployment rates are the lowest, not only will we continue to neglect those with the greatest need for assistance, but the misdirection of funds will serve to accelerate the inflationary spiral.

Second, if we are to allocate Federal employment funds on the basis of need, then the present definition of unemployment is inadequate and a new measure of employment need is required. The current unemployment statistics excludes too many residents of the central city who are in critical and chronic need of assistance.

Among these are:

- The full-time worker who does not earn enough to support his or her family but is considered "employed" under the current definition.
- The involuntary part-time worker with a family to support who also is considered "employed."
- The "discouraged worker" who has given up looking for work and yet who is considered neither employed nor unemployed and frankly not ever counted.

All of these are in critical need of assistance. But the current definition of unemployment excludes those groups, thus deceptively reducing the level of unemployment. The lower the level of unemployment statistics, the less money we get to fight the problem. The less money we get to fight the problem, the more critical the need is. The need already is beyond just being critical.

I suggest, respectfully, that we stop arguing about whether these people are employed or unemployed. What is clear is that all are in need of jobs, all are in need of training, and all should be included in the new measure of employment need.

I am concerned for all persons who are without work. However, we suggest that there are some people who, although genuinely unemployed, are in less need of government assistance because of above-minimum income or short-term unemployment. Both Congress and the Executive Branch have recognized this fact and have established priorities for low-income persons and for the long-term, otherwise called hard core, unemployed. A meaningful allocation statistic - the measure of employment need, we suggest, - must heed these priorities.

Third, we suggest that we must have a method of estimating employment need which is not biased against central cities. I will not detail the technical reasons why we feel the proposed methodology of estimating local unemployment - which relies upon unemployment insurance claims - is biased against central cities, unless in response to your questions. Because we submit, for the record, a staff paper, prepared primarily by Dr. Devon Bent with the assistance of Mr. John Gilmore of Atlanta's CETA office, who also is here, by the way, and with the help of Mr. Joe Woodall, which addresses that question and I offer you the following additional evidence. The previously cited study by Georgia State University found an unemployment rate of 10.2% for the City of Atlanta, April through September 1976. Now that period of time this 10.2% rate was slightly higher than our official rate after year-end revision for the same period and should be contrasted with the 8.5% rate that would have resulted from the new proposed claims shares method proposed and partially implemented now by the U.S. Bureau of Labor Statistics. You also should know that the reduced reported unemployment level and rate resulting from the BLS claims shares method unfairly would have cost the City of Atlanta last year \$14 million in Comprehensive Employment and Training Act funds in 1977 alone, and that absolutely is unacceptable.

Moreover, we argue that it is patently impossible to estimate "discouraged workers," those who have been looking so long they simply have thrown their hands up and they've given up. It's impossible to estimate discouraged workers by using unemployment insurance claims. By definition, the discouraged worker no longer goes to file unemployment claims at the employment office. We cannot expect people in employment need to come to us to voluntarily be counted when they have given up hope. We are going to have to find a way to go to them, and this implies the use of survey methodology, corrected for census undercount.

We recognize, of course, that survey data are expensive. However, we are quite willing to give up monthly data. The current monthly data for the City of Atlanta are of limited utility. The definition is not meaningful for our purposes and no one pretends that the estimate is accurate. We are willing to exchange a monthly unemployment statistic that is inaccurate and unreliable for a quarterly statistic that would portray more accurately the nature and extent of employment need in the City of Atlanta. We also should consider the use of public service workers to conduct the survey.

Fourth, we must have increased consultation between the U.S. Bureau of Labor Statistics (BLS) and elected officials on the local level. We recognize that the BLS has a legal and ethical responsibility to develop the best possible methodology. However, we believe that mayors and other elected officials have a positive contribution to make to the development of that methodology. The officials of the BLS should give us ample prior notice of contemplated changes. They should listen to our objections prior to reaching a final decision, and should develop the research that either (1) would allay our fears of anti-urban bias or (2) would suggest an alternative, unbiased methodology.

In closing, Chairman and members of the Commission, I stress the urgency of the task before you. We have discovered, painfully, that chronic long-term unemployment can co-exist with chronic long-term inflation. Local communities have accepted the challenge to join in partnership with the Federal Government to plan and administer employment programs. If these programs are to work, we must have an accurate measure of employment need to allocate the Federal funds and to plan our local programs, and we must have it soon. I am confident, Mr. Chairman that this Commission will act expeditiously to develop its recommendations.

I am not confident, however, that this Commission's recommendations will be implemented expeditiously by the Bureau of Labor Statistics. We hope that will be the case. Mr. Julius Shiskin, the Commissioner of Labor Statistics, was quoted in the Wall Street Journal earlier this year saying that a "major overhaul" of the unemployment statistics is about four years away. This intolerable delay will hamper severely our efforts to direct employment aid to those most in need. They cannot wait four years. They cannot even wait four months. Even when times are "good" for the hardcore unemployed in America's cities, and in Atlanta as well, they often cannot wait until the next pay day.

I am disturbed that legislation requires that your Commission cease to exist six months after submission of its final report; we will need an expert organization to oversee the implementation of the Commission's recommendations. I respectfully urge the Commission to consider the problem of implementation and to develop some organizational means to monitor the progress of your recommendations.

You have been entrusted now with a vital task. Please do not let bureaucratic inertia defeat your and our mutual purposes. Thank you very much.

THE UNEMPLOYMENT STATISTICS

The unemployment statistic is important to Atlanta and other cities because it is a key element in the formulas used to allocate funds under both public service and public works programs. In federal fiscal year 1977 alone, the distribution of more than \$16 billion was tied to the unemployment statistic. We must object to any aspect of the definition of unemployment or the methodology of estimating unemployment which might result in Atlanta receiving less than its fair share of funds. Our objections can be summarized as follows:

- I. The unemployment statistic, as currently defined, excludes many unemployed and underemployed residents of central cities; it includes many affluent suburbanites; and consequently it is not suited for the allocation of federal employment and training funds.
- II. Methodological changes either implemented or planned by the Bureau of Labor Statistics, U.S. Department of Labor, will introduce additional bias against the central city.
 - A. These methodological changes will result in the loss of millions of dollars of federal funds for Atlanta and several thousand jobs and training slots.
 - B. The methodological changes were introduced without consulting affected cities and without adequate study.

These objections are discussed in greater detail below.

- I. The unemployment statistic, as currently defined, excludes many unemployed and underemployed residents of central cities; includes many affluent suburbanites; and consequently is not suited for the allocation for federal employment and training funds.

According to the current definition of unemployment, one must be

- (a) without any full-time or part-time work;
- (b) actively seeking employment;
- (c) available for work.

Under this definition, the "discouraged" job seeker who has given up job seeking is treated as neither employed nor unemployed, but is out of the labor force. The involuntary part-time worker with a family to support is considered "employed" even if the "employment" is for one hour per week. Thus, the involuntary part-time worker has the paradoxical effect of reducing the unemployment rate. The full-time worker who does not earn enough for family support also is considered "employed" with a similar paradoxical effect. On the other hand, affluent suburbanites who are genuinely "between jobs" are counted as unemployed.

Consequently, suburban jurisdictions may have many unemployed as currently defined, and may receive CETA funding, and yet have great difficulty finding sufficient CETA eligibles. Central cities, with many CETA eligibles who do not show up in unemployment statistics, are underfunded.

Congress has recognized the deficiencies of the current unemployment statistic and has provided for a National Commission on Employment and Unemployment Statistics to provide a public forum for a comprehensive review of the unemployment statistic. However, progress has been slow. Although the legislation establishing the Commission was enacted in 1976, the members were confirmed only recently. Mr. Julius Shiskin, Commissioner of the Bureau of Labor Statistics, was quoted in the Wall Street Journal on March 7, 1978, that a "major overhaul is about four years away." This four-year timetable is not acceptable. Atlanta Mayor Maynard Jackson, in a prepared statement for the Joint Economic Committee of Congress, has called "upon the President, the Secretary of Labor and the National Commission on Employment and Unemployment Statistics to implement an accelerated timetable."

II. Methodological changes either implemented or planned by the Bureau of Labor Statistics, U.S. Department of Labor, will introduce bias against Atlanta and other central cities.

The methodological issues are complex: The Bureau of Labor Statistics has introduced several methodological changes simultaneously and does not use identical methodologies in all cities. This discussion will focus on the methodological question of particular concern to the City of Atlanta: the method used to break Atlanta's unemployment out of estimated metropolitan area unemployment. The method which was used in 1977 to break out or "dis-aggregate" the City's unemployment from the metropolitan area unemployment is called the census shares method. Under this method, it is assumed that Atlanta's current share of metropolitan area unemployment is the same as its share of unemployment as revealed by the 1970 census. The method which the Bureau of Labor Statistics (BLS) plans to implement within a year or two is called the claim shares method. Under this method, greater reliance is placed on unemployment insurance claims to estimate Atlanta's share of metropolitan area unemployment. For 1978, a hybrid or interim method is in place which combines elements of both census shares and claim methodology.

The justification of the claims shares method is that "we are able to incorporate information more current than the seven-year-old 1970 census relationships previously used." However, the claims shares method employs data on population, age composition and unemployment insurance claims, while the old method used data on employment and unemployment. The new method will be accurate only to the extent that we can estimate unemployment and employment from population, age composition and claims data. We contend that the method is not accurate and that its use by the BLS has introduced additional bias against the central city.

First, the claims shares method disaggregates employment on the basis of population: if a central city has 40% of the population of the SMSA, then it is credited with 40% of the employment. The methodology assumes that the ratio of employment to population (i.e., employment ratio) is the same for the central city and its suburbs. In fact, we know from BLS data that the employment ratio is lower in the central city and that the gap is increasing rapidly. It has grown steadily from three percentage points in 1973 to five percentage points in 1977. (Calculated from Employment and Earnings, January 1975, 1977, 1978.) The new method thus systematically overstates central city employment and thus systematically understates the central city rate of unemployment.

Second, the new methodology uses claims data to disaggregate "experienced" unemployed: if a central city has 40% of the SMSA claims, then it is credited with 40% of SMSA experienced unemployed. The assumption is that the ratio of claims to experienced unemployed is the same for the central city and its suburbs. I have not yet been able to find data to test this assumption. However, a May 1976 survey by the BLS found that 37% of unemployed whites were receiving unemployment insurance benefits as opposed to only 27% of unemployed blacks. (Monthly Labor Review, November 1977.) This comparison strongly suggests, but certainly does not prove, that the ratio of claims to experienced unemployed is considerably lower in the central city than its suburbs. Consequently, there would be a serious underestimation of the number of experienced unemployed in the central city.

Finally, the methodology uses age composition data from the 1970 Census to disaggregate new and reentrant unemployed: (1) if a city has 40% of the 14-19 year-old population of the SMSA, then it is credited with 40% of the 14-19 year-old new and reentrant unemployed of the SMSA; (2) if a city has 40% of the 20-year and older population of the SMSA,

then it is credited with 40% of the 20-year old and older new and reentrant unemployed of the SMSA. The assumption for both age groups is that the ratio of new and reentrant unemployed to population is the same for the central city and its suburbs. Again, I do not have data to test fully this assumption. However, using BLS data, it is possible to compare the central city and suburban ratios of unemployment to population. For 16-19 year-olds, the 1977 central city unemployment ratio is 11.6% as computed with 9.5% in the suburbs. For 20 years and older, the central city unemployment ratio is 4.6% as compared with 3.4% in the suburbs. Again, the evidence strongly suggests, but does not prove, that the new method may underestimate seriously new and reentrant unemployed in the central city.

In summation, there is strong statistical evidence that demonstrates that the claims shares method will overstate seriously the level of employment for central cities and strongly suggests that the method will understate seriously the level of unemployment for the central city. Mayor Maynard Jackson voiced these objections in a letter of February 15, 1978, to Secretary of Labor Ray Marshall, and we have not received an adequate response. (See below, II. B.)

II. A. These methodological changes will result in the loss of millions of dollars of federal funds for Atlanta and several thousand jobs and training slots.

If the claim shares method had been in effect in 1976, it would have reduced Atlanta's reported annual average unemployment level from 29,000 to 19,000 and the rate from 10.3% to 8.7%. (Data provided by the Georgia Department of Labor.) These reductions would have resulted in a loss of (1) \$14,000,000 in Comprehensive Employment and Training Act (CETA) funds in federal fiscal year 1977; (2) \$5,000,000 in local public works

funds for the period September 1976, through July 1977, and (3) \$600,000 in countercyclical grants for the period July 1, 1976, through June 30, 1977. It is not possible to calculate the exact number of jobs and training slots affected, but literally several thousand jobs and training slots would have been lost.

The interim or hybrid method which is currently in place has less impact. However, it has reduced our January and February 1978, reported unemployment level by approximately 15%. This would reduce significantly Atlanta's CETA funding under the Administration's proposed CETA renewal.

II. B. The methodological changes were introduced without consulting affected cities and without adequate study.

Atlanta has learned that the Bureau of Labor Statistics has been considering the application of the claim shares method to Atlanta and other cities for several years. On July 23, 1975, Mr. Martin Ziegler, Chief of Local Area Unemployment Statistics, wrote Mr. Brunswick A. Bagdon, Assistant Regional Director for Region IV: "Our current thinking is to make the method mandatory in those states which tabulate claims data by place of residence." The letter specifically discusses application of claims method to the Atlanta metropolitan area as "atypical." Nevertheless, the first communication we received from the BLS on this question was a letter of March 23, 1978, after the implementation of the hybrid method and after we had objected to the Secretary of Labor.

Mayor Jackson raised the question of consultation with cities in his letter to Secretary Marshall on February 15, 1978. The only instance of communication that the Bureau of Labor Statistics was able to provide was a meeting of October 20, 1977, with representatives of the U.S. Conference of Mayors and

the National League of Cities. This meeting came (1) after Atlanta had voiced objections to the Department of Labor; (2) after the new methodology was in effect for the cities of eight states; and (3) less than three months prior to the extension of the methodology to Atlanta and other cities.

This meeting cannot reasonably be considered an example of consultation. It might be considered a form of minimal notification. It is fair to state as did the Wall Street Journal on December 19, 1977, that "few city officials seem aware of the policy or its potential impact."

Moreover, there is little evidence that the BLS has undertaken any serious study of the new methodology and its biases. We have called and written the BLS repeatedly asking for copies of studies of the new methodology. All that we have received are two tables which summarize an "internal" study of the impact of the methodology in eight states and three tables which summarize a study of the impact of the new methodology in twenty-nine SMSA's. The eight-state study is dated December 1977 based on September 1977 data. The twenty-nine SMSA study is dated April 1978, based on 1977 annual average data. The timing of these studies would indicate that their purpose was retrospective justification. The studies do not address the question of biases inherent in the use of claims data, nor do they consider alternative methodologies to reduce the bias.

We can close by quoting a resolution adopted by the Research Directors of the State Employment Security Agencies on October 27, 1977: "modifications to the Local Area Unemployment Statistics program have been proposed without adequate opportunity for the review and analysis of the methodology and potential results; and . . . the implementation of the proposed modifications may result in serious errors in the estimation of local labor force statistics with the subsequent misallocation of grant fund resources . . ."

CHAIRMAN LEVITAN: Thank you very much, Mr. Jackson. Thank you for your confidence, but I assure you a year and half to play with this is enough.

We have a state and local representative on the Commission. She is Ms. Joan Wills of the national Governors' Association. Ms. Wills do you have any questions for Mayor Jackson?

MS. WILLS: Mayor, you talked about an oversight committee--an oversight body--do you have any idea about how you'd like to see that constructed and what you think its powers should be? My personal bias is I'm very much in favor of that idea. I think we have to make sure that kind of oversight structure maintains a level of integrity and does not respond to political pressures of the day. Or at least when I've asked people, that's the response I get back. Have you done any thinking about how you would like to see that constructed? And would you like to see, also, some kind of mechanism at the state and/or local level so there could be a feeder mechanism?

MR. JACKSON: I would recommend that the oversight body, first of all, have continuity with this Commission. Which might mean the presence of an oversight body to monitor the implementation at that period of time, having maybe one or two people from this Commission to maintain the continuity.

Number two, I would think that the major public interest of the U.S. Governors Conference, the U.S. Conference of Mayors, the National League of cities, would be more than happy to volunteer services by way of representatives to assist that oversight body. I would think the U.S. Congress ought to exercise its powers of and response to the oversight.

How the two would have liaison, I'm not quite sure. I think there would be no wish or attempt to replace the Congressional oversight obligation, but to augment it. My feeling is that a broad base of elected officials with private sector people and also with continuity with this Commission would be a very useful idea.

MS. WILLS: One more question. You talked about some kind of need index. Have you or any of your staff done any thinking about the kind of components that you think should be in that need index for the allocation of funds?

MR. JACKSON: Let me start off with Aaron Turpeau.

MR. TURPEAU: In the need index we talked about those levels that are mentioned in his speech-- those levels, as far as the different kinds of peoples--list them all out in matrices of themselves. We list three general categories that should be included that are not included.

DR. BENT: We didn't really want to give the Commission any technical advice on these matters. Our feeling was that certain categories that we identified broadly should be included. Now, one thing I will mention here is the definition of discouraged workers. We would like to see a broader definition than the current conceptualization. Anyone who says, "Gee, I can't find a job and my qualifications aren't good enough. People are prejudiced against me." But then at the end, "I'm also keeping house" is put down as a housewife. We would like to see a much broader definition than that for discouraged workers.

Exactly what would be the cut off in terms of income or limited employment, things like that, we didn't develop positions.

MS. WILLS: How often would you need that kind of information? Once a year, once every five years? Obviously, if you don't need the unemployment rate monthly, you don't need that statistic.

MR. TURPEAU: Quarterly. We like to have some index on a quarterly basis because when you are fighting a war against a particular problem you can't wait for a year. You need an update on a quarterly basis for allocation of funds.

MR. JACKSON: It's important, I think, to add, also, the potential loss to Atlanta, not only \$14 million, but also, the actual job slots and jobs and so forth we'd get depending on the level of unemployment here. We think it's a very simple and fundamental thing. We think, sometimes, we can get so sophisticated that we forget about the fundamentals of living. It is a simple, defensible, compelling argument that those who are the most in need are the ones who should get the most attention. Those who are the least in need should get their share of attention which means, therefore, less attention than those who are most in need.

CHAIRMAN LEVITAN: Mr. Popkin.

MR. POPKIN: Yes. First, Mr. Jackson, we've now held hearings in New York, Chicago, San Francisco-- I would like to congratulate and compliment you and your staff on the clearest, most distinct and lucid presentation of the central cities issue we have yet seen. It really does serve as a model.

MR. JACKSON: I'm sorry, sir. I didn't hear you. Would you repeat that please?

MR. POPKIN: Shall I put it on stone for you? No, very seriously, this is one of the two or three clearest testimonies we've received. I'd like to ask a few very short questions for your staff. One is, with respect to discouraged workers, the preliminary indications are that contrary to what everybody believes, how you define them or include them isn't going to matter very much. That's my personal hunch, but we haven't gotten all the data yet. But I'd like to ask you. We're going to need some kind of cutoff on how long it is since people have worked and I'd be curious if your staff has thought of any ideas on what a realistic cutoff point would be. If someone hasn't worked for ten years, would you count them as discouraged? Would you settle for six months? What do you think is a reasonable cutoff for discouraged workers? Do either of you--

MR. TURPEAU: As far as counting the person in the field, right?

MR. POPKIN: As unemployed, even though they are not looking.

MR. TURPEAU: Unemployed. We found--let me just tell you--we found that people who had been out of work even two years because of the economic situation are not going down to the unemployment claims office. Therefore, they are not counted. At the same time, I think you could get a feeling by the Day Labor Center here. People go out just for day jobs. They're discouraged workers also. We have some people who have been out there for three or four years.

MR. POPKIN: You see, they're looking for work. They would not be counted as unemployed. The discouraged worker is somebody who is not looking. If they're looking for day labor, they'll get picked up by current definitions.

MR. TURPEAU: That's where we have a definitional problem. The discouraged worker is sometimes considered one that doesn't go to the ES office to look for work or who is not--nobody knows they're looking. Somebody-- he may be looking, but nobody counts him as one who's looking. So a definitional problem is the question here.

MR. POPKIN: Our CPS--I think that if you're looking for work, you get covered.

DR. BENT: I think the point Aaron is making is that estimating our unemployment rate based on the claims method, they wouldn't be picked up.

MR. POPKIN: I think everything you said about the claims method--nothing could be more clear. The other little thing I wanted to ask the two of you is, I think, probably the most important point you've pointed out about using unemployment to allocate money. That is, even when you get around the problem of the fudge factors of breaking down national unemployment and allocating it to cities and counties, the definitional problem is at the center of the political issue. Somebody who is working eight hours a week and wants 40 hours a week of work, doesn't get counted as somebody who is in need when Atlanta gets money. What is the legitimate cutoff point that would, in terms of hours worked, say a person is or is not full time. Right now, if you're working one hour, you're counted as not needy in employment terms. What would you consider a good cutoff? Would you say 20, 15, 28? I mean, this is something we really have to address--a specific number of hours working.

MR. JACKSON: I'm not at all sure, Commissioner Popkin, that a blanket answer could cover all situations. I would assume, for example, that public policy would want to encourage a breadwinner for a family. And if he or she, for example, is responsible for supporting a family but is working only 10 hours a week, then the consideration as to what would be the answer to your question would differ, for example, from a single person who might be able to support himself or herself on 10 or 12 to 15 hours a week. I'm not able to answer the question, frankly, but I have the confidence we have the capacity within America's super structure to find the answer.

CHAIRMAN LEVITAN: I think you have the correct--

DR. BENT: I would say the same thing the Mayor did, just somewhat differently. We should look at family income rather than actual number of hours worked.

MR. POPKIN: So, you really want to move the hardship not to undo unemployment statistics.

DR. BENT: Well, it has to be related to employment. The need for employment to overcome that hardship problem. It's not just a blanket hardship problem. We would not do away with the employment considerations totally, but would consider the need for employment to overcome hardship.

MR. TURPEAU: I agree with that but also, we found a lot of cases out there where they worked 20 hours--20 and 25 hours--they still couldn't qualify. So, you have a lot of people who just may have been able to find a day or a day and a half work and are not counted. So, I think, you are talking about 20 or 25 as maybe a reasonable area.

MR. JACKSON: The BLS says for an urban family of four to live modestly but adequately requires-- What is it now?--ten thousand some odd. Then maybe there should be some correlation between determining whether one is unemployed by whether one is able to live at least modestly or adequately or maybe below that standard.

MR. POPKIN: One short question for the Mayor; not a technical question. You got the Mayors involved in fighting about the new claims share method. How much prior warning were you, the Mayors as a body, given about this? Just for the record, how did this hit you? A bombshell, a grenade?

MR. JACKSON: Well, it hit me like a bombshell because when I sat down to compute what we would have lost had the claims shares been in effect in 1977 and with this interim hybrid method still giving us, not as bad as that would be, but certainly even somewhat less than we would have gotten, I think, this year. Is that right? We're in a one one year hybrid method which even now is cutting us down somewhat. It is cutting us down somewhat. It scared the living day-lights out of me. I could not believe that it was only in Atlanta so, we waved the flag at U.S.C.M. and it was absolutely overwhelming. It was deafening. I would have to tell you that to my knowledge not even U.S.C.M. was on the issue before we got on it. Is that right Devon?

DR. BENT: Yes. As far as we could tell. The Bureau of Labor Statistics did say they had a meeting with a representative of the Conference of Mayors present, I believe it was October 20th, of 1977.

MS. WILLS: That is correct. I was there.

DR. BENT: The message didn't seem to get through to the Mayors. Now, the Wall Street Journal pretty accurately stated in December, after the Mayor made his statement, that the issue caught city officials by surprise.

MR. POPKIN: So, no elected official, to your knowledge, was in on the decisionmaking process involved in shifting the monies around?

DR. BENT: Local officials. No local officials.

MR. JACKSON: No locally elected officials. There may have been, but we just didn't know about them.

MR. POPKIN: Thank you.

CHAIRMAN LEVITAN: Mr. Anderson.

MR. ANDERSON: Mr. Jackson, I'm highly honored to have you come before the Commission and we want to commend you for the leadership that you've taken on the question of employment and the figures you have stated so eloquently here this morning. We're always pleased to come to the great City of Atlanta.

MR. JACKSON: I would not suggest that that's especially true when one comes from the City of Philadelphia. I'm going to be like Cicero and not suggest that.

MR. ANDERSON: I did want to raise really two questions that come out of both your statement and the complimenting paper by your staff. Let me say that the paper will be examined very carefully by members of the Commission as we deliberate. One of

the questions that has arisen in our deliberations, is the question of counting youth. I wanted to get your comment on the following notion. There are those who suggest that if a young person, 16 through 19 years of age, is a full time student should not really be included or counted as a part of the labor force because the individual is involved, essentially, in an activity that is separated from the labor force. That is, the individual is a student rather than really an active, stable member of the work force.

Now, obviously, if we redefine the labor force to exclude full time students, it would have some effect on the measure of unemployment. It might possibly significantly affect the count of youth unemployment. I was wondering if you would care to comment on that with respect to, in your views, the appropriateness of counting full time students as unemployed, if indeed they are only searching for part time work as much as two or three hours per week?

MR. JACKSON: The very last few words made it even more difficult, Dr. Anderson. You say just two or three hours a week. That's really kind of hard to react to. So, let me not try to react to that, but just let me, if you don't mind, give you my opinion of what I think the realities are for the majority of young people, especially Afro-Americans and other minorities, who live in central cities in this country. First of all, a person who is 16 to 19 is a person who, incidentally, or maybe primarily, is engaged in studying to prepare for something. But who meanwhile must survive. And whose daily reminder of his or her economic status--a person who is reminded daily that he or she may not be counted by many many people--compels survival.

Now, if the major obligation of a person who happens to be between the ages of 16 and 19 is to survive and that includes studying and also working to pay the bills, I think that person should be counted like anybody else. And the fact that they are studying should be neither a rationale for not counting them as unemployed nor be used as a disincentive to find work.

MR. ANDERSON: Thank you very much. The other issue is your recommendation to establish an advisory group to the Bureau of Labor Statistics on a continuing basis. Would you agree that one of the important responsibilities of that group might be a sounding board for the BLS prior to implementing any of the kinds of changes that were implemented last year, so that you would avoid the uncertainty that you were faced with in the different methodology? Would you have that group, perhaps, have the authority to veto in some way the implementation of the methods and the changes in methods prior to getting the local officials?

MR. JACKSON: As the chief executive officer of the City, I specifically would not assign the advisory group a veto power. I respect how the system is suppose to work and when, from time to time aberrations occur, I don't think we ought to over react. I think we should correct those. I would suggest, also, that, I'm not sure I'm really talking about an advisory group to BLS as much as I am suggesting there be a monitoring mechanism, an oversight organization. Kind of a continuum of this Commission which would have one or two people to represent a continuity on this oversight body. I would hope that there would be an agreement that BLS's procedures in the future would be one, two, three, four, five. Among those procedures would be checking before they get too far down the road with the various constituent groups, especially locally elected officials, mayors, members of the city council, the Governors Conference, etc., counties and so forth.

But if we can get an agreement, reach an understanding and have that respect, then I would be content with pursuing that process. Now, if reaching an agreement is not enough and there was not respect for the process, then I would think more stringent methods would have to be taken.

MR. ANDERSON: Thank you.

CHAIRMAN LEVITAN: Mr. Carlson.

MR. CARLSON: Mr. Mayor, I would like to join with my colleagues in thanking you for a very fine statement. We will look it over very carefully.

MR. JACKSON: Thank you very much.

MR. CARLSON: I have two questions I would like to ask you. You mentioned you could live with more accurate unemployment data, under the circumstances of your city, on a quarterly basis. Can you give us an appreciation of the difference between a monthly basis and a quarterly basis, and say a semi-annual basis? Obviously the costs are much higher, the more frequently the surveys are taken, and if you do not go with a higher cost, then your accuracy goes down. I do appreciate the fact that you are willing to suggest a monthly basis is not necessary, though it's much more costly than a quarterly basis. But could you share with us, what you would lose if we went to a semi-annual basis for accurate local data on unemployment?

MR. JACKSON: I personally would tell you that we would prefer a quarterly method or the monthly method. We don't think the monthly method means anything anyhow. That's the essence of my statement in that regard. I'm not really sure that there really is a lot of difference between quarterly and semi-annually except in so far as our staying on track and meeting our goals and our targets. In other words, we are able to see a flag waved at us more often and earlier, so we can fine tune what we are doing better.

MR. TURPEAU: I suggest that we go for a quarterly basis in the allocation of funds. When you are talking about fighting the--and to understand the way the Federal Government implementation system goes. They get money in plenty of time during the year and it's very bad to say that we can't do that because we've got to wait another three months before that--we don't have any good data yet. And because of their implementation process and because of the federal bureaucracy, you need a quarterly statistic because what is more discouraging than to come up with some legislation or try to make some of these decisions you can't do it for another six months because they don't have that. So, you need some kind of quarterly allocation statistic to use in that. Because things are changing and when you are--because I see an attack--a war on itself and a program so the allocation can be quarterly.

MR. JACKSON: This is John Gilman of our CETA office who's done a lot of work in support of this project.

MR. CARLSON: My last question is to ask, what is your impression and how much confidence do you have going into the 1980 census that we may not undercount this time around as much as some people have estimated we undercounted in the 1970 census?

MR. JACKSON: I believe the speed of the boss is the speed of the crew. To the extent that there is an overwhelmingly serious commitment on the part of the political leadership to guarantee as much accuracy as possible, we will see a more accurate accounting. I don't believe, however, that there is going to be any dramatic reduction of the undercount in 1980. Of course, we're going to a five year, every five year count, as I understand it.

We've got to have some way that people do not walk into an apartment building and estimate that there are 4 units in there and the American average is three people per unit. When they walk into an apartment that looks like four units, it could be literally 10 with an average of five people per unit. Folks have got to walk down these back alleys and knock on the doors and go up into those rat infested holes and get an accurate account of where America lives and how America lives like. If they're afraid to go there, think how those people that have to live there feel.

CHAIRMAN LEVITAN: Mayor Jackson, I would like to make it unanimous and thank you very much for your excellent testimony. If you'll bear with me for just two more questions. Number one, and it's first a statement. You were critical of BLS for taking four years to change whatever counting of unemployment numbers they are doing now. This is a fact; it'll take them that long. I don't think that that can be speeded up. First of all, they'll have to wait for the change on whatever data that they get from the 1980 census, and there are many other secondary points that don't need to be mentioned her. But at the same time, we have before us the testimony of the National League of Cities, Alan Beals, and, of course, the Chairman of the National League of Cities, Mayor Moody. We had the United States Conference of Mayors. They were all as critical as you, and more so, of the BLS. But none of them suggested anything about the advisory committee.

I'm sure you most likely know that the BLS has two advisory committees consisting of business people and union research directors. I was wondering whether, rather than wait for the Commission report and the BLS acting on the Commission report, whether anybody from the League of Cities or the U.S. Conference of Mayors ever approached the BLS to get an advisory committee of elected officials. Do you know whether anyone has done this?

MR. JACKSON: I don't know, Mr. Chairman.

CHAIRMAN LEVITAN: You may want to give some thought to that in order to get some quicker action on the participation of mayors and other elected officials from the BLS.

MR. JACKSON: I'll be with the NLC Board this weekend. I serve on that Board, and I'll raise that question at that time.

CHAIRMAN LEVITAN: Thank you. My second question deals with again--you see as the Chairman, I always get the last questions and all the good ones are asked already. I would like to pick up the point that we were discussing before. Either your staff people or yourself may want to comment. You suggested before, Mayor Jackson, that the family income, the BLS low-income family of over \$10,000, would be an appropriate measure for hardship. This is about, of course, the average wage of full time American workers. I was wondering, whether for purposes of hardship, your staff or yourself had talked about the possibility of considering the poverty level; in other words, for a family of four, \$6,200. That means about \$3.20 or \$3.30 an hour. Would that be an appropriate start to measure hardship?

MR. JACKSON: Dr. Levitan, let me make sure that we are on the same wave length, respectfully sir. Number one, I've not advocated an advisory committee to BLS. I talked maybe about an oversight committee, something like the Commission here. But your suggestion, which I'm going to take to NLC this weekend, is an excellent suggestion. Number two, I'm not suggesting that the BLS urban standard for modest but adequate should be the hardship standard. I suggest to them that maybe there should be some correlation between one BLS standard for one idea and a determination of who is unemployed. But I also said in the course of my comments or a standard lower than that.

I clearly now suggest to you that what I would preceive to be a hardship standard would be less than the BLS urban standard of modest but adequate for a family of four.

CHAIRMAN LEVITAN: Thank you very much, Mr. Jackson I would like to tell you that the Mayors were really well represented in this Commission with you and Mr. Moody. We appreciate very much your testimony.

MR. JACKSON: Thank you very much. Enjoy your stay in Atlanta and we appreciate your being here.

(Whereupon a brief recess was taken.)

MR. LEVITAN: Our next advisor is the Honorable David Scott of the Georgia State House of Representatives. Mr. Scott, you're a first for this Commission because we have not yet had a state representative, an elected representative, advise the Commission. We don't call you a witness. We call you an advisor. Mr. Scott, would you proceed please.

STATEMENT OF HONORABLE DAVID A. SCOTT,
MEMBER, GEORGIA HOUSE OF REPRESENTATIVES

MR. SCOTT: Certainly. Thank you. Mr. Chairman and to Mr. Carlson, Mr. Popkin, Ms. Wills and certainly to Dr. Bernard Anderson. For those who might not know, Dr. Anderson was one of my professors, thesis advisors, friends, when I was student at the Wharton School of Finance where I received my MBA, so anything that I might say right, you can give him the credit. And anything I might say wrong, you can give him the credit, too.

It is indeed an honor for me to have this opportunity to come before this distinguished Commission on the National Commission of Employment and Unemployment Statistics.

Thank you for this opportunity to share my thoughts with you on this crucial issue of unemployment in the United States.

First, let me state that I feel the current method of determining the national unemployment rate is inadequate. The current unemployment rate does not take into consideration persons in our society who have given up looking for work; nor does it figure in those young persons who have become classified as permanent unemployables.

The unemployment estimates considerably understate the severe unemployment among blacks and the inter-city poor.

It is normally taken for granted that the unemployment rate of blacks is twice the national overall unemployment rate. I submit that when the "discouraged worker," the "permanent unemployable" and the "black youth (age 17-25), with a 35% to 45% unemployment rate", are taken into consideration; then, the black unemployment rate can conservatively be placed at 3 times much as the national unemployment rate.

When the unemployment levels are actually higher than the official levels we receive out of Washington, it serves to diminish the severity of the problem; and this diminishes the degree of local, state, and national urgency needed to begin to solve this ever-increasing problem of joblessness in America.

The unemployment statistics determine both Federal and State funding levels in the Labor-Manpower Training area for government funding; but the figures also serve as a barometer by which the private sector business community measures their degree of concern and involvement.

Personally and as an elected official, I have, with significant, positive results, stressed the need for the private sector economy to assume the major responsibility for solving the unemployment problem. However, when the Labor Department says

the unemployment level is 12% for blacks, when it is, in actuality, 18-20%, then, the private sector's involvement is slower to materialize, and much more difficult for me to inspire.

We suffer from "structural unemployment." To respond to this, we must have structured specified, targeted employment in the private sector. The inadequate unemployment statistics and formulas make it difficult to ever get a handle on the badly needed "full employment economy"; which can only be achieved by targeted employment in the private economy, through economic expansion.

Black Americans, particularly young blacks, are hurt most by this inadequacy. And, when you add in the fact that, because of rapidly advancing technology and automation, many thousands of jobs presently in the labor market for the unskilled and semi-skilled will no longer be there 5 to 10 years from now. But with a continuing escalating population level, incomes must still be provided.

Also, black Americans are hurt more by inaccurate labor statistics when we realize that the major source of income for 98.8% of all black Americans is employment. Because unlike white Americans, black people own little or no factors of production other than their own labor power. And 20% of the definable black labor force is out of legitimate work (according to April statistics from the Urban League). If this figure was for the Nation as a whole, the national economy would be labeled a depression.

Also, there is another factor that is often overlooked; that of what I call the "male-absentee-welfare-recipient-on-the-run." The welfare law states, rather cruelly, that for many families to receive aid-to-dependent children the father must not be in the home and/or gainfully employed. Many of these men have become permanent "hidden" numbers in the unemployment statistics that are never recorded.

And, of course, all of these considerations mentioned thus far are further complicated by the fact that the U.S. Census has never accurately counted black people in the first place.

In conclusion, let me commend the Commission for seeking input from elected officials and the public. This will certainly be of help in correcting a terrible inadequacy in stating our true unemployment levels.

A more accurate statement of the unemployment statistics, taking into consideration the points I have presented here, certainly will not alone do the job of improving the employment. It will provide the base for improving the employment situation, particularly of Black Americans. Upon which, the public and private sectors can construct structured targeted employment opportunities.

And finally, I cannot leave you without emphasizing the tragic situation facing our black and white youth, especially our black youth. This is where I have concentrated much of my creative efforts and with the help of Atlanta's business and industrial community, we have established a unique high school work intern program going on in my district, in which over 200 youngsters have received full-time and part-time work.

Commission members, we have a serious problem of getting our youth into meaningful work experiences early in life. There is an enormous reservoir of talent among our black youth; that we are losing. The unrealized capacities of our youth are indictments of our society's proclivity for wasting human resources. And in a booming economy, when we are producing and consuming more than ever before, here we have 35 to 40% of our black youth afflicted with unemployment as though our Nation was in an economic crisis. Our black youth are the explosive outsiders of the American economy; a ticking time bomb about to explode.

In life and history there is such a thing as being "too late". We still have a chance to choose today: Employment or confrontation. And it may well be our last chance to choose.

CHAIRMAN LEVITAN: Thank you, Mr. Scott. Mr. Anderson, I think we ought to start with you. I wish I had students that gave me credit for such statements.

MR. ANDERSON: Our working students are very generous. Let me say that I am very pleased to have Representative Scott come before this Commission. He certainly distinguished himself as a leader in this area and has put his education, I think, to extraordinarily good use.

I notice that you're a member of the State Planning and Community Development Committee, Mr. Scott. With reference to the expanding opportunities in the private sector and the emphasis you place on that for setting up some of the problems of the structural unemployment, would you comment on what you have found as the utility of occupational projections information that is available from the Bureau of Labor Statistics and other places that would permit you to know what might be happening or what might happen in the future in the private sector of the economy? How adequate have you found those statistics for planning purposes?

MR. SCOTT: Well, as I said earlier in my statement, they have not been as helpful as they could be. If, on one hand you have black leadership throughout the United States echoing each other by stating that the unemployment level of black people hovers at 20 percent, and then you have coming out of Washington, the Bureau of Labor Statistics saying it is 11 to 12 percent, then you have some credibility problems there for those of us who are dealing with private industry to spur them on.

So, we have to many times sit down and explain just what I've explained in my testimony what we mean, why it is 20, and why the Bureau of Labor Statistics has a problem in this area. I don't, for example, have any immediate solutions except that we know they're not counting right. We're not counting accurately. Perhaps, we need to expand our definitions but I believe that if we had a more accurate accounting from BLS, and if the President of the United States would get behind a more accurate accounting of BLS, as I'm sure he will and he is, as unemployment and unemployement is one of his highest priorities, then I think that we would have the tone set and the direction set. After all that is basically the function of government leadership; to set the tone, to point the direction. But we're not doing that because--to the degree that we need to be because of what I think is suppressed statistics. And it does not heighten the degree of seriousness and urgency that we face.

And I'm not saying that we need to cry a great deal of alarm over the need to promote statistics, but certainly when you look at the facts of life in the inner city where you find between the ages of 17 and 25, a particular target of age and racial grouping without employment opportunities, hovering at 35 or 45 percent--and I think BLS was right there--then we do have serious problems. As far as our activities in the state, we sort of depend heavily on our own State Labor Department that I think is doing one of the most incredible jobs of any State Labor Department. I know, for example, that legislation that I have passed as a member of the Committee on Urban Affairs, that we have been able to utilize more of the information coming out of our Georgia Bureau of Labor and their statistics that would give us a more patterned target in Georgia in our full employment legislation that I think you might recall when that legislation was passed. It set up a study to determine how Georgia could move ahead on its own. And this is the

kind of thing I encourage instead of waiting for Washington to do everything. There are some things that we could do at the state level. That's one example.

However, I think we have a real crackerjack labor department here with some fairly good accurate figures, but still they, too, depend upon Washington so, it all goes back to Washington and I think that we found it difficult and I personally--and I can't speak for anyone else--but, I personally have found them not to be really helpful at all. Because when you're dealing in district as I have, to go to an employer and say we've got 12 percent unemployment here, and you know for a fact that there's more around out there. But I want to say one thing, it's not all external either. It's not all just finding the jobs. There's an awful lot of work that we have to do internally with many people who have given up and have just just lost motivation.

There are people who have just given up completely in our society. They have resigned themselves to become permanent unemployables. Many don't want to work. They've fallen into a kind of don't work situation.

MR. ANDERSON: Along that point, I would like to ask you a very quick question. Is it your view that some of the government programs that you are so critical of might in part be responsible for the attitudes of not wanting to work? And to what extent have you seen in your district a tendency for those who might receive welfare or other kinds of government transfers to be unwilling to work? Is it your view that this is a major contributing factor in the unemployment problem?

MR. SCOTT: I think it's a major contributing factor not because of the major government programs, but because it gives many people a crutch to fall back on. Many times, just to give you an example,

I've talked to the young kids that come in and say--one kid would say to another, "Man, I got a good job." So the other kids asked the kid, "What do you do?" The other one says, "I don't do nothing. That's why it's a good job." The other kid says, "Well, I've got a tough job. I've got to get up in the morning." Discipline, you know. So, that there is a tendency to--if you've got a choice between a job making \$6 an hour, as has been the case personally. I have had jobs in the trucking industry starting at \$6 an hour. That's better than \$200 a week straight time. And a youngster 18 years old to choose between that job and a job making \$2.60 an hour working for CETA where he could sit at a desk and all he had to do was look that way and look this way. As people would come in he would just point them in that direction or he would point them in this direction.

Now, my concern is not the program. My concern is the individual. And in many of these cases they're black young people. There is nothing there to stimulate this man's mind, his creativity, or anything. He becomes so much wasted energy, so much fat. There's no question about it. That's why the private sector must be prodded. It is in this sector where the competition lies. Where the competitive edge must grow. And if we're going to use productive people in our society, we're going to have to get them into productive disciplined environments early.

And, while I'm not kicking the government programs because there is a use, we're going to have to point out to people that these are there out of a basic necessity and nothing else. We have to make sure there is nothing else. That's why we need to involve to the private sector even closer.

CHAIRMAN LEVITAN: Your representative on the Commission is Ms. Joan Wills. If you have any complaints just give them to her.

MR. SCOTT: Okay. Thank you.

MS. WILLIS: Thank you. Listening to you talk, I'm compelled to ask a question I'm not sure is totally related to the responsibility of this Commission. But I'm curious to know what you think about the idea and the utilization of the expansion of jobs tax credits, as opposed to direct programs such as CETA. It's been running through my mind for the last five minutes, so, I'm sort of compelled to ask it.

MR. SCOTT: Well, I believe, there is a role for CETA. I'm not--I think that CETA has become or is alluded to in my circles or lower income areas as the pot at the end of the rainbow. I think that's a mistake. I'm not saying we should scrap it or any programs of that type, we need them as much as we can. However, this society and this system is based upon a competitive money making society. I would say a greater emphasis, if we can target it--a lot of times you give these major corporations tax credits and they love the tax credits and they do window dressing. So, one evil and another evil.

So, theoretically, and philosophically, I go along with whatever we can do to bolster, convince, cajole, whatever, the private sector in accepting more of the responsibility and the job tax credit program is an excellent one. I don't say that in the place of CETA because there are some people that have to be--industry is going to have to accept so much responsibility for training. Some people are so far down that the industry has a waste program. But I don't think the private sector is doing even 20 percent of what it's capable of doing and should do to help us solve this unemployment problem.

CHAIRMAN LEVITAN: On my extreme left, far left, is a representative of the U.S. Chamber of Commerce, Mr. Carlson. Since Mr. Scott has some nice things to say about depending upon the business community, do you have any questions?

MR. CARLSON: Yes. I'd be very much interested in your experience in the high school program, placing the 200 youngsters. Did you find any difficulties, as Dr. Anderson was talking about, such as minimum wage? Was that a problem? Social Security? Taxes? Or placing these young people or any other policy oriented problems?

MR. SCOTT: No, I didn't. I learned a long time ago that 90 percent of anything is selling it. You can have the greatest product in the world and do everything you want to do, but if you don't have the tact of selling that--an idea--then it's not going to be successful. Our basic forte, the salesmanship to the industry, is to convince them of getting involved in the school system right now in the inner city can effect their bottom line. Their margins of profits. Because that's what they're interested in. That's what they'll go back and tell their stockholders. Not just a sense of corporate responsibility, but it makes good business sense if you have everybody--everybody's not going to grow up to be a lawyer or doctor. A guy can drive a truck to Albany, Georgia overnight and he's making \$25,000 a year.

The lowest paid job in the trucking industry is \$6 an hour and that's in a non-union shop. In a union shop it's \$9.41 an hour. That's almost \$400 a week. I don't make that. Most Americans don't make that. Now, why can't we get into our high schools with these kinds of programs early and develop work internships. The concept came from, as a matter of fact, I was in the Wharton School for the Labor Department. And I knew that because of that exposure and that experience that it opened my eyes to a world of which I was only dimly aware. And I say now, why can't that same concept be applied to 9th and 10th grade because that's where we lose people. They're formulated right there.

Now, this is the pitch that I gave the businesses. And I said it makes good business sense. Hopefully you can get recognized for it, but that's not the major point. The major point is you can get good employees. The business is constructed for that. Now, we have a major weakness in this country. That is proper utilization of what I call the legitimate feeder program. That is the public schools. We are wasting tremendous amount of money because of a massive failure of the public schools. Why in the world do we have our tax dollars going to support the public schools in the first place. It's not to prepare young people to gainfully get out in the world and produce. What happens is after we have other stopgap measures Empire Training programs, so many training programs that take up slack. My contention is this, that if we can get all over this country major industrial firms particularly skilled, semi-skilled that are paying these kinds of monies.

In my district we have the Lakewood General Motors Assembly Plant that makes all the Chevrolets and Pontiacs for this area. At the bottom of this district we have the Ford Motor Plant. We've got 37 trucking firms in the district. We've got Atlanta Stadium. We've got Hartsfield International Airport. We've got all of that. But also in that same part of town, we've got the lowest economic quality of life. Now, that is not unique to Atlanta. It is unique to almost every major city in this country. And if what I've done in getting this program at Carver can work in Atlanta, it can work everywhere.

And I'm not saying it's the all answer, but clearly we've got 206 kids now at one school who never worked before and it's because of the industries.

CHAIRMAN LEVITAN: Mr. Scott, if you would bear with us for just a few more minutes, or just two short questions. I would like to continue with your old professor's, or young professor's, line of questioning.

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You are a member of the State Planning Community Affairs Commission?

MR. SCOTT: Yes.

CHAIRMAN LEVITAN: You have heard Mayor Jackson testify that he would be satisfied with quarterly data on employment and unemployment labor force statistics, rather than monthly data. How do you feel about it as a policy? Do you need the monthly data, in other words, that is being published now?

MR. SCOTT: I'm not sure in what view the Mayor was responding, but without being as involved on a day-to-day basis with the major problems, my contention is, the more frequently we can get the information I would say the better and more accurate that information would be. That's a basis of four times a year as opposed to 12 times a year.

The State of Georgia has not to my satisfaction as a State Official moved as aggressively as we ought to in the whole unemployment area. We tend to say that unemployment is a Congressional program or it's a problem of the Federal Government, but it is not. I think that just to answer your question, I would be for, just based upon the higher frequency, I would think that we could use it better if were on a monthly basis.

CHAIRMAN LEVITAN: Well, thank you very much, Representative Scott. We appreciate your coming and testifying and it's nice to hear from a state legislator.

MR. SCOTT: Thank you very much.

CHAIRMAN LEVITAN: Now, I don't know whether we're going up or down from a state elected official, to a local elected official, to a college professor. Given my occupation, I would think we're going up. Our next advisor is Professor James Simmons of Florida State University. Professor Simmons, you have the floor.

STATEMENT OF JAMES C. SIMMONS, PROFESSOR
OF ECONOMICS, FLORIDA STATE UNIVERSITY

Is rural labor force data needed?

The bulk of the labor force is in urban areas. Therefore, adequate sampling of urban areas will yield national and regional labor force estimates. Intensive rural sampling would not significantly improve the national and regional estimates. I do not intend to expand on this thought except to venture an opinion that national and regional estimates are interesting and useful but it is the detail that provides the basis for analysis and rural America is still a significant detail. In another generation this detail that we call rural America will be radically changed. I think this transition should be well-documented and I consider labor force and economic welfare data important for this purpose.

There is a tendency to think of rural areas as being homogeneous in respect to most characteristics other than the physical geography. This tendency is apparent when people consider the rural South populated by stereotype "Red Necks" and "Crackers" occupied as farmers when actually the majority are nonfarming Blacks, Indians, Mexican Americans and "wetbacks" and the ever increasing number of "dormitory" residents who work in the urban areas and sleep in an adjacent rural area.

Early in 1976 I directed a rural labor force study in north Florida. The purpose was to conduct a pilot study to determine the feasibility of rural labor force studies in Florida and to develop the concepts, questionnaire, basic statistical design, computer program, and other necessary procedures for such studies.

I considered it desirable when conducting the study and for future studies that the concepts be based on the BLS labor force status concepts in use at the time if, in the future, rural labor force

data are collected through the Current Population Survey I assume that the data would also conform to BLS concepts.

No problems were encountered in using the questionnaire employed in the CPS although the format was modified for greater convenience in interviewing and in transcribing the coding to computer.

There was a specific request that the study provide data necessary for producing an employment and earnings inadequacy index based on the work of Sar Levitan and Robert Taggart III as reported in their Employment and Earnings Inadequacy: A New Social Indicator, 1974.

In selecting interviewers for a rural labor force survey, in addition to ability to read and write and follow instructions, they should be local residents for at least two reasons: One, to provide temporary employment for local residents and two, the interviewee response is much better when the interviewer is from the area. A brief chat on familiar local matters sets a favorable atmosphere for the interview. Also, the people are available for this work temporarily as a break in their daily routine, particularly housewives.

In the South there is still sufficient social separation of the Blacks and whites to sometimes create problems in employment. There was no discrimination in hiring interviewers but there was a necessary condition that the person be willing to enter the house and interview a resident if of different race. Some potential interviewers, blacks and whites, were unwilling and could not be employed. It was also essential that the interviewer have a vehicle at his or her disposal due to the distance that must be covered.

Sampling design for rural areas where people are likely to live in houses strung along winding roads rather than in blocks of houses bounded by streets can be a problem. For the Florida study

cluster sampling was employed taking a random sample of land sections each being a cluster. In each selected section 100 percent of the houses were covered.

Rural labor force statistics

In estimating the labor force status there has been a question of where to count the person as being employed or unemployed. Should it be where the person works or where residing if the two are not in the same statistical location? When considering rural area statistics the matter is more complicated. Most rural areas east of the Mississippi River are within commuting distances of urban areas where a large percentage of the rural residents will be employed.

The number of people residing in rural areas who are economically tied to an urban area is increasing. Because of their training, education, skills, work experience, and interests they are urbanites and if unemployed will seek employment in the urban area. To count them as unemployed in the rural area will confound the issue and programs to deal with the problem as rural unemployment will be ineffective. For similar reasons attempts to resolve employment problems of those who would be rurally employed cannot succeed by simply increasing urban employment. The two are separate problems and neither can be helped by simply aiding agriculture which does not employ these people.

Discouraged workers

In rural areas "discouraged workers" are not a marginally important group. In the two Florida counties surveyed the number of discouraged workers exceeded the number unemployed (using the BLS concept of unemployed). The discouraged workers were composed of distinctly different groups of people. They are the residual population, largely

black, left from the mechanization and consolidation of agricultural units who are likely, in terms of education skills and age, to be labor force marginals.

A second group is composed of secondary family members of employed family heads. These may be wives or other dependents both of which may need and want work to supplement the family income.

A third group are the seasonally unemployed, most from resource based activities.

A fourth group are the retired or semi-retired who would like to work and who may be in need of occasional employment to supplement their income.

These people are not currently looking for work because they are sufficiently knowledgeable of the area to know that there is no work available. These people do not leave the area to seek employment because of family ties, age, ignorance, possibility of seasonal work, accustomed life style, etc. These people are as unemployed as the officially unemployed and some are in greater financial need than some of the officially unemployed:

Such workers, or would be workers, should be included among the unemployed. When including them it would be desirable to exclude those unable to work for whatever reason and those unavailable for work for whatever reason. It is insufficient that a person would only like to work. This alone should not place him or her in the labor force.

Employment and earnings inadequacy

I strongly urge publication of a measure of employment and earnings inadequacy of supplement measures of labor force status. This would not be a general measure of economic welfare but one that can be directly associated with employment or the lack of employment. I am in general agreement with the measure "Index of Employment and Earnings Inadequacy" of Levitan and Taggart but suggest certain conceptual changes in their proposal.

Instead of the past year's earnings, an annual rate of current earning of the survey week, which would be compatible with labor force status data, should be used. In regard to farm income, this would require getting any current income plus an estimate of annual farm income because income from farming may be primarily during one period of the year.

If the income during the survey week at the annual rate for 50 weeks of employment is sufficient to put one above the poverty threshold it would be considered as adequate for individuals or if a family's combined earnings are above the poverty threshold for the family size it would be considered adequate.

Levitan and Taggart subtract all persons in families with above average incomes for the relevant area from those included in the index. I am unable to reconcile this with the purpose of the index. Firstly, as they indicate, family size is not accounted for in this average. Secondly, I am unable to understand the reasoning behind the use of such an upper income threshold as an adequacy criterion. Such an average is difficult to interpret because it will be based on different income distributions in different places. It is also conceivable that in some areas the average income could be below the poverty threshold.

It would seem that the poverty threshold is sufficient. An individual or family with above threshold income would be considered to have "adequate" income, those below, inadequate incomes. All persons in families with combined income below the poverty level who are in the labor force would be counted, all those in families with incomes above the threshold would be excluded.

As the data would be available I suggest the publication of a separate count and/or index of all persons in the labor force who have earnings below the poverty threshold whether individuals, family heads or secondary family members and whether in families below or above the poverty threshold.

CHAIRMAN LEVITAN: Thank you very much sir.

MS. WILLS: I have two questions on the index. One, did you do any thinking, I'm not certain whether Sar did, about an age cutoff?

MR. SIMMONS: Yes. I agreed with most of his suggestions. They do have a cutoff at the bottom and the top.

MS. WILLS: I had just forgotten. Why are you recommending, though I can understand the ease and collection of the statistics--why are you recommending both individual and family income be considered adequate? I think a family with four or five children as opposed to an individual with--

MRS. SIMMONS: In my last sentence there was something additional. I said I would like to see the data published on the number of individuals and/or families regardless of the family status. This is just a count of the people with an inadequate income from employment or lack of employment and that would not be part of the subemployment index. But the data goes into the calculation of the index and will be available.

MS. WILLS: I see. I didn't read that correctly. Thank you. I'm sorry.

MR. ANDERSON: Thank you very much, Mr. Chairman. I have two quick questions. One refers to the nature of your study. Was this a study of the labor force in rural Florida alone or did your survey cover more than the state of Florida?

MR. SIMMONS: It covered two counties in Florida.

MR. ANDERSON: Two counties in Florida.

MR. SIMMONS: The purpose was not to estimate the level of unemployment in rural areas of Florida, but to develop the methodology and so forth for doing that.

MR. ANDERSON: I see.

MR. SIMMONS: The idea was to know whether it was feasible to do this type of thing in rural areas. Now, the two counties happened to be--one of them bordered on Georgia and both of them also border on the coast--are in north central Florida. There are one or two counties between Georgia and the coast in this area.

MR. ANDERSON: I'd like to call your attention to a statement on page four where you allude to the definition of the discouraged workers. If in fact the mere lack of a job is insufficient in your view for having an individual classified as unemployed, what labor market test would you impose? What standard of job search would you impose in defining a person as unemployed, specifically with reference to the discouraged workers? How recently should an individual have searched for a job be counted as unemployed?

MR. SIMMONS: Under current definitions, they would not be counted at all, if they had not been looking within the last four weeks. I would not have that criteria, searching, because by definition what we call discouraged workers are not looking for work. So, it would be necessary to include them, if they said they would like to work, that they are willing to work, that they are able to work, as part of the unemployed.

MR. ANDERSON: That's where it confuses me. Because you say it is insufficient that a person would only like to work. This alone should not place him or her in the labor force.

MR. SIMMONS: All I'm referring to here is--this comes after another statement--that they have to be able and willing. If they are not able--today they can be unable and unwilling and still be classified as unemployed or discouraged workers. And I don't think such people, if they are not capable of entering the labor market and taking employment, then they shouldn't be considered--they should be considered something else. I'm not talking about welfare and so forth but as part of the labor force they should be capable, able, and available for work.

MR. ANDERSON: I don't wish to prolong this, but I think it's a fairly important point because, as you know, the survey methodology has to be as objective as possible and I'm wondering just how we could develop a methodology that is objective, and yet determine whether a person is able to work. What criteria would you impose in determining whether an individual is really able to work?

MR. SIMMONS: Well, it creates some difficulty but today all of the data is dependent upon the persons replying being reliable. If he says he is unable--if he does not say he is unable when he is, then there is no way to check it that I know of, but there is no way to tell that that person has been looking for employment unless he actually registered some place, but is accepted--but if he says he has, it is accepted. We don't eliminate the problem by dealing specifically with these discouraged workers on these questions.

MR. ANDERSON: Your statement is very helpful. I wonder if I could request that you enlighten us further. If you could, please, add a supplement to your statement responding specifically to the criteria that you think should be added, or used in fact, to make the judgement whether a person is indeed able to work. I think the Commission would find that very helpful in dealing with the question of how to define the discouraged worker. Thank you very much.

CHAIRMAN LEVITAN: One professor giving suggestions to another professor.

Professor Simmons, I would like to divvy up with you on the criticisms. I've taken one year's income and another's unemployment as for working out the new index. The Commission is taking care of that.

MR. SIMMONS: You've dealt with this some in your proposals, also.

CHAIRMAN LEVITAN: But I would like to ask you a question on that.

The kind of income is not important to the BLS and thus it is not measured. To what extent do you think current farm income is from family farms, and to what extent is it commercial farm income.

MR. SIMMONS: I don't know any very precise way of measuring the farm income. This is the only problem I have with this concept of annual rates of earning, taking the week's income, current week's income. Farmers do have some current income very often, they sell a few things according to the nature of their farming. On the other hand, most of their income is likely to come in at certain harvest seasons when they sell their products.

The only way is to ask them what they expect their income to be or do what you did, take their last year's actual income. For a farmer it doesn't create the same problems as it does for a wage employee.

CHAIRMAN LEVITAN: I'm afraid I didn't make that question very clear. What I'm asking, Professor Simmons, is if you want to count total income, do you know to what extent is the income is from commercial farming and, therefore, presumably countable?

MR. SIMMONS: I have no way of estimating. Only primarily for those who are actually farmers, living on the farm, is this a major factor. All these other people do not have incomes in-kind. Most of the people in this part of the country in rural areas are not necessarily farmers. This is one thing I am pointing out. They are rural dwellers, but they are not farmers.

CHAIRMAN LEVITAN: That part does not present any problems to us, but you see, as I look at my BLS statistics, they are mostly city slickers and they don't understand how farmers or part-time farmers make a living.

Is there any way you could suggest by which we could measure total farm income including, as I said before, if some of their income is in-kind and therefore not measured because of the census not measuring in-kind income--at least not feasibly right now.

MR. SIMMONS: I have some ideas, but I don't think they are adequate for this. The Department of Agriculture does deal with this type of thing and I think that they are the ones that you should address this type of question to.

CHAIRMAN LEVITAN: In other words, you're sending me back to the city slickers.

MR. SIMMONS: Yes, sir. I think they are people who are acquainted directly with the problem.

CHAIRMAN LEVITAN: Opportunity knocks twice. Ms. Wills, do you have another question for Professor Simmons?

MS. WILLS: (Shaking head negatively.)

CHAIRMAN LEVITAN: Well, thank you very much, Professor Simmons, for your very helpful testimony or advice. We call it advice, not testimony. Thank you.

Our next advisor comes from a different sector of society, namely from the Employment Security Commission of North Carolina. Mr. Preston Johnson. You have the floor, sir. Welcome. I've read your statement. You've one of the very few that have sent it in advance and I can say before you start that it was a very interesting statement. You were very informative.

STATEMENT OF PRESTON JOHNSON, SPECIAL ASSISTANT
TO THE CHAIRMAN, EMPLOYMENT SECURITY
COMMISSION OF NORTH CAROLINA

Thank you. Mr. Chairman and members of the Commission, my name is Preston Johnson. I am Special Assistant to the Chairman of the North Carolina Employment Security Commission and a member of the Interstate Conference of Employment Security Agencies' Labor Market Information Committee.

I want to thank you for this opportunity to present to the Commission the views of the North Carolina Employment Security Commission and some of the concerns of the Labor Market Information Committee of ICESA. It is my understanding that other members of this Committee have, or will, testify before you presenting additional areas of concern.

I'm not going to take the time to retrace step-by-step the historical developments and events leading up to where we are today in estimating employment and unemployment. The historical perspective is an extremely vital element in your deliberations. Unless we learn something from history except history, then we have to learn from experience and progress is hampered greatly. However, I'm sure each of you are well-versed in the history of the present state of the art as well as having had it presented to you in previous testimonies.

Measuring employment and unemployment can be done generally in three ways: (1) a complete count such as the figures we see in many financial reports. For example, we can determine rather simply exactly how many dollars were paid in UI benefits last week or last year, exactly how many dollars were collected in UI taxes during any time period, etc. The experiences of the decennial censuses have shown, however, that try as we might we cannot count exactly how many people there are in the United States.

(2) A second method of measurement is through the use of an independent variable(s) which can readily be measured and then mathematically manipulated to estimate a dependent variable. This type of regression analysis has been explored by BLS for estimating unemployment with mixed or less than satisfactory results. However, I feel that a more rigorous pursuit of this avenue could be fruitful--perhaps with a larger number of variables.

The "Handbook" method of estimating unemployment is a form of this type measurement when insured unemployment determines, through various formulae, much of the total unemployment estimate.

(3) Finally, measurement can be attempted through the use of sampling. This is a very scientific and reliable technique where the preciseness of the estimate is controlled by the size of the sample. Sampling in many cases is the only way to measure certain features such as the life of a light bulb where the test destroys the product. In other cases it is highly desirable in that an acceptable measure can be made for much less cost such as the CPS program for national employment and unemployment statistics.

Only the complete count method will give an exact as possible measurement of employment and unemployment. Obviously, however, even if it were possible to perform such a massive job, the cost of such a program would be prohibitively expensive. This leaves us with two techniques that can be used--independent variables (some form of regression analysis) and/or sampling. Neither of these two will give a point value measurement, however. The value obtained represents the center of a range in which the true value is reasonably expected to lie. The width of the range and the probability that the true value lies within it is dependent upon the correlation between variables for the sample size and the desired degree of assurance. All too often users of employment and unemployment statistics overlook, or choose to ignore, this fact and accept the rate of unemployment as being an exact measurement. I would hope that this Commission would address itself to this point and stress the need for the proper understanding and use of these statistics.

The current BLS philosophy is to use the "Handbook" method for state estimates and adjust the estimates to the difference between the six-month CPS moving average and the monthly estimates for employment and unemployment.

The result of this is a dampening and shifting of the normal seasonal aspects of a state's economy thus distorting trends. In addition there is an annual benchmarking to bring the estimates into agreement with the annual CPS average. I would question the need for this for approximately half of the states whose annual average estimates fall within the confidence interval of the CPS annual average. Does benchmarking in this case make the data more accurate? I would think not. This first adjustment has caused a great deal of concern by many users of our data. We must remember that employment and unemployment data are not used solely to allocate funds---far from it. Financial institutions, utility companies, educational institutions, private industry, local governments and planners, state governments, governors, the SESA's themselves and others use and demand these valuable economic data for a multitude of purposes. A serious lack of confidence in these data has developed among our users, and we now face two major challenges instead of one--a system or methodology which produces good and timely estimates of employment and unemployment and reconvincing our users of its validity. The SESA's are considered by most state and local users to be the originators and disseminators of state and local employment and unemployment estimates. They are the "front-line" troops so to speak. The states are in the position to have to defend these estimates far more often than either BLS or ETA. Without state participation, input, and sharing in the development of revisions and/or changes in any of the methodologies, they are hard put to defend, understand, or even have confidence in the estimates themselves. I would strongly urge this Commission to place the strongest possible emphasis on the federal-state partnership role in this area of the Employment Security program as it is supposed to be in all areas. This would mean a continuance of such a role by some of our federal partners, a resumption by some others, and a beginning of a federal-state partnership for a number of others.

There is no question that we should always strive for perfection, but we should also recognize the impossibility in this instance and realize that we will never be able to produce local area employment and unemployment statistics for some 6,000 areas across the United States with the same degree of precision that can be obtained for nationwide statistics through household sampling techniques. It appears then that we must accept the fact that local area estimates and possibly state estimates will have to be prepared using a dependent variable(s) (a form of regression analysis) such as a revised and improved "Handbook" method.

A BLS spokesman has said that the "Handbook" method of estimating unemployment correctly depicts the trend in unemployment but fails to produce the accurate level. I tend to agree with this assessment. Both level and trend are necessary. The current BLS six-month moving average extrapolator technique mentioned earlier contains a bias that overstates sub-state unemployment rates when they are higher than the state rate in states with low unemployment rates and understates sub-state rates below the state rate in states with high unemployment rates. This is true for two reasons. BLS maintains that the "Handbook" method, while capturing the trend, tends to understate low levels of unemployment and overstate high levels. Graphically speaking, this is saying that the slope of the line over a range of rates is too great and the intercept too small. Secondly, the current BLS extrapolator technique only changes the intercept of the above-mentioned line while leaving the slope unchanged. This means that there is still a lack of comparability among interstate sub-state areas in unemployment rates and a resulting improper allocation of funds when used as an allocator. However, I would submit to you that if the "Handbook" method, with its present methodology, can correctly portray the trends in unemployment, the methodology can be refined and improved to the point where it would more accurately reflect the level of unemployment.

Also, BLS has indicated that there appear to be several compensating errors in the methodology and the weakest link is the estimating of unemployed new and reentrants into the labor force. I agree with this also. For several years while Director of the North Carolina Job Market Research Center, I conducted research into estimating employment and unemployment and the "Handbook" methodology under assignments from what is now ETA. We were very aware of some inconsistencies in various segments of the methodology. Of main concern at the national level at that time was the additivity of the state estimates to the national total as derived via CPS. A conscious decision was made to modify the new and reentrant methodology to unnaturally force closer additivity. This, of course, resulted in this component being the weakest and least accurate in the entire methodology.

The current efforts by BLS and the states to develop a uniformly-defined UI data base is a great step in the right direction. We advocated such a direction when I was involved in this type research. Once this has been accomplished along with techniques to accommodate state UI law differences, I am firmly convinced that the "Handbook" methodology can be refined to the point where results will correctly reflect both levels and trends in unemployment for both state and sub-state areas. It may well be that one refinement could be the use of CPS data as input for the unemployed new and reentrant component to produce very good state estimates of unemployed that will be beneficial and acceptable to all parties who use them including their use as an allocator of funds.

I would hope, however, that this Commission will consider alternative allocators. For example, since unemployment insurance laws now cover approximately 90 percent of all workers, the insured rate

of unemployment may be an acceptable allocator for small areas. As for redefining the labor force to include military personnel, I would question this for two reasons. One reason forwarded for including them, because it is now a volunteer service, could well be voided should there be a conflict which would reinstitute to draft. Also, even though the service is voluntary entrance, there is not the freedom to leave as in the private sector. In other words, military service personnel are generally not available as potential employees to meet the immediate needs of the civilian employing sector. I also question the appropriateness of the development and use of other indices to replace or supplement the unemployment rate. Such indices are likely to be more sophisticated and dynamic than the unemployment rate. I fear the acceptability by users would be difficult to attain. Also, it appears that the production of such sophisticated indices would tax our abilities beyond their capabilities. This appears especially true since we are having great difficulty in developing methods of measuring accurately the present concepts of simply employment and unemployment.

In summary, I would propose to you that estimating employment and unemployment be accomplished using a revised and improved version of the "Handbook" method for all areas and states possibly incorporating some aspect of the CPS for unemployed new and reentrant at the state level. With such an improvement the benchmarking process could then be on an annual basis to the CPS figure only for those states where the "Handbook" results were outside the CPS confidence intervals. The definitions of employed and unemployed should not be changed drastically. Finally, if it does not appear possible to produce accurate enough estimates of the level and rate of unemployment to satisfy allocation needs, then some other allocator be considered.

This concludes my remarks, Mr. Chairman. I will be happy to answer any questions you or the members of the Commission may have.

CHAIRMAN LEVITAN: Thank you Mr. Johnson. In each one of our hearings we had at least one representative of ICESA, and each time we've learned something new. I appreciate your statement and we'll start with Ms. Wills for questioning.

MS. WILLS: I'll try not to take too long. I have a lot of questions. You mentioned one variable, the entrant and the reentrant, but you also noted other possible variables. Do you have anything specifically in mind? I can't remember which page it was on--on changing the handbook method. And then you did mention later on in the testimony about the entrants and reentrants, page two. Do you have anything beyond entrants and reentrants?

MR. JOHNSON: No. Largely the unemployment estimate with the handbook method is a function of the insured unemployed in almost every case except the new and reentrants and in that case it is partially.

MS. WILLS: On page four you speak of a federal-state partnership continuing what we now have, and the resumption of some others, and the beginning of the federal-state partnership for a number of others. Could you be a little more specific on the resumption of some others and the beginning of the federal-state partnership? When you are answering, could you also think about the possibility of some kind of oversight structure as Mayor Jackson mentioned? So answer on two levels, if you would please?

MR. JOHNSON: All right. The beginning of the federal-state partnership in a number of other areas. I would address that primarily to certain segments of the BLS.

MS. WILLIS: Such as?

MR. JOHNSON: Such as the BLS at the national level responsible for the developing of estimates which are done as I alluded to earlier, in that the states have no input in most cases. No reaction. Opportunity of reacting. And in some cases inadequately explained at the time it is being considered for implementation.

MS. WILLIS: What do you think of the ideas for some variations? Mayor Jackson talked about the continuation of some kind of oversight body to--

MR. JOHNSON: I think it would probably be a good idea for no other reason than to insure that the federal-state partnership was in fact occurring. That the states were not just following the decisions after they were made. It would affect the states to a great deal. However, I do feel that over time an oversight body may work itself out of a job by educating those involved.

MS. WILLIS: Another question; it goes to what I think is going to be one of our toughest considerations. You suggest that there might be other ways to allocate money, one of them being the utilization of of the insured unemployment rate. From what I have read, not only are the entrants and reentrants a part of the problem if we use only the insured unemployment rate, and indeed that may well be a trend particularly in the rural areas, at least in some of my reading, but it's not clear that the rural residents participate as much in the unemployment insurance, even though it may be available to them. This is also the case inside the inner city. Now how would we--it's a two pronged question--would you allocate the insured employment rate from the Federal Government? Let's use CETA for example, although there are others--using the insured unemployment rate directly--or would you do that in some other kind of way? And how would you then accommodate the problem in the inner city, and the entrants and reentrants?

MR. JOHNSON: First, let me say, that I made that suggestion merely as that--a suggestion. Because I firmly believe that there can be a technique set up to accurately measure employment and unemployment for counties and possibly inner cities. It is more difficult. But at least for the country and intrastate areas, some form of the handbook method.

So actually in my own mind, use of an insured rate or any other type of allocator is moot. Because I think it can be done through existing techniques through improvements. If unemployment insurance, for instance, is used as an allocator and alluding to one aspect, how would it be done through the local, or whatever level? It gets a little out of the realm of this discussion, but I firmly believe that the allocation should be made at the state level and from there down to the local level.

MS. WILLS: I will be quite short. Mayor Jackson, again, made a recommendation that--or an observation--that he could live with quarterly statistics as opposed to monthly statistics. I would like your reaction to that on two different levels. And it's fair to say that this Commission recognizes the allocation of funds is not the only reason for the existence of the unemployment rate. But do you think that there would be any value in having only a quarterly statistic where at the state level you then develop the sub-state and county data to claim the detail necessary for the allocation of funds?

MR. JOHNSON: It's possible that quarterly data could be used, if it's used only for the allocation of funds. I think it would work. But so far as having only quarterly data, I can cite you an experience in North Carolina when there was a statement made by the BLS that states would be prohibited from making monthly estimates when they went to this quarterly data--statements that were later retracted I understand. My governor said we are going to have monthly data.

My position is that if our governor is going to have the monthly data--the private sector is going to have monthly data, then I want our agency to develop it; not let everybody get into the business of developing employment and unemployment data.

MS. WILLS: But you do see that I'm trying to make a distinction between the state monthly unemployment--

MR. JOHNSON: I think it would be good--you would have that one problem where people would be comparing quarterly and three month average data. If you average it, you may get a lot more money and, in their mind, it would be better than using quartering data.

CHAIRMAN LEVITAN: Thank you. Mr. Johnson. A few questions. Number one. On top of page four--to continue with Ms. Wills questions--you make the point that the labor force data are not used only for allocating purposes, but for many others. Now, I assume your Governor wants monthly data. If he wants monthly data, he'll get monthly data. I'm not going to argue about that. But what you hear from your various constituents, the financial institutions, utility companies, the vocational institutions, private industry, government planners and so forth--can you take them one by one--to the best of your knowledge, do they need monthly data?

MR. JOHNSON: To the best of my knowledge and I have not been involved in their specific use internally or externally, but I do know that a number of financial institutions use this data on a monthly basis in their economic analyses. Utility companies use this because many of the utility companies, even though there is an energy crisis, do have the industry hunters. They are recruiting industries to get new industries to locate in their service area and they want this type date for any areas in which they might have a client interested.

CHAIRMAN LEVITAN: Do you think they also use it on a monthly basis?

MR. JOHNSON: Yes, sir. In fact, they want the most recent data and series of such data--

CHAIRMAN LEVITAN: Do you think if they had to pay for it they would still want it on a monthly basis?

MR. JOHNSON: Yes, sir. There are educational institutions across the country and economic analysts who have a great use for this data. Some of them, after being educated into its limitations are horrified, but they still use it. Local governments go without saying; they want monthly data. And there are planners and there are state governments, even we ourselves, state agencies, we use this data in planning work loads and analyzing trends that we may have for various things, staffing, office locations, etc.

CHAIRMAN LEVITAN: All right, Mr. Johnson. In common with many other state representatives, or ICESA representatives, for some reason or other you're not happy about the state-federal partnership. Would you agree with the definition that someone gave me the other day about a cooperation between federal and state--does that mean that you and I cooperate?

MR. JOHNSON: Yes.

CHAIRMAN LEVITAN: On page seven, Mr. Johnson, you suggest that the insured unemployment rate can be used now--top of page seven--possibly for the allocation of funds for small areas. Do you think that in light of the fact that many of the rural folks are not collecting unemployment--that's the word that we got from this Commission hearing--that that would be a good source for determining rural area unemployment?

MR. JOHNSON: Well, I'm not sure whether it would or not. I have heard the same argument posed for urban areas--

Without a study of those particular areas I would hate to offer any--I would just state that you won't find the problem as severe in either area as is being maintained.

CHAIRMAN LEVITAN: And another question on page seven. You suggest that we should not count military personnel. Your major argument against this, as I understand it, is that in case of war we may not be able to count military personnel. Aren't you excessively worried? In case of war we might get deeper problems than just counting the military.

MR. JOHNSON: No, I'm using that argument because it was posed as one reason for including military service, and because it is involuntary then they aren't available for changing jobs.

MR. POPKIN: Would you want to extend that to anybody that is not available for changing jobs?

MR. JOHNSON: No. I think the others under contract are in the private sector producing some--

CHAIRMAN LEVITAN: What if I would ask you, isn't it correct Mr. Johnson, that if they are not in the military--maybe more like ICESA employees or college professors--would you suggest that we don't count college professors for unemployment purposes?

MR. JOHNSON: No. I think they are providing a service for the private sector.

CHAIRMAN LEVITAN: I'm not saying they are not providing a service for the private sector, but the turnover is high and therefore it is less among college professors than among military. If the basis is one of turnover, then why should we count college professors?

MR. JOHNSON: The basis is lack of freedom.

MR. POPKIN: Would you count policemen, but not military. How would you distinguish between the service that policemen provide and the service that military provide?

MR. JOHNSON: Policemen are free to leave the police service and go somewhere else.

MR. POPKIN: Well isn't the military man after his two years or four years?

MR. JOHNSON: No. They sign up for more than two years.

CHAIRMAN LEVITAN: I have one final question, Mr. Johnson. You suggest that the present employment and unemployment concepts are simple concepts. I have struggled with them for the last few years and I know the question they are asking me. I'm trying to understand all the responsibility that this Commission has, and I don't think it's such a simple concept as you suggest. Why is that simple; or more simple than income concepts? I thought we could all count to six thousand, twelve thousand--I think that we would be able to know what the concepts are.

MR. JOHNSON: That's correct. But it doesn't stop when you get to some index of that matter. It starts getting into many more complications; the size, urban, rural, southern, northern, snowbelt,

sunbelt. It doesn't stop. It keeps evolving into other issues. Employment and unemployment are not simple concepts. It's been around for a long time and people are beginning to understand what you mean by it even though they don't understand the gray areas.

CHAIRMAN LEVITAN: Are you saying that because something has been around for a long time is a good reason to continue it?

MR. JOHNSON: No. I'm saying it's fairly well understood.

CHAIRMAN LEVITAN: I've asked a lot of questions. Are these any more questions? We're running over time.

Thank you very much, Mr. Johnson. We appreciate it very much.

Our next advisor is welcome for several reasons. First, because he is a well known business economist. Secondly, because he is going to be, next year, the head of the Business Research Advisory Committee's Subcommittee on Unemployment, and thirdly, because he is also a very important member of the National Association of Business Economists. Dr. Chimerine.

STATEMENT OF LAWRENCE CHIMERINE, MANAGER,
U.S. ECONOMIC FORECASTING, INTERNATIONAL
BUSINESS MACHINES CORPORATION

DR. CHIMERINE: Thank you, Mr. Chairman and members of the Commission.

I welcome the opportunity to present my views on the unemployment and employment statistics. Unlike Representative Scott, I was not fortunate to have anyone on the Commission to instruct me, and I'm afraid I'm going to take complete responsibility for my own statement.

MR. ANDERSON: We won't hold that against you.

DR. CHIMERINE: My name is Lawrence Chimerine, Manager of U.S. Economic Research and Forecasting, IBM Corporation, Armonk, New York. I am a member of the National Association of Business Economists, and the American Economic Association. I currently serve on the Department of Commerce Economic Policy Board, and the Business Research Advisory Council of BLS and two of its committees; I just assumed the chairmanship of one of these, the Manpower and Employment Committee. However, the views I will express today are solely my own and do not necessarily reflect those of any of the organizations mentioned.

My use of the statistics on employment and unemployment is primarily for national economic analysis and forecasting, including the construction of macro-econometric models of the U.S. economy. Thus, I will confine my remarks today to the national data, to their usefulness in analyzing economic conditions, and their value as an input to the policymaking process. I recognize the need for increasing the reliability of the state and area statistics, both to ensure a more equitable distribution of federal funds for various programs and to aid in regional economic analysis, and I would strongly support any program that would result in substantial improvements in such data. However, I will leave to others the specific suggestions that may bring forth such improvements.

Let me begin by first praising BLS for the quality, quantity, and timeliness of employment and unemployment data, and the consistent professionalism of its personnel. The current array of data published by BLS is not only invaluable for economic analysis and policymaking, but, despite the current disagreements among economists, is more than adequate in measuring national economic

performance and various aspects of labor market conditions, including employment and unemployment differences among race, sex, and age groups. However, I believe that the data under discussion should be improved insofar as they measure economic hardship and--particularly important in our current inflationary environment--the degree of labor market tightness. While currently available data are helpful, I will propose some additions to the CPS which should provide more useful data for these purposes, as well as some other suggestions relating to the presentation of employment and unemployment statistics to the press and the public. These are among the issues which I believe the Commission should stress in its investigation, rather than focusing on small changes in series definitions, or alternative seasonal adjustment procedures, or other similar problems.

On the issue of economic hardship, I recognize that there are data other than the official global unemployment rate which may better reflect this social condition--for example, the unemployment rate among married men or other similar adult categories. However, these data do not measure hardship directly, and the exclusion of particular age or sex groups may give the impression that there is no hardship associated with unemployment in excluded groups. Additionally, a family with one breadwinner who has been unemployed for less than 15 weeks may be experiencing serious difficulties, and this person would not be included among the long-term unemployed, another measure often used as a proxy for hardship. The unemployment rate among job losers, while it should be examined by any responsible analyst or policymaker, is also not sufficient as a measure of economic privation--particularly in those cases where a new entrant or reentrant to the labor force is a new head of household.

In my view, information regarding income in those families currently experiencing unemployment would provide the best measure of hardship. I advocate an additional question be added to the CPS ascertaining the total current income from all sources of a household or family which has at least one unemployed member, and this income as a percent of what income was prior to the unemployment. This would include income from unemployment benefits and other government programs. The total size of family or household should also be obtained.

I recognize the difficulty in acquiring accurate responses, particularly regarding income. The respondent may not know how much other family members may be earning, nor the amount received from various government support programs. It would probably be necessary to present the respondent with a series of income ranges rather than ask for a point estimate. However, only when we have a continuous and consistent time series on average income, or on income distribution, in families with someone unemployed, categorized by family size, both with and without discouraged workers, can we be more definite about hardship. Comparisons of average family income among those unemployed with average income of all families would also help in evaluating the data.

There has been work already done by BLS which bears on this issue. In a special survey in May of 1976, the unemployed were asked to estimate their family income in the previous month, and to list the sources of that income. The nonresponse rate was apparently quite high, casting additional doubt on the reliability of the data. However, in my view, these data would be of such great value that BLS should conduct a feasibility study on whether reliable enough data can be developed on a regular basis to result in an ongoing series. It would not only add considerably to the measurement of hardship, but would also help in determining the effectiveness of various remedial program.

BLS has been publishing since 1977 a quarterly series on the percentage of the unemployed with at least one other family member employed. This statistic obviously bears on economic hardship and will prove more useful when adequate history is developed; it should therefore be continued.

In order to better measure labor market tightness, some improvement in the unemployment statistics can also be made. Several factors relate to the degree of tightness in labor markets and how it changes over time, over and above the bare measurement of the rate of unemployment. These factors include the experience of those unemployed, their skills, and how willing they are to work. While it is difficult to measure some of these, various proxies can be sought. For example, the level of income individuals earned prior to becoming unemployed probably relates to the skills possessed by those individuals. Changes in mean or median prior income of the jobless over time, in real terms, would make a good proxy for changes in the average skill level of the unemployed. This can be calculated for men, by race, or for other categories. A significant decline in the average real income on the last job of those unemployed would probably indicate that the average skill level of those without jobs is falling. To be sure, this could be in part due to a change in mix to more new entrants into the labor force. The cross-classification would, of course, help determine whether it is a mix change, or more likely a change in average skills of experienced workers. It would be very helpful if the prior income for those unemployed was measured consistently with incomes of those with jobs so that a ratio of the two can be calculated and reported on a regular basis.

Secondly, an average educational attainment level among those unemployed can be computed and reported as a proxy for skill--this can be tabulated from questions already part of the CPS. Such data--for the month of March--are published once a year. Quarterly or at least semi-annual data would provide more timely insights into the potential skill levels of those unemployed.

Thirdly, finer data should be obtained on work experience of the unemployed. The category "experienced wage and salary workers" for which BLS has until recently published an unemployment rate essentially just removed new entrants and the self-employed from the official rate. A better measure would relate to the number of years an individual was employed in his last occupation prior to becoming unemployed--the more prior experience these individuals have, the more skill we can assume that they possess. I propose that a specific question concerning the amount of prior work experience in the unemployed person's most recent occupation should be considered as an addition to the CPS, and that a distribution by years of experience be produced on a regular basis. It might be useful to obtain this information for employed persons as well.

I am aware that another factor relating to tightness of labor markets relates to the degree of underemployment or underutilization of those still employed, and not just to the characteristics of the unemployed. I know the Commission is investigating this issue and I support that investigation.

One last comment on labor market tightness. One major argument often made is that the overall unemployment rate is misleading, not only because it may comprise primarily unskilled or inexperienced workers, but because it may hide severe shortages in one or more critical occupations or geographic areas. BLS currently publishes annual unemployment rates for over 200 occupational categories and quarterly numbers for about 30 more broadly defined categories. I recognize the sample size problems; any attempt to produce reliable monthly or quarterly data for detailed occupational categories, and do so on a regional basis, would require an enormous increase in sample size and cost. However, if the sample is ultimately increased to improve the quality of the state and area numbers, I would suggest that whatever regional and occupational

data that can be reliably estimated be made available. At a minimum, improving the reliability of the broad occupational split on a national basis, and publishing these numbers monthly or quarterly, should be an objective of BLS. An annual occupational split by region would also be useful. Any cross-classification of occupational data by years of experience would greatly increase the value of these data, as well as any matching to job vacancy data which is currently being studied by BLS.

In terms of utilizing the current statistics as a measure of national economic performance, my major concerns relate to (1) the difference between the household and payroll estimates of employee, and (2) the way in which employment and unemployment statistics are made available to the public. On the first point, I believe a more complete reconciliation is necessary each month between the two measures of employment. There have been several months recently, including June of this year, for which the two measures grew at significantly different rates. These differences must be due either to changes in the number of multiple job holders, farm workers, self-employed or other groups included in one series but not the other, or to sampling errors or statistical discrepancies. But to evaluate the performance of the economy it would be very helpful to have the reconciliation on a regular basis. In addition, I advocate that the payroll survey data be tabulated so as to provide a split between part- and full-time workers, or a distinction of employees by ranges of hours worked. Such a split would be useful in evaluating the strength of employment, and perhaps shed some light on changes in productivity, which is calculated from the payroll data. In addition, it would be a useful cross-check on the number of part-time workers reported in the household data.

Along these lines, I also suggest a change in the labor turnover series. Labor turnover rates are currently calculated for all employees on establishment payrolls in manufacturing, including part-time workers and temporary employees. The data would be far more useful if they were also calculated separately for permanent full-time workers only. This would involve broadening the questionnaire somewhat, but it would enable business firms to make more meaningful comparisons between their turnover rates and overall trends.

In terms of the reporting of employment and unemployment statistics, I believe the focus on one number, the official unemployment rate, should be changed. Two other rates among the U1 to U7 array that is now tabulated regularly in "The Employment Situation" should also be discussed on a regular basis in the press release. One of these should be either U1, U2, or U3, all of which are more narrow definitions of unemployment than the official measure, and are probably better measures of labor market tightness. The other would be either U6 or U7, the two broadest measures. In addition, both total employment and the employment-population ratio should be reported and analyzed in the release each month since they are valuable indicators of economic performance.

I strongly urge, however, that there be no deemphasis of the unemployment data in the regular BLS reports and press releases as others have suggested. Some claim that the current unemployment rate is misleadingly high because it is heavily weighted by jobless women and teenagers, and that this does not represent a major problem. However, the adult male jobless rate is still high relative to previous periods. Furthermore, unemployment among women is of great concern because many of them are heads of households. Additionally, teenage unemployment is also a vital problem because the jobs secured in the early years provide the experience, skills, and work

habits that will make many young people useful members of society in later years and prevent or reduce serious social problems. The solution to this type of unemployment may be different than the possible actions which might be considered to rectify other kinds of unemployment but the problem is just as important.

Finally, I believe a page of charts providing long-term historical perspective for several key unemployment rates should be included in "The Employment Situation" - some of these are already included in "Employment and Earnings". Appropriate candidates for these charts would be the long-term unemployment rate, the rate among job losers, unemployment among adults, the official measure, and U7, the broadest measure. In addition, the employment-population ratio should be included. This would enable anyone reviewing the report to compare the current rate for those categories to historical levels in order to better evaluate current conditions.

CHAIRMAN LEVITAN: Thank you for a very nice statement. We'll start with Mr. Carlson.

MR. CARLSON: I do have one question. I would like to get some appreciation of the order of magnitude of costs, if you've given any consideration to some of the more important recommendations, or if you could give some more thought to the totality of the recommendations you have provided? Do you have any idea of the order of magnitude?

DR. CHIMERINE: Yes, Mr. Carlson, I have given some thought to the cost, and I can tell you that it would be quite considerable. I could not give you a specific estimate, but in my judgment, particularly again, in the current environment and the likely future environment, I personally view that cost as a wise expenditure to provide the kind of information that we need.

MR. CARLSON: Would you think in terms of the money spent and the survey and the analysis that there would be a doubling of the cost?

DR. CHIMERINE: I doubt it, but it would involve probably a 50 percent increase.

MR. CARLSON: Thank you.

CHAIRMAN LEVITAN: Mr. Popkin.

MR. POPKIN: First of all let me say this. It probably might be a lot more than doubling, but giving how shockingly small it is in terms of the money that depends on it, I don't think there's a real issue to defend.

DR. CHIMERINE: I would agree completely with that.

MR. POPKIN: I want to go into two things that your testimony raised. And I agree with Jack, that it was very stimulating. You talk about adding lots of logical, intelligent, and very important data into the CPS to go with "how long did you have your last job?" "How much did you make in your last job?" "How much education do you have?" And then you talk about adding income, which we all know is right now extremely difficult to obtain. I've done survey work--people in the labor field know that it is very very touchy. I'd like to ask you to think about something your testimony initially raised for me. Do we even need the income data given all of the other variables you suggested to allocate money for a program such as CETA? Think for a minute, if you would. Just suppose you had age data, education data, the past job, how long you had held the job, and how much you made? Could these numbers be much more

reliable than income--be perhaps a good enough proxy so if you use those numbers to spread the CETA money we'd be doing something maybe better than we could with the income data, given the problems of getting honest data on transfer payments and family income?

DR. CHIMERINE: My concern about income data Mr. Popkin, is primarily from the point of view of the policymaker. I'm looking at it not in terms of allocating funds but of determining appropriate economic policy. I think the two most critical questions regarding unemployment in that respect are (1) how much suffering are those people who are unemployed encountering and (2) if we stimulate the economy, are we going to generate nothing but some more inflation because labor markets are really tighter than we believe. So, from that point of view, I think the income data is necessary.

MR. POPKIN: Okay. So, I will ask the question about CETA--leave it to someone else.

DR. CHIMERINE: Good.

MR. POPKIN: Another point of view does come up then. I thought about it several times during these hearings and I think it's very relevant to the problem of tightness and also to the problem of equity and intelligent allocation. That is, right now if you're the head of a family and the sole income earner and you're working 13 hours a week, you're counted as employed. If you're living in a retirement community with no work and looking for seven hours of work, you're counted as unemployed. Should we consider--I hate to suggest that--another measure--but a measure that is weighted so that a person who works 20 hours a week and who wants 40 is half unemployed and counted a full member of the labor force? A person who is looking for 8 hours a week of work counts as 20 percent of a work unit? So we have a real measure of the size of the labor force and you count people as equivalent half times, quarter times.

DR. CHIMERINE: Yes. In my judgement you should and as a matter of fact to some extent that is already incorporated in one of the definitions of unemployment. If someone wants to work full-time and has only a part-time job he is counted as half unemployed and half employed.

MR. POPKIN: Thank you.

CHAIRMAN LEVITAN: Mr. Anderson.

MR. ANDERSON: Dr. Chimerine, I want to also add my congratulations on a very fine statement. There are two areas I'd like to get some additional comment on, if I may. One is your statement at the bottom of page five regarding the measure of labor market tightness. This is a subject that has for some time been close to my heart. With that in mind, I would simply suggest to you that I don't think you're likely to accomplish the objective you have in mind by looking simply at wage changes. As you might know, most of the changes in wages that take place, certainly over a limited period of time, are the result of increases in pay without regard to skill changes, rather than occupational or skill changes. So, I don't think you're likely to accomplish your objective of a better measure using this. But I was wondering why you would not suggest an improvement in the measurement of unemployment by occupation, and also an improvement in the availability of the job vacancies statistics which you allude to, I believe, on page eight. Would that not be a better measure of labor market tightness--to look at the rate of unemployment in specific occupations and the availability of job vacancies in relation to the unemployed?

DR. CHIMERINE: Yes. Mr. Anderson, let me comment on all parts of your question. But first of all I'm not sure I completely agree with you on your statement

that measuring prior income of those unemployed would not be a proxy for their skill levels. I agree with you that an average would change over a period of time because of inflation. All salaries are rising. There are two adjustments we can make to make those data more meaningful.

One, we can measure the performance in real terms. Secondly, we can measure prior income relative to all average incomes throughout the United States. So, if there is any change in that ratio, that might be indicative of a change in the average skills of those unemployed relative to the average skill of the population in general.

MR. ANDERSON: I don't want to gauge this problem--this probably isn't appropriate--but also it really gets you at the question of labor market tightness? The tightness--I gather what you mean by the tightness is a tightness in specific sectors of the labor market. Are you using the term tightness in a macro or micro sense?

DR. CHIMERINE: Both. It does not get us directly to a measure of labor market tightness. It bears on the degree of tightness; in particular what are the potential skill levels of those unemployed. There is a big difference in labor market tightness if you have six percent unemployment if all six percent are new entrants into the labor force or inexperienced workers than if all six percent are highly skilled and experienced workers. I think the data would bear on that.

MR. ANDERSON: Why would that not suggest to you a critical need for good job vacancy statistics. As you know, if you want to stimulate the economy, you're likely to get inflation. If, in fact, we cannot target our spending on the pockets of unemployment, getting people into the jobs that are vacant, why would you not suggest that we improve significantly the availability of the information on job vacancies?

DR. CHIMERINE: For two reasons. One reason, Mr. Anderson is that BLS has explored this issue numerous times in the past and has determined that it was extremely difficult to get reliable job vacancy data. And number two is the issue of the cost. Current estimates of the cost of the program are enormous. Now, I'm not suggesting that they don't do it. I didn't take a position one way or the other in my prepared testimony because I'd like to see the results of the BLS feasibility study first.

MR. POPKIN: Are you speaking of the estimates for the vacancy program?

DR. CHIMERINE: The job vacancy program. I would support it if the data derived are useful and reliable, and if the cost is within reason. As a matter of fact, I support the feasibility study that the BLS is currently undertaking to determine whether or not reliable estimates can be made.

MR. ANDERSON: I was very pleased to hear you mention in your statement on page 10 that your emphasis on--no, deemphasis of--the unemployment data that has been suggested by some. Because of this, I'm extremely pleased that you are about to become the Chairman of the Business Research Advisory Group. I think it would be a tremendous credit to the BLS to have someone with those views in that position. I want to congratulate you.

DR. CHIMERINE: Thank you, Mr. Anderson. I would like to make one further remark on the question you asked. I did discuss the occupational data in my statement and I did support a significant broadening of that data as an additional measure of labor market tightness. I would strongly support any effort in that direction.

MR. ANDERSON: That's occupational employment?

DR. CHIMERINE: Occupational unemployment.

CHAIRMAN LEVITAN: Ms. Wills.

MS. WILLIS: Let me, too, add congratulations. Two very quick questions. For the questions and information you'd like to see expanded on the CPS, would want that done every month, or do you think some of it could be done once a quarter? I don't recall that you mentioned that.

DR. CHIMERINE: I didn't. I waffled on that to be honest. And I guess in most cases, probably quarterly would be sufficient. Certainly not less frequently than once a quarter.

MS. WILLIS: One final question. As you're aware we had the Gordon Committee, now we have the Levitan Commission--I read in the paper the other day it was called the Levitan Commission so, I'm calling it that now. What do you think of Mayor Jackson's recommendation for some kind of oversight structure? You're very familiar with subcommittees and advisory subcommittees, which I'm still not sure are by law and/or just by choice on the part of BLS, do you think that we do need some kind of oversight body that constantly works in concert with BLS in a more formalized fashion than the current advisory committee?

DR. CHIMERINE: Quite frankly, I don't--I doubt that such a committee would serve such a purpose. I think the BLS has managed to get inputs from all people who have them--I wonder whether or not they would get any additional input information over what they are now getting. So, quite frankly, I don't think it would serve any major purpose.

CHAIRMAN LEVITAN: How about if BLS feels that it needs an informal business advisory committee? Why should we treat Mayors and Governors as less than research people--

DR. CHIMERINE: We shouldn't, but the question was whether or not I thought it would be useful, or whether it would result in any useful statistics--

CHAIRMAN LEVITAN: Are you suggesting that advisory committees are not useful?

DR. CHIMERINE: I serve on those committees, Mr. Chairman, and I certainly wouldn't make that statement. But I think they are of limited value.

CHAIRMAN LEVITAN: In other words, you think that people representing political groups would be less useful than--

DR. CHIMERINE: No. I don't think BLS would get any significant additional information.

CHAIRMAN LEVITAN: I would say, in reference to your question about greater emphasis on the part of BLS, maybe they will listen to you about measuring hardship deprivation in the labor market. There are conceptual problems that occurred to me following your statement. You emphasize, or you comment on, the accounting of employed persons as far as deprivation is concerned. I don't have to tell you, sir, that, of course, many are also discouraged workers. You think that they might even be more important for those purposes. Would you include them?

DR. CHIMERINE: Absolutely and I thought I did mention in my statement that they should be included in that measure.

CHAIRMAN LEVITAN: If it was there, then the question was unnecessary and if it wasn't there then--

MR. POPKIN: If it's there, what do you think is an appropriate cutoff on discouraged worker?

DR. CHIMERINE: I really don't have any objections to the current measure, that is the official measure, of four weeks. I think that's a reasonable period. I don't think there's much to be gained by changing it to five weeks or three weeks or six and half or something like that.

CHAIRMAN LEVITAN: My second question, sir. In the exchange between you and Mr. Carlson, you talked about cost. But you talked only of cost to the taxpayer or to government agencies. Would you also consider the cost of additional questions to the respondents, who are volunteers? Would you expect to give them all sorts of questions, which I think as Mr. Popkin suggested, may raise their hackles?

DR. CHIMERINE: The answer to your question, Mr. Chairman, is that I never considered it. If it's something that would improve the response rate for these questions, I would be all for it. I can't imagine that it would involve substantial costs.

CHAIRMAN LEVITAN: No, obviously. I am all in favor of the questions you are asking, but Census and BLS tell us that every time they ask additional questions--I'm just asking whether you would want to consider that.

DR. CHIMERINE: I think it should certainly be considered, Mr. Chairman.

CHAIRMAN LEVITAN: Finally, I have one which I don't know how to handle, so I'll turn to page ten. You suggest on page ten, that in terms of reporting employment and nonemployment statistics you want a few things. How many numbers do you think Mr. Walter Cronkite is going to report on Friday at 7 o'clock?

DR. CHIMERINE: I think three is a good number.

CHAIRMAN LEVITAN: You think you could talk him into it.

DR. CHIMERINE: Yes, I think three is enough. Absolutely.

CHAIRMAN LEVITAN: All right. If you think that they would then I think it's an excellent idea. But some people tell me that the way they run the news, CBS never gives you more time.

DR. CHIMERINE: Well, they could flash it on a board.

CHAIRMAN LEVITAN: I see. In other words, both visual and--

DR. CHIMERINE: Audio reporting. Mr. Chairman, I'm thinking of the money supply where they are now regularly reporting on both M1 and M2. I haven't found that that change has burdened either the newspapers or TV coverage.

CHAIRMAN LEVITAN: I'm delighted to hear that. Before we take the break for jogging or calories, whichever your disposition happens to be--as you may have heard Mayor Morial of New Orleans will not be able to make it today, but he will present a written statement to the Commission. We appreciate very much to hear from him.

We had another witness or another advisor today, Barbara Monohan, of the Heartland of Florida CETA. Because of a serious illness in the family, she cannot appear. Of course, we wish Mr. Monohan a speedy recovery.

The final announcement is a rather sad one, but I think the record should take note of this, over this weekend the newspapers reported the death of Dr. Isadore Lubin, the Commissioner of the Bureau of Labor Statistics in the '30's. He was the numbers man in the White House during World War II and had a distinguished career since then.

We will miss him not only because of his very productive contributions to the labor force statistics of the United States, but also when the Commission was appointed Dr. Lubin came immediately and offered his help, volunteered his help, and promised to review the draft of the Commission's report. We'll miss him very much, and the expert advice and help that he would have given us, if he had not been taken away. And the Commission will express its condolences to the family of Dr. Lubin.

On this sad note we'll take a break for one hour--sixty minutes--30 minutes of jogging and 30 minutes for eating. Which means, Mr. Dressman and Mr. Hehl--will 1:40 p.m. be suitable for you gentlemen?

Thank you very much. We'll take a break for one hour.

(Whereupon, the lunch recess was taken.)

CHAIRMAN LEVITAN: Since we have one less speaker, then we ask anyone that would like to give any advice, you will be welcome at the end of the seance, at about 4:10 or 4:20. So please prepare your statements.

We will continue with our next witnesses--experts--who are going to advise the Commission. They are the Honorable James A. Dressman of Kenton County, Kentucky, and the Honorable Lambert Hehl, Campbell County, Kentucky. Gentlemen, proceed in whichever way you please.

STATEMENT OF HONORABLE JAMES A. DRESSMAN,
COUNTY JUDGE/EXECUTIVE,
CAMPBELL COUNTY, KENTUCKY

MR. DRESSMAN: Thank you, Mr. Levitan, for calling us experts, because in our home counties no one thinks we know anything. We previously filed with the Commission the impact statement of Kenton County. I don't know whether you have that or not.

CHAIRMAN LEVITAN: We do have the Kenton County report.

MR. DRESSMAN: We brought extra ones with us.

CHAIRMAN LEVITAN: I thank you sir.

MR. DRESSMAN: First of all I don't know whether you know where Kenton or Campbell Counties are located, but they are directly across the river from Cincinnati, Ohio separated by the Ohio River which is owned by Kentucky and in turn the Licking River separates Kenton and Campbell Counties and we fight over who owns that river.

According to all the figures that we can see, we are the two counties that have suffered the most severely because of this new change of mathematics that was projected by the Department of Labor, Bureau of Labor Statistics, according to the figures that we have. I think you will find that in our impact report there, I don't want to go over all of that, because I presume that you will take time to look at it and read it.

CHAIRMAN LEVITAN: We shall.

MR. DRESSMAN: According to the figures that we have on our unemployment rates, it dropped from 7.2 to 3.8, a 3.4 percent drop--this is a drop of about a half in the rate.

CHAIRMAN LEVITAN: That's one way to solve unemployment.

MR. DRESSMAN: I think it solves the unemployment problem--but it is so unreasonable that we can't understand either one of these figures. They are so wrong (the one that they had before and the one that they have now) that somebody ought to look into it. And it also shows that how undependable using unemployment rates is in figuring out the system. Using these unemployment rates not only affected us with CETA, it affects us with all the other federal funds such as countercyclical and economic development funds.

If the figures can come out so differently, then they are so unreliable, that they oughtn't be the sole determining factor in any of the federal grant programs.

The other thing we can't understand. We've checked the unemployment claims from our county which seems to be the primary thing that they are using now in their calculation. Although our unemployment rate dropped about a half, the claims for unemployment insurance only dropped 19 percent during that time. That is just totally inconsistent with what they've come up with. Also we've checked the amount of food stamps, the welfare claims and what not and they've gone up rather than coming down in Kenton County.

The drop in the unemployment rate seems to be so different with what was found. If unemployment figures are so unreliable, some consideration should be given to other things such as the average income in Kenton County. Our county is below the

national average in income in the United States. Also, there ought to be some thought about the industrial development and the new jobs created or whether your employment figures are static or whether you're getting increased employment.

Another thing that I've checked out, when people go on unemployment in Kenton County, how long are they there before they can find a job. We've got a great number of people who have gone on fifteen weeks without being able to find a job in the employment market. I think that another determining factor that should also be considered is how many people never file. For instance, we have one particular case right now where a fellow hasn't worked for four years because he has been subject to epileptic fits and we're now working with him to find him a job and get him a job. Now he isn't even listed in the statistics.

The other thing that gets our nanny up a little bit is that President Carter revved us up, geared us up to fill up a great number of jobs and we've done it. Our county filled its quota within the time that was allowed to us when it was a geared up situation. Now we've got all these people working for us and they are going to take the money away just like that and we're going to have to fire 350 people.

I guess the government ought to do it for us because that isn't going to be very much fun to take 350 people off of our payroll. When you lay these people off they're going to have to make unemployment claims so that they go up again, which will make us qualified again. Welfare and food stamps for those people are also going to go up.

We think that there ought to be some way to ease us down from the great build up that they've made us do just recently and which we've just completed. They shouldn't let those people hang out on a limb and make us the big bad wolf if we fired 350 people all on one day.

The other thing that's indirectly affected here. In the use of CETA--if you'll look at our record in there, the greater part of the people that Kenton County has helped have always been the kind that were hard to hire. They've been the underpaid, the minorities and what not and we've followed what the government wanted strictly. We've not used the slots for government officials or any other kind and we've also got over 80 social agencies that have employees for CETA. Now, if we take them away from those people, it's going to effect their services that go to the poor, to the aged, to the handicapped. It will ruin our bus company going--we are using it to keep day care centers. We're using it for home care for the aged, running transportation systems for the aged. Redwood School which is a Cerebral Palsy School is getting people. I think you can see the impact on the social situation in our community, if we withdraw all of these people that we've been assigning to social agencies to assist in the needed areas of our county.

To summarize we just can't understand how figures can be so wrong. It has hurt us badly. How can there be such a drop in the unemployment rate in one section of the United States? BLS could now be right, I'm not saying they are not--I'm not an expert. I've tried to read how they do these things. I've never really paid much attention to these figures until recently--until it affected us. I tried to read how to arrive at the rate. I'm a lawyer and I've read it and I still can't understand that handbook you use and all that business. I'm not a mathematician. All I know is, it doesn't make sense that somebody could be so wrong for so many years. And now all of a sudden they say they're right. You see, it just doesn't make sense that way.

I think something has got to be done to correct the situation. We've already felt the effect of this. We got our notice that our countercyclical payment has already been cancelled for the first part of this year. Whether we will qualify again for the second part, I don't know. With that, I'll turn it over to Judge Hehl.

CHAIRMAN LEVITAN: Judge Hehl, you have the floor.

MR. DRESSMAN: Pardon me, I have one other thing. I have a letter dated March 8, 1978 from the Department of Human Resources of the State of Kentucky, whose employment office certifies all the CETA applicants for Kenton County. This letter states that there are now 681 individuals certified as eligible for the CETA Title VI program. Over one half of these applicants are unskilled, 184 are veterans, and 130 are welfare clients. For applicant employment they have 3556 total applicants for employment in Kenton County alone. If you want this letter I gladly give it to you--pardon me Judge, go ahead.

STATEMENT OF HONORABLE LAMBERT HEHL,
COUNTY JUDGE/EXECUTIVE
CAMPBELL COUNTY, KENTUCKY

MR. HEHL: I'm used to that Mr. Chairman. We're both country Judges in adjoining counties. We have a friendly rivalry Judge Dressman, being a judge of more than two decades and I being just a new judge in 1974. I found out that he was receiving \$400,000 in CETA funding and I thought that if Kenton County can do it, certainly Campbell County can--is entitled to it. We got our staff involved, the City of Newport in my county lost a quarter of a million dollars that one year.

Thanks to some people down state, our State Representative, we were able to be funded at about a half or third or so of what we had. Kenton County is a prime sponsor, I believe you know that, and we are programming agents in Campbell County.

I would like to take this opportunity to inform you of the impact of the recent change in method for computing unemployment statistics on Campbell County, Kentucky.

Briefly, Campbell County is one of three Northern Kentucky counties which comprise the southeastern part of the Greater Cincinnati Standard Metropolitan Statistical Area. Located directly across the Ohio River from the City of Cincinnati, Ohio, Campbell County has a highly concentrated urban population in its northern most section. Established commuter patterns indicate approximately fifty percent of the total labor force is employed within the Cincinnati/Hamilton County, Ohio area.

The recent change in procedures for estimating labor force and unemployment in local areas will have a profound adverse impact on Campbell County, and the entire Northern Kentucky area. The implementation of the new procedures has had the effect of reducing Campbell County's unemployment estimates by fifty (50%) percent. The 1977 average rate of 7.5% has been revised down to 3.7%. Since unemployment rates define eligibility thresholds and are important factors in the allocation formulas for a number of federal programs, Campbell County may experience an abrupt loss of millions of dollars in federal funding.

Preliminary estimates, based on the revised unemployment rates, indicate drastic reductions in CETA public service employment (PSE) allocations. The Campbell County Fiscal Court and ten of the

country's fifteen cities will lose eligibility for anti-recession funding, and may be ineligible for possible programs or benefits outlined in the President's Urban Policy. These local governments would also be removed from a competitive position in any future rounds of Local Public Works Title I.

Prior to the revision in methodology, Campbell County has continuously been an area of reported substantial unemployment. During the last four years, the county's unemployment rate has frequently exceeded the U.S. comparable rate. With this relatively high unemployment, Campbell County has been eligible for the receipt of 4.5 million dollars in CETA public service employment funding since February of 1975. To date, the PSE program has provided jobs for over 500 unemployed residents. The program has been particularly beneficial to youths and the economically disadvantaged. PSE has proved to be a productive means of providing financial assistance to the economically disadvantaged while offering encouragement and training opportunities not presently available under welfare programs. Fifty-two (52%) percent of all participant terminations have resulted in an unsubsidized placement.

Presently, the PSE component supports 250 jobs which would not otherwise exist. Even under more favorable economic conditions, it would be impossible for local governments and agencies to generate a comparable number of employment opportunities. With the impending abrupt curtailment in CETA funding, most of these public service positions will be permanently cancelled. In the event of the anticipated allocation reductions, 220 participants and support personnel would be laid off with few prospects for immediate employment. Since most of these employees are heads of households, their 510 dependents will be directly affected by a significant loss in family income.

As a consequence of the revision in unemployment rates, Campbell County Fiscal Court will be ineligible for \$452,265 in Title II FY 1979 funding. The Title VI allocation is expected to be reduced by 76% down to \$256,652. A total PSE funding decrease of 1,955,000 dollars has been projected for FY 1979.

CETA has also been an important source of fiscal support for over 40 local public and private non-profit organizations. These jobs provide many needed public services which would not be available in the absence of PSE. PSE employees have restored and improved services where the financial resources of local governments and agencies have receded. Some agencies have established new service staffed solely by CETA employees.

The sharp reductions in staff will precipitate drastic curtailments in social and community services. Approximately one-third of the services supported by CETA will be immediately and permanently cancelled. All segments of the population will be directly or indirectly affected. However, the unemployed and economically disadvantaged will experience a disproportionate share of the hardship.

The cities may be the most severely impacted by the revision in unemployment rates. The County, and ten cities in the County, have dropped below the threshold of eligibility for countercyclical anti-recession funding, and other cities have sustained large reductions in quarterly payments. The County alone has experienced a total loss of \$121,053 in anti-recession funds for the last quarter. This would amount to \$484,212 annually.

The changes in procedures for estimating unemployment may have far-reaching detrimental effects on future economic growth as well. Campbell County is presently at a crucial stage in terms of development. The proposed Port and River Development Project on the Licking River and the related Foreign Trade Zone designation could spur unprecedented

commercial and industrial growth. It has been estimated that the Port and River Development Program will attract 4,000 - 6,000 jobs to the site and should create as many more throughout the area in support industries and other associated business activity. EDA funds are planned to contribute the necessary supplementary financial resources to initiate industrial site preparation and construction of the public port facilities. Secondary financial resources (Revenue Bonds) are contingent upon the receipt of EDA grants. These grants comprise 50% of the planned initial funding requirements. The loss of eligibility for EDA funding would place the entire project in serious jeopardy.

Other countries in Northern Kentucky (especially Kenton) are similarly affected. During the period from fiscal 1979 - 1982, it has been projected that Northern Kentucky will sustain a loss of a potential 23 million dollars in federal funding.

According to the Bureau of Labor Statistics, the purpose of the procedural changes are:

1. To make unemployment estimates more accurate;
2. To bring state and area estimates more into line with the national unemployment statistics;
3. To achieve uniformity in estimating procedures from state-to-state, and among areas within states.

Although the procedural changes may achieve these objectives on a national level in the process they will have, as I have related, a severe impact on Northern Kentucky. It is understandable that such extensive changes in federal policy and/or procedures will not always be to the satisfaction or benefit of every local area, and will invariably be to the detriment of some local governments. However, Northern Kentucky will suffer inordinate losses in the achievement of national data consistency and improved accuracy.

It seems obvious that the new procedures do not produce a more accurate estimate of unemployment for the Northern Kentucky area. Local conditions and related economic indicators do not substantiate a 50% reduction in unemployment rates. In contrast

to the purpose of improving accuracy, the new procedures seem to present a distorted and unrepresentative assessment of Northern Kentucky's labor force conditions. Although the new method may improve the accuracy of the statewide estimate, the resultant improvement is the effect of a localized and highly concentrated reduction/revision in estimates.

Kentucky State Department for Human Resources, Bureau of Manpower Services, Research and Statistics Branch reports:

"The new procedures did not change the statewide unemployment rate substantially. . . the statewide rate of unemployment was reduced 0.3 percentage points and the number of unemployed was reduced by 3,400 persons."

Approximately eighty percent (80%) of this 3,400 reduction was concentrated in Northern Kentucky. Campbell County's revised estimates alone reflected 42% or 1,411 of the total 3,400 reduction in estimated number of unemployed persons. This is curious, since Northern Kentucky represents only 7% of Kentucky's total civilian labor force with Campbell County comprising only 2.5% of Kentucky's total labor force.

A consideration for equity is given as one of the reasons for the discontinuance of an independent CPS for the majority of SMSA's. This change is intended to provide consistency in estimating procedures among sub-state areas. It is questionable whether in achieving this consistency Northern Kentucky is afforded equitable treatment in the estimating process, because it is withdrawn from the Cincinnati SMSA, which is its natural labor market area.

In 1960 Standard Metropolitan Statistical Areas (SMSA) were established to permit all Federal statistical agencies to utilize the same areas for the publication of general purpose statistics. Boone, Campbell, and Kenton Counties (the 3 Northern Kentucky Counties) were designated as part of a primary sampling unit which was homogeneous in various characteristics such as geography, population density, rate of growth, principal industry and

so on. This procedural change does not appear to compensate for the strong and established interstate (SMSA) relationships. Over fifty percent of the Northern Kentucky employed labor force commutes to Ohio. Movements in the Cincinnati economy are immediately reflected in the Northern Kentucky Counties. The feasibility of disaggregating Northern Kentucky from the Cincinnati SMSA is questionable in light of the drastic distortions in labor force estimates localized in Boone, Campbell and Kenton counties.

Regarding the implementation of the revised procedures for estimating unemployment for Northern Kentucky, it is our position that:

1. Northern Kentucky is an atypical area with unique circumstances which are not amenable to the revised methods as evidenced by the drastic reductions in unemployment rates;

2. The new procedures produce a distorted and unrepresentative picture of Northern Kentucky's labor conditions;

3. Northern Kentucky should not be disaggregated from the SMSA for purposes of estimating unemployment, but should be included in its natural labor market area. An independent estimate for the SMSA should be continued;

4. As a result of the revision in procedures Northern Kentucky cannot receive equitable treatment in the allocation process of federal programs which are geared to unemployment data;

5. If the CPS sample for the SMSA cannot be expanded to produce reliable estimates, then the BLS should revert back to the former method for estimating unemployment is Northern Kentucky.

I appreciate your attention and privilege to be here, ladies and gentlemen. Thank you.

CHAIRMAN LEVITAN: Have you presented this to the BLS?

MR. DRESSMAN: Yes. We have, ours.

MR. HEHL: The blue book will be presented this week.

CHAIRMAN LEVITAN: Mr. Dressman, have you gotten any answers so far?

MR. DRESSMAN: We got one letter in June. Ken Harwood, Acting Commissioner, about taking us out of the Cincinnati SMSA.

CHAIRMAN LEVITAN: Do you have other copies of that?

MR. DRESSMAN: You can make all you want. They always consider Kentucky to be 17 percent of the SMSA figures and finally they--the unemployment figures or claims that were filed on how they came to be 11 percent. But they used 17 percent in the previous handbook.

MS. WILLS: Seventeen percent of the total work force for the SMSA?

MR. DRESSMAN: That's correct.

MS. WILLS: Was the primary reason that they gave you for discontinuing the counties as part of the SMSA--

MR. DRESSMAN: They go by state-to-state rather than counties in the SMSA.

MS. WILLS: The counties as part of the SMSA?

MR. DRESSMAN: To keep you within a state rather than go by SMSA. It would seem to me that since there was a discrepancy that the United States

ought to make a special current population survey of the areas to determine what is right. I know that's not going to be cheap, but it isn't cheap to us either, what they are doing.

MR. HEHL: I believe the Department of Human Resources for the State of Kentucky is trying to work out something--alternative to.

MS. WILLS: I haven't--may I ask a question, sir?

CHAIRMAN LEVITAN: I wish you would give us some answers.

MS. WILLS: Never mind the questions. That's why I'm asking. The State Department in Kentucky--is anybody here from there? Do they have any solutions for any of the State SMSA areas, and has this affected the SMSAs within the state?

MR. DRESSMAN: Yes. Ashland also had a large drop, not quite as much as we did, but quite a bit. I believe their's was 1.9 percent drop.

MR. HEHL: I think you'll find it in the--

MR. POPKIN: Is Ashland in a similar situation?

MR. DRESSMAN: It's up in the West Virginia area--Ohio and Kentucky.

MR. POPKIN: This is tied to an across the state SMSA.

MR. DRESSMAN: Yes, sir. We have the figures here for all the counties, if you wish to have them.

Green is 1.2.

MR. HEHL: Boyd County is Ashland, Green is adjacent to it. It is the third largest in the state and they are also in an SMSA with Ohio and West Virginia. So using these SMSAs has really hurt Kentucky.

MS. WILLS: From Kentucky's perspective, if you were able to utilize or continue the CPS sampling in the SMSA would that be a satisfactory solution to the problem? You are not as concerned about the problems of the UI claimants being county residents as opposed to place of work and the other methodological changes? You say there was a series of changes in January in the SMSA that were obviously the most dramatic? And this may be answered somewhere in this fascinating--

MR. DRESSMAN: We're going from the SMSA.

MS. WILLS: This obviously requires, Dr. Levitan, a great deal of work and I think probably some kind of interim recommendations on the part of the Commission between now--you do understand that many--the final implementation recommendation of this Commission will not be taking place until 1983 or 1984 at the earliest. And if I'm understanding your plea, that is not exactly a satisfactory time frame for your?

MR. DRESSMAN: Well, we've been working from-- Congress is contemplating easing us down a little bit.

CHAIRMAN LEVITAN: I was going to ask you, would you be helped by the new CETA legislation?

MR. DRESSMEN: We've been working through NACO to take care of our problems but they've got problems elsewhere, too. There are some things being considered, but it's not final yet. There will be some hold harmless clause.

MS. WILLS: That's in one piece of legislation.

MR. DRESSMAN: The Congressional staff has been contacted and we've asked them along with the state to take charge in submitting some kind of formal policy that would save us. Perhaps as we suggested to keep it the old method and exclude us from the general method.

MS. WILLS: What I'm trying to research--because in several parts of the old method that were changed--if it was just the one issue, the claims share, and also that you were not being counted as part of that one SMSA. If it's in here, I'll search through it and find it, because we can go back and go to the old method totally. But that's not necessarily the world's best solution, either. That's just Joan talking, not the Commission.

MR. HEHL: I'd like to say a few more words.

CHAIRMAN LEVITAN: Please do so, Judge Hehl.

MR. HEHL: Kenton and Campbell County are part of two of nine county tri-state regional planning agencies. The Ohio River as Judge Dressman has pointed out separates Ohio and Kentucky. We've always claimed ownership on that, but it goes back prior to the Civil War. But the Ohio River side, the north side, is part of the Atlanta-Chicago Region and south of the Ohio River is part of the Atlanta Region. We do have a problem there in trying to coordinate all of these regions and it's quite interesting and I think we're the only ones that I know of that live in this country that way.

CHAIRMAN LEVITAN: Well, it's obviously a problem that requires a solution, but we cannot do anything right now. Now, I will not--we have some BLS representatives here--but they are here as

observers and I'm not going to call on them. The BLS representatives have listened to the statements presented by Judge Dressman and Judge Hehl and we will, gentlemen, forward your testimony right away to BLS and to the Secretary of Labor.

I don't know that anything will be done. We are not in a position to make any promises and I can't write any checks for the Commission, but the least we can do is to present your very very pressing problems to the people who might be able to do something and we'll suggest it's not something that will want to wait until 1982.

MR. HEHL: Maybe you can hold their hand while they write the check. Thank you, sir.

CHAIRMAN LEVITAN: Thank you, gentlemen.

Our next advisor represents vocational education. The vocational education community is one of the major users of Labor Force data and we are very anxious to hear Dr. Drewes.

STATEMENT OF DONALD DREWES, CONSERVA, INC.

DR. DREWES: Thank you, Mr. Chairman and distinguished Commission members. I would like to read a few prepared remarks concerning the vocational education needs for occupational development data.

Federal vocational education legislation since 1963 has contained a charge in the declaration of purpose that summarizes the intent of contemporary vocational education. This charge mandates that people of all ages in all communities be provided ready access to vocational training and retraining which is of high quality, is realistic in light of actual anticipated employment opportunities and suited to the needs, interests and abilities of people to benefit from such training. It is in the carrying out of this intent that the data needs of vocational education are generated.

Provision of quality vocational training and retraining which is realistic in light of employment opportunities requires information on occupational demand and supply. Unfortunately, relatively little labor market data is currently classified by occupation. Since occupations are the link-pin to vocational programs, labor market information not occupationally related is of relatively little utility to vocational educators. A notable exception is the Occupational Employment Statistics (OES) program of the Department of Labor which provides estimates of current and anticipated employment requirements for some 440 Census-based occupations. An employer based survey component is operational in 42 states and the District of Columbia with the potential of providing occupational projections for some 1,500 occupations. However, progress is slowed because of budgetary cutbacks and uncertainties as to future funding support.

Current problems with occupational demand data center on geographic specificity, occupational coverage and user acceptance. With regard to geographic specificity, vocational educators if given their choice would prefer data descriptive of the demand within the area served by their local educational agency. However, they are coming to accept the argument that the local market is a more meaningful area. Unfortunately, there is currently no readily acceptable means of delineating non-SMSA labor market areas, with the result that the concept of local labor market remains as yet largely non-operational and hence non-functional for vocational education purposes.

Use of available demand data by vocational educators has been hindered by the lack of a standardized occupational classification at an appropriate level of specificity. Census-based occupations have historically been regarded as being too broadly defined to be maximally useful for vocational planning. Greater specificity is required, especially in the agriculture and agri-business, allied health and technician occupations. What is needed is a

level of occupational detail somewhere between the overly gross Census and the overly detailed DOT occupational classifications. The recently developed Standard Occupational Classification system appears to be an attractive alternative.

User acceptance of statistical labor market data depends largely on the degree to which users are involved in and understand the process used to produce the data. Vocational educators' historic distrust of labor market data stems in large part from a lack of communication between data producers and users and an inherent suspicion of that which is unknown. In recognition of this problem, Congress created the National Occupational Information Coordinating Committee and the associated network of state occupational information coordinating committees and charged them with responsibility for improving communications and cooperation at Federal, state and local levels.

Although the previous problems dealt with occupational demand, problems in occupational supply are even more pressing. Available data on enrollments, leavers and completers of education, training and other job-related programs are not currently integrated into a comprehensive estimate of occupational supply. Proprietary school contributions to supply are frequently not taken into account because of non-availability of data. Little information is available on geographic migration and commuting patterns and their effects on supply. Because of lack of data, the effects of occupational mobility on demand and supply considerations are largely ignored. The contribution of employer-sponsored training to the supply of skilled labor is as yet largely unknown.

Congress, in an effort to encourage rational data-based planning and in recognition of an importance of occupationally based data, stipulated that an occupational information system (OIS) be developed and implemented in the states. This system is to serve the common informational needs of vocational education and employment and training programs at the national, state and local levels, and is to be based

on uniform definitions and standardized procedures. To ensure that its intent was carried out, Congress established a National Occupational Information Coordinating Committee (NOICC) and charged it with responsibility for system development and implementation. State occupational information coordinating committees patterned after NOICC were established as the operational means for implementation in the states.

As the title indicates, the major function of the NOICC is the coordination of occupationally relevant labor market data production efforts. This coordination function can be seen to include prescription of minimal system data standards including demand and supply definitions, geographic (labor market) area definition, occupational definitions, crosswalks between coding systems, estimating procedures and standards, data format, updating frequency and prescribed minimum informational content. Informational content should include occupational demand and supply, occupational characteristics, follow-up information on vocational education and CETA terminators and associated demographic information pertaining to the universe-of-need for vocational and employment and training programs.

NOICC coordinative responsibility should also be extended to include the development and implementation of a career information system to meet the common career decision needs of youth and adults. This system should utilize the standardized occupational and career outlook information provided by the OIS and should be designed to facilitate career awareness and exploration activities.

SOICC responsibilities center on the implementation of an occupational information system at the state level that is compatible with NOICC standards and serves state occupational information needs. The SOICCs, in carrying out this responsibility, have the potential to provide the mechanism for inter-agency dialogue which could be beneficial in assessing labor market informational needs, increasing the awareness

of existing labor market sources and improving the knowledge of the capability of existing data sources to satisfy identified information needs. The SOICCs can play an important role in the state data collection efforts. For example, the SOICC would be an ideal agency to coordinate implementation of a state-wide survey to determine the universe-of-need for vocational education, CETA and vocational rehabilitation programs and services. By serving in a coordinative capacity, SOICCs can improve the utilization of labor market information and reduce redundancy in data collection efforts.

While not explicitly called for in the legislation, an extension of the system to the regional level is suggested. Extension of the state level system into sub-state regions can be accomplished by establishing a network of regional information centers. The major purpose of the regional information system would be to interject the uniqueness of local labor market conditions into a comprehensive state-wide information system. Functions of the regional information system would be both to collect and provide occupational, career, and educational and manpower programmatic information pertinent to the region served by the center.

Regional information centers might also be repositories for information pertaining to the social and economic characteristics of the region. With regard to career information functions, regional information centers could provide information and referral services to people concerned about the availability of education and training opportunities in the region. They might also offer available assistance in the region for counseling and guidance services or other programs designed to prepare and assist people in finding suitable employment, as well as providing information about duties, requirements, wages and employment prospects for a variety of occupations to be found in the region.

These regional information centers would be in a position to supply information to a host of local community organizations. Examples of organizations receiving input from regional information centers might include occupational counseling and guidance centers at both secondary and post-secondary institutions, local and industrial development commissions, planning officers of educational and CETA agencies, local community education and work councils, community action agencies, county and metropolitan planning officers and a variety of citizen action groups.

These regional information centers could provide information support directly to the citizens of communities served by the center. In this respect, regional information centers might function much as public libraries with information available upon request. Information from the local vocational education data systems, data maintained by CETA prime sponsors and data systems maintained by local employment security agencies could be provided to the regional information centers in summary forms. This would make information publically available on educational and manpower service delivery programs.

The effect of these regional centers would be to enhance the availability of information to support local decisionmaking. The availability of localized information could be used as stimulant to promote agency cooperation in the development of human resources and to enhance citizen participation in the decisions influencing the quality of these offerings. By providing a system capable of accommodating Federal, state and local, concerns, information would more readily contribute to the delivery of education and training programs and services that are realistic in terms of employment opportunities and responsive to citizen needs and interest.

CHAIRMAN LEVITAN: Thank you. Ms. Wills, do you want to start?

MS. WILLIS: It's my understanding that the NOICC and SOICC are not to get into the collection production business. They're to do coordinating, and only to do coordination, a task you are well aware of. Are you suggesting that NOICC get into the data production business? It appears for the SOICCs as though you are, and I'm curious, since we're really only talking about approximately 50 to 150 thousand dollars per state for SOICC, what is it you would expect them to be able to do in the actual data production? That's one question. I'd also like to have some sense of priorities. I don't find it particularly unattractive to have regional centers--but I really haven't seen anything coming out of NOICC yet and little or nothing coming out of SOICC, and a lot of things need to be done to establish a good solid national and state base. Then, of course, another question comes to mind--who would define what the regional centers would be? School districts, community college districts, or what is it you visualize in that respect? But I think the first question is perhaps at least for me, the most important. Do you envision NOICC and SOICC taking on stronger roles in data production?

DR. DREWES: Well, the legislation calls for SOICC to implement an occupational information system and that's as far as the legislation goes. I suspect it's up to the states to define implementation in whatever way that best suits the uniqueness of each state. What I imagine would happen is that each state will define SOICCs according to their own needs. This may vary from a clearing house for information to states in which SOICCs may coordinate and have system responsibilities for, if not the actual operation of, at least the coordination and management of data information systems pertaining to occupations.

The major function of the SOICC, I think the major function of the entire network, is coordination--coordination and recognition that the states and

locals have to play some role in the data production system, if the states and locals are going to buy into and use this information in improving their programs. I think this is a problem that NOICC is dealing with and will have to continue to deal with, that is how to strike a balance between federal labor markets and federal data requirements and the concern that the states use this information in some productive sense.

MS. WILLIS: Are you talking, basically, about the management end of the information systems and the common definition between, for example, vocational education and vocational rehabilitation?--and CETA systems in terms of the production of that type of information data base or occupational projections?

DR. DREWES: All of the data, as I read the legislation, that pertains to occupations that would have relevance for both vocational education and CETA programs are to be combined into a common occupational information system which will be developed by NOICC and implemented by the states. Now the states can go well beyond that, and NOICC will not probably give them any prescription, other than assistance, as to how the states actually choose to implement them.

MS. WILLIS: My last point or question; your priorities. Again, I don't want to say I'm opposed to regional information centers, but a good portion of your testimony talks about the regional information centers.

DR. DREWES: There's a reason for that. The reason is the state-local relationship. The states cannot and in most cases are reluctant to impose their will on the locals. It's the locals which are responsible for the delivery of education and thus are the ultimate users of information for program improvement.

MS. WILLS: I see.

DR. DREWES: If they are not involved in the program then the data does not serve their needs. We have nothing more than a compliance problem where the locals provide the data and they don't use it.

CHAIRMAN LEVITAN: Mr. Anderson.

MR. ANDERSON: Thank you very much, Mr. Levitan. Much of your testimony or your advice to the Commission consists of process. Ways of processing information, much of which is now available in a variety of places and in a variety of forms. It is implicit in your statement that you firmly believe that more information made available in a more understandable way will have an effect on planning. It's a tribute to your confidence in rationality which I'm not sure I share completely.

But it wasn't clear to me--you believe that simply coordinating or bringing together information that is now available in the vocational education system, the state employment service, the state occupational employment figures, the wages and so forth, simply bringing that together in some place would be adequate? Or do we need more information on that? Would you comment on what new information, if any, we need to help vocational educators identify occupations where there will be a future and where young people and young adults, perhaps, should be trained?

DR. DREWES: Well, yes. I think I'd like to comment on that from a personal view and not necessarily as a spokesperson for the American Vocational Association. In my estimation, we need better information on the supply. The supply side is very disaggregated. Very little supply data is available and is very fragmented. We need a more comprehensive notion so that the agencies and individuals can get an idea of about how many currently are

being trained for what specific occupations, where this training is, what will be the competition. We need more occupationally relevant information in the sense of where the vacancies are, where can jobs be found, who employs, what types of occupations. We have a start on this information, but this information is not systematized. It is not readily available. I think this is one of the intents the Congress had when they required the establishment of a Vocational Education Data System to be based on uniform definitions and standardized procedures. We now have bits and pieces of this information.

I think we could increase the effectiveness of information in terms of its use, if we could integrate it into some kind of system that the people could have access to--a system that would increase their confidence in how the information was developed and would increase their tendency to use it because they would have better access to it.

MR. ANDERSON: Recently I had occasion to conduct some research on the implications of energy policy on the growth of occupations over the next decade. As part of that research, I wanted to look at the supply side. I consulted the information that was available and received a report from the Department of HEW which described the characteristics of participants in vocational education programs in the year 1974. I discovered that 60 percent of the persons who were in vocational educational programs in 1974 were being trained for positions in two fields, agriculture and distributive education.

Now, I know that the information system today is far less than ideal, but would you care to comment on why, given the availability of information on trends in the economy, including the fact that agriculture now represents four percent of the labor force and has been declining steadily for the past hundred years and distributive education by its very nature does not prepare anyone for employment in a specific

occupation, why does the vocational education community not train our young people for positions in fields where even the inadequate information suggests that jobs are likely to exist?

DR. DREWES: Agricultural education goes back historically to the Smith Hughes Act of 1917. That's been one of the major programs in vocational education.

MR. ANDERSON: I know. But it represents only four percent of the work force.

DR. DREWES: Yes. But the problem there is that we look at that in terms of production agriculture. Agriculture now has moved into agri-business so that when they train people in vocational agriculture in the rural areas, it's their contention that they are training for a much wider spectrum of employment opportunities than that represented by production agriculture.

MR. POPKIN: You mean, unless you have weeded corn you can't can it.

DR. DREWES: Well, agricultural training is also relevant for selling farm equipment. A course in how to maintain a tractor also trains one to maintain and operate equipment in other areas. That's an example of the transferability and generalized ability that's not reflected simply by the number of job openings in one area.

Distributive education came in the 40's and that again does train people in the business area, but it's extremely difficult to target particular occupations to distributive education programs because there is a blurring of occupations. They train people for a relatively wide number of business related occupations.

MR. ANDERSON: I would not wish my remarks to be taken as overly critical of vocational education, I simply raise that point in reference to my earlier statement about the potential value of more and better information in improving the targeting and training in certain areas. If in fact it is not going to lead to better decisionmaking, I wonder whether it's worth the public expense of generating vast new series of information that's not likely to be used.

DR. DREWES: That's one of the problems that we have right now, and that is how to match vocational education programs with occupations. We do not have a disagreement on the appropriate occupational structure and the occupational specificity. Here is an area that I believe should we get standards established and if the standards were promoted as federal standards to the states who intend to use them, this would probably alleviate some of the difficulties that you have noticed and make for improved program planning. At least that's what I hope that the data will ultimately result in improved programs.

CHAIRMAN LEVITAN: Dr. Drewes, as you are aware, legislation establishing the commission requires us specifically to locate the needs of the vocational educator. Have you tried to estimate the cost of preparing your occupational data?

DR. DREWES: Well, I suspect one of the things that you are referring to was a recommendation made about having the universe-of-need survey. That is probably the most difficult to estimate. There are two state vocational education agencies that have attempted to implement a universal needs assessment although not in as complete coverage as proposed. I think it is Oklahoma and Minnesota and I believe we could go to those states and get an idea of what this costs the states to do that type of assessment. I do not have or was unable to reach the people in the states that would have this information. But I wanted to bring to the Commission's attention the two states that have done something along this line.

CHAIRMAN LEVITAN: I think you were here when Dr. Chimerine, Manager of U.S. Economic Forecasting at IBM was testifying. He suggested the difficulties in collecting job vacancies, which are related to the recommendations that you are making. As you may recall, he didn't want to state that he thought it would be too costly and therefore he did not recommend their collection. Do you think that we would have more luck with the recommendations you are making?

DR. DREWES: Well, it's my understanding that job vacancies are now proposed to be collected in relationship to job turnovers.

CHAIRMAN LEVITAN: Well, the Congress has said, more or less, "Here is \$500,000; let's look into it." BLS believes in carrying out the law; if they get \$500,000, they look into it. But you know that from 1969 to 1973 they collected vacancy data, but they gave up because of the difficulty they faced at that time. I just wonder whether we can--whether it would be wise that the Commission recommend the total package that you are suggesting for us, or whether that would not be prohibitive in cost, assuming it could be used. And then I'm not sure that anyone would know how to use it.

DR. DREWES: Well, the knowing how is extremely important. I think one of the big failures of our data systems up to now is that we don't provide technical assistance to aid the user in knowing what to do with the information. We don't tell them how it's produced and therefore they are suspicious of the information. We don't give them adequate information as to what they might do with it, suggestions about how it could be used in program planning. We have done very little to tell the institutions of higher education in this country what they are to be doing including programming and planning and training people how to use the data.

I think there's a whole host of problems that are just in training that could be addressed. It would probably take us at least a quantum jump. It would make a fair improvement with existing information provided if we supplement this with a better systematization of the availability. I would say that job vacancies are very perishable. If we had some notion of perhaps what companies or what firms had a history of vacancies and what occupations and told the people who were attempting to place, that these have historically been vacant, this is helpful in suggesting a new place to work. It may not be current information, as of today, but it would give some insight into where to concentrate and focus placement emphasis. I believe in that sense the vacancy data would be useful.

CHAIRMAN LEVITAN: Apparently BLS gave up on that, at least temporarily. Maybe they will try again. Hope springs eternal and maybe they will follow your suggestions. I thank you very much, Dr. Drewes and am looking forward to your completed statement for the Commission. Dr. Drewes, for the record, is preparing a paper for the Commission. Thank you, sir.

Our next advisor, Dr. Wetzel, is a very courageous man who agreed to advise the Commission on-- I don't know exactly what. He is a refugee from BLS, and is now a banker working for the Federal Reserve. Mr. Wetzel--you don't have a prepared statement, right?

DR. WETZEL: That's right.

CHAIRMAN LEVITAN: You owe us one then, right?

DR. WETZEL: We'll get it on the record after the meeting.

CHAIRMAN LEVITAN: Before you start, you will deliver one, right?

DR. WETZEL: Yes, sir.

STATEMENT OF JAMES WETZEL,
DIVISION OF RESEARCH AND STATISTICS,
FEDERAL RESERVE BOARD OF GOVERNORS

DR. WETZEL: Thank you, Mr. Chairman. I appreciate the opportunity to be here today, speaking on the subject of possible improvements in current labor market statistics for macro-economic policy-making. As an analyst at the Federal Reserve Board, I now have a very limited official interest in the subject (CETA distributional equity) you just brought up. After completing these remarks, however, I would be pleased to respond to any questions that the Commission deems appropriate.

At the Federal Reserve Board, we believe that the present system of employment and unemployment statistics provides a reasonably timely, accurate, and comprehensive picture of overall labor market trends. It is our view, then, that the Commission's main responsibility is to recommend refinements in the existing systems with the objective of casting additional light on crucial policy issues.

Improved statistical measures and analyses in two broad issue areas are particularly important at present. The first is statistical information that will help us in defining a set or several sets of labor market conditions that are consistent with a non-accelerating inflation rate. Second, we feel that there is a shortage of effective information bearing on the role of labor market trends and conditions in the dismal performance of productivity growth over the past decade, and most notably over the last five years.

Changes in the configuration or nature of federal statistical programs that would aid analysts in answering those two general questions also would contribute to meeting other needs. Looking at social welfare issues, for example, the design and implementation of policies and programs aimed at training the unemployed and providing labor market information would be improved by additional detailed information on wage and hiring rates in narrowly defined occupations.

But let me be more specific. With respect to unemployment, future changes in concepts and measures should emphasize in more detail the qualitative characteristics of unemployed workers. That is, we now have something like eight million data series which give almost infinite details on demographic characteristics, prior job attachments, region of the country. However, very little information has even been collected and none is currently reported on reservation wages, on intensity of job search, on frequency of unemployment in a recent period, or on specific levels of job skills, training and experience.

In this particular area, I would like to simply endorse Mr. Chimerine's remarks about the nature of additional data required. Availability of the kind of information recommended by Mr. Chimerine would, I think, provide public officials and interested academicians the information to respond to papers such as the Clarkson-Minors analysis which has received widespread public attention in the past two years. However, I would like to add a qualifier to his comments on the type of unemployment measure that should be put forward by the Bureau of Labor Statistics as a principle measure of labor market conditions. He suggests a family of three measures--drawn from the existing U1 through U7. It is my feeling that an overall measure based on aggregate hours worked and hours of work offered but unused would be more productive as a measure of labor market capacity utilization. Such a measure should be designed so that it could be disaggregated along various economic and demographic lines to provide

information, for example, on occupational skills in strong demand or excess supply. Supplemented by wage data, such information could provide important insights in a variety of areas. A member of the Commission staff, Mr. Curtis Gilroy, wrote a paper several years ago describing four such options. In that paper, he pointed out that one gets a quite different picture of secular, seasonal and cyclical trends in labor markets by employing an hours based measure. Reprints of that article are available from the Bureau of Labor Statistics.

Of equal importance to policymakers is the need to provide more and better information bearing on the character and geography of labor demand. The information presently available does not really provide any insight into the reasons for hiring and firing. Despite innumerable proposals and programs intended to stimulate hiring and training, we have few indicators of business managers' current and prospective needs. Nor do we know much about the underlying decision processes that determine where and how to hire more workers. We are, therefore, generally unaware of the portals to good jobs in existing establishments.

There has been some discussion today about the need for job vacancy data. As you know, the history of directly collected job vacancy information is such that we have been discouraged by its quality. However, because vacancy data could be an accurate guide to incipient bottlenecks or a measure of current skill shortages, it is essential to continue the effort to collect such information. A qualitative as well as quantitative dimension is necessary in any job vacancy measure. The BLS, or for that matter, some private research-oriented organization, such as the Conference Board, could experiment with a survey--a personal interview survey--of senior personnel officers in major corporations with a view toward establishing whether their corporation was experiencing occupationally- or geographically-specific problems recruiting labor. The same survey could

establish whether the corporation had anything to offer in the way of recommendations for training programs to meet their particular current or prospective needs. Friends in the business community tell me that, in fact, such needs frequently are identifiable and, in a few instances, most noticeably I gather in Rhode Island, close cooperation between the business firms and CETA prime sponsors has led to an excellent training and placement record.

Going beyond the employment concept, it seems to me that the most vital factor in labor market activities, the factor that it equates demand and supply, the compensation and conditions of employment package, is almost entirely missing from the household survey data. Establishment data, which is limited to average earnings of production workers, are not well suited to analysis of wage and salary determination. The more detailed wage and compensation information which is collected by the Bureau of Labor Statistics in other statistical systems lags current trends considerably, reducing its effectiveness as a guide to current policy.

For example, the current economic situation is one in which wage growth appears to be accelerating. Unfortunately, there is little in the present statistical package that gives you anything approaching a definitive answer on the extent, pervasiveness and likely durability of the acceleration. There is, therefore, a serious need for an internally consistent body of compensation, employment and unemployment data to analyze questions of wage inflation.

More frequent collection and publication of wage and earning data from the household series, which I understand is now in progress, would certainly add an important dimension to the existing body of wage information.

However, it seems to me that there is an opportunity for a low-cost, sharp expansion of wage adjustment data from the establishment survey. The addition of a few questions dealing with the

presence or absence of general wage adjustments in that survey would permit close analysis with the defusion, size, coverage and impetus behind current wage adjustments. The resulting body of integrated micro-economic and macro-economic data could be achieved, it seems to me, at comparatively small costs and with large potential payoffs in understanding the emergence of labor cost pressures at the firm level throughout the economy. In the same regard, collection of salary information in establishment survey is essential to achieving a fully rounded understanding of labor market developments.

In a different vein, a close examination of the statistical reliability of existing labor market data seems to be needed in several areas. Our primary concern at the Federal Reserve Board is the accuracy of the BLS establishment survey which appears to us to be deteriorated somewhat lately. As you know, to the extent that there are problems with the establishment data, other major economic data series are likely to be distorted as well. At the Federal Reserve Board, for example, we utilize hours of work data in the preliminary estimates for more than half of the series in the industrial production index. As additional physical product data becomes available over subsequent months that proportion declines to about 20 percent. However, to the extent that there are errors or statistical noise within the preliminary establishment employment and hours series, our estimates of industrial production would be correspondingly inaccurate. I don't really want to dwell on this subject since most of the points that I was going to comment on are covered in the paper which I prepared commenting on Professor Wolfbein's paper titled "Establishment Reporting in the United States." It is sufficient to indicate that benchmarks of the establishment data have not been done on a timely schedule, possibly contributing to misleading economic indicators. For example, because the benchmarking of labor input data by BLS has not kept pace with BEA's annual revisions of

output and compensation data, there have been substantial changes in the reported estimates of productivity and unit labor costs, which probably are partly statistical in nature. It is imperative that the fundamental methods of sampling, estimation, and benchmarking be reviewed, and that the necessary technical and administrative adjustments are made to improve the reliability of the establishment survey.

A second area of concern is the adequacy of seasonal adjustment. I should be forthright in this regard and indicate that experts who have reviewed the BLS seasonal adjustment activity were unable to find anything to criticize. However, after searching desperately I found something to criticize. That is the question of timing. There are no systematic standards governing the timing of changes of seasonal adjustment factors by agencies in the Federal statistical establishment. Within the BLS, for example, seasonal adjustment factors for the household survey are historically modified in January. Introduction of seasonal factors in the establishment survey has occurred over a number of different months from March to October. Some of the static in the employment growth series that earlier speakers have commented on may in fact arise from differences in timing of seasonal adjustments. It seems to me, therefore, that the Commission might reasonably recommend greater uniformity in timing.

I'd like to add a final comment which is based on the June unemployment figures released the other day. I was greatly shocked as, I think, were almost all analysts in the policy and analytical community, by a drop in the unemployment rate of four-tenths of a percentage point to five and three quarters percent. This decline was interpreted in the media as a further general tightening of labor markets. In fact, the indicated decline was heavily concentrated among youths and probably was a fluke arising from seasonal adjustment problems and/or survey timing differences. It seems to me that the BLS should take a much more aggressive stance in analyzing

indicated changes in employment and unemployment. Failing that, as the minimum, they could provide us with a record of how many times the youth unemployment rate has changed by two to four percentages points and how many times it returned to its old level in the subsequent observations. I don't mean this as a criticism of my former colleagues at BLS. I think there is a great sympathy for a more analytical approach within the BLS staff. I also think that a strong recommendation from this Commission would, if you will, unleash some powerful analytical talent and significantly improve the reporting and public interpretations of current labor market data. With that, I think my time has expired. Thank you Mr. Chairman.

CHAIRMAN LEVITAN: Thank you. I doesn't expire if you don't mind answering a few quesitons.

MR. POPKIN: Why do you think the establishment series is deteriorating?

DR. WETZEL: Well, there have been many changes over the years that seem to me to have simply worked against the establishment series. At one time it was the premier program in the Bureau of Labor Statistics. It was more adequately funded than it is today. It received much wider public and academic attention. It was looked upon as--

MR. POPKIN: In other words, it's not that the establishment are less cooperative, but that the priorities and attention given to that data have faded as other series have come along.

DR. WETZEL: People and establishments clearly are less cooperative than they once were. But I don't believe that noncooperation has increased any more dramatically for the establishment program than for any other program.

MR. POPKIN: Thank you.

CHAIRMAN LEVITAN: Ms. Wills.

MS. WILLS: Just a point in observation on the decline in teenage unemployment. I'm not sure, but it would be interesting to check two to three summers--I'm not sure that we have any more net monies in youth programs or summer activities than we had last summer so maybe you need a cumulative effect of the entire youth as opposed to summer youth. I'm sure that Dr. Anderson will probably track that. It would be interesting to see.

DR. WETZEL: In my opinion the reported sharp decline in youth unemployment is a statistical fluke. Unfortunately, it may not disappear until next September. But in the meantime, we have some policymakers who by virtue of a simple linear extrapolation, are looking at an unemployment rate of four and three quarters percent at this time next year. At the same time, they are looking at an economy in which the rate of consumer price increase has been ten and a quarter percent--an acceleration of two and a half percentage points from the experience during 1977 as a whole. In this environment, policymakers are confronted with serious problems, problems which would be somewhat less awesome if interpretation of the labor market data were provided by the source agency.

CHAIRMAN LEVITAN: Mr. Bregger, did you want to join in on this? Mr. Bregger is from BLS. I wish you could have joined us when the two gentlemen from Kentucky were speaking. But since you didn't volunteer at that time, I didn't call on you.

MR. BREGGER: I'm afraid I couldn't have commented on it. My name is Jack Bregger. Since I have something to do with the analysis and publication of national unemployment statistics, a comment on my part seems appropriate. Last Monday, when I knew

that the decline was in youth unemployment, it was unusually large--I started doing some checking into a number of possibilities, which I won't bore you with. But about midweek I decided to talk with an ex-colleague of Dr. Levitan's, at least a member of his staff, Bob Taggart's staff, and they assured me that to the best of their knowledge, that there were two additional programs this summer for youth that did not exist in prior summers. One was a \$50 million supplemental and the second one was a summer portion of the \$1 billion youth bill that went in last fall. So, it seems very plausible that we would get a huge decline in youth unemployment if those programs were indeed in existence. However, I don't know whether we should see an increase in the following month or in September.

CHAIRMAN LEVITAN: How would you explain them--and certainly we wouldn't want to disagree with Dr. Taggart--but how would you explain the fact that black youth unemployment, which those programs are supposed to be targeted, failed to decline. Does that mean that according to the ETA they are only concentrating on white youth, and not giving the jobs to black youth?

MR. BREGGER: I'm afraid I can't answer that question.

MS. WILLS: I can and the answer is yes.

MR. BREGGER: It wouldn't surprise me that everytime they found a warm body, they'd put it in--

MS. WILLS: I can and the answer is yes and I can explain, later, Dr. Levitan.

CHAIRMAN LEVITAN: Thank you. We'll keep that for later.

Mr. Anderson, do you have some questions?

MR. ANDERSON: Yes. The Chairman anticipated exactly what I was going to suggest to you and that is that we ought not put a great deal of emphasis on the reduction in youth unemployment because of the build up of programs. If anything, it suggests that the programs are not being targeted toward those who are most in need, which is the extraordinary, disastrously high rate of unemployment among black youth. And it is just another indication of how the programs seem to get off the track, despite the best intentions of our government officials. But let me get back, Mr. Wetzel, to some of what you said. In a way it disturbs me greatly.

Your statement was very eloquent, but, if anything, I must say that for the policymakers to whom you allude, if they take this reduction in unemployment as a justification for a sharp change in our national economic policy, it is more a tribute to the intellectual bankruptcy of economic theory than it is to any other factor that might suggest where we should be going. But the purposes for which you think the statistics should be used--data necessary to define policy consistent with noninflationary growth--certainly that purpose is a very real one. And I was wondering why, with that in mind, you could be so optimistic about the adequacy of the current system? When clearly we do not have a good system for measuring labor market tightness.

You alluded to the increase in inflation which seems--which may be consistent with a greater degree of labor market tightness, but there's very little evidence that I'm aware of that the greater labor market tightness isn't in fact responsible for the acceleration and rate of inflation. But we know something about labor markets, at least those of us who concentrate in this area think we know something about labor markets. And one of the things we think we know is that when there are job vacancies which individuals can fill, employers compete with each other and bid up wages. That then leads to a bidding up of prices which are, in fact, inflationary.

Now, if that is the case, then wouldn't our hand be strengthened as analysts--wouldn't the hand of the Federal Reserve be strengthened if it had information on job vacancies? I come back to the point that you are about the third witness that I have raised this with, and I know the difficulties of getting information on job vacancies, but if you are really interested in measuring labor market tightness, don't you really need information on job vacancies?

DR. WETZEL: Let me react to several of your remarks. First, the reason I brought up the youth question is to point out that to the extent that there is an improvement, it has little to do with general economic conditions. Our historical experience suggests that it takes a much tighter labor market before we see significant reductions of teenage unemployment. What bothers me is that the total rate is being taken as a crucial measure of the labor market tightness. I think the BLS could do something about that by pointing out the importance of the change in teenage joblessness in a somewhat different way. I think it incumbent on the Commission to provide guidance on this general question.

Second, I think that if in fact the Commission is successful in leading the BLS or other Federal agencies to develop effective measures of wage change on a fairly detailed basis, we will have for the first time in our experience a true test of how labor market tightness is associated with wage change. My personal view is that during this decade wages have been chasing along behind the inflation rate as workers have created all kinds of formal and defacto cost of living escalators, and that labor market tightness has little to do with the inflationary pressure we are now experiencing.

Finally, with respect to job vacancies, the difficulty is that you cannot get an objective measure of a vacancy that has much programmatic or analytic significance. It also seems to me that

only by dealing with qualitative data can you get some meaningful appreciation of where there are actual or impending bottlenecks. And only when we do know of impending or existing bottlenecks can employment training programs be effectively addressed to minimizing or reducing such bottlenecks. I hope that's responsive.

CHAIRMAN LEVITAN: Mr. Wetzel, we have other witnesses and we have to finish at a reasonable time. Since you have not given us a prepared statement, may I raise a few questions which we can discuss privately later on in Washington, and I hope you will include in your extended statement that you will give to the Commission.

Now that you have explained to us that you are not introducing the curve that we don't talk about in polite society, we'll skip that one.

Now for my first question. You recommend that we collect data on the reservation wages of unemployed persons; would you be good enough to tell us how to do that? Do you really think that we can ask this objective question on the CPS and get any reasonable answer, or do you want to use some other tools or instruments to collect the data on wages?

DR. WETZEL: There have been several occasions in the past when the CPS was used to collect information on the specific job goals of the unemployed, including their minimum acceptable wage. The latest such occasion was in May 1976. Generally speaking, I feel that the resulting data meet policymaker's needs for an appreciation of wage goals of the unemployed although they probably are not sufficient for empirical testing of the more esoteric job search econometric models. One value of these occasional special CPS surveys that I think should be pursued is to conduct follow-up surveys (perhaps by mail) to determine the outcome of the job search, with the objective of pinpointing successful job search methods and analyzing the importance of income maintenance programs on job search intensity and methods.

CHAIRMAN LEVITAN: My second question deals with job vacancies. Would you tell us the instrument you prefer for this purpose? I thought when you were in BLS you gave up on job vacancy data. Would you tell us why you gave it up in 1973 and why it's easier in 1978 when you are no longer there?

DR. WETZEL: The BLS job vacancy program that was terminated in 1973 was limited in scope and had not proved to be analytically or programmatically useful within or without the BLS. Presumably any new program would be designed to more precisely zero in on specific programmatic or analytic areas, and would be more comprehensive in scope. My personal view on an appropriate methodology is briefly outlined in the formal statement but in the areas of general need and appropriate design, I think the Commission might be best served by reviewing the proceedings of a Job-Vacancy Conference sponsored by BLS last spring.

CHAIRMAN LEVITAN: My third question. Mr. Popkin asked you about the deterioration of establishment data. Somewhere else you once recommended the federalization of establishment data; I imagine now talking as a representative for the Federal Reserve Board, maybe you didn't want to do that. In your statement, would you care to tell us whether the alleged deterioration is due to lack of cooperation between federal and state officials or whether it is due to any other reasons.

DR. WETZEL: I would not attribute any deterioration in the establishment survey data to a lack of cooperation among the collecting agencies or the participating establishments. Rather, as I indicated in my comments on Professor Wolfbein's paper, I think the program has been overloaded, underfunded, and underresearched. In essence, it has been neglected and problems with the data are a manifestation of that neglect. The program needs more resources and some reorganization.

CHAIRMAN LEVITAN: My fourth question deals with seasonal adjustments. Last month according to BLS, seasonally adjusted unemployment declined by .4 percent, but if the concurrent adjustment were used, the decline would have been only .2 percent. Now the question--my question is, should BLS change the seasonal adjustment methodology?

DR. WETZEL: Other than repeating my earlier suggestion that the timing of seasonal adjustments should be coordinated among statistical programs, I have little to contribute in this area. If specialists in seasonal adjustment are unable to find better methods, than we just have to live with the existing system.

CHAIRMAN LEVITAN: My final question concerns the drop in youth unemployment. I wish you would tell us more about why your thoughts on the matter are in light of Mr. Bregger's suggestions, and then whether it is due to government programs, or to the statistical flukes, or is it due to some other theories that you will advance, Mr. Wetzel.

DR. WETZEL: In July, the reported teenage and total unemployment rates rose to 16.3 and 6.2 percent, respectively, close to their May reading. This rebound suggests that the June reading was a fluke. I have no theories to advance but would like to repeat that the BLS data releases include more analytical content when there are dramatic movements or that the data release occur in a press briefing format where such information be provided by technicians.

CHAIRMAN LEVITAN: We're very much appreciative of the answers to these questions. My colleagues ask them before I do and my time is gone. So, I hope you will give us answers to these data later on. Thank you very much, Mr. Wetzel.

One of the major problems we find in our work is how to cope with the problems of underemployment. Our current statistics do not focus on that important aspect of the labor market. And we have, today, with us, two experts on this particular issue and they are Mr. Ulysses Bell, who is Director of Employment and Training Policy, National Rural Center and Mr. Julius Ellison, Director, Economic Development Programs, National Rural Center.

Gentlemen, you have a long statement. We will include it in the record. Proceed in your way please.

STATEMENT OF ULYSSES BELL, DIRECTOR OF
EMPLOYMENT AND TRAINING POLICY,
NATIONAL RURAL CENTER

Mr. Chairman and members of the Commission: I am pleased to have the opportunity to present this special perspective of the National Rural Center to this Commission. The National Rural Center is a nonprofit organization that seeks to serve as a national technical assistance and informational resource to those who live in small towns and in rural areas of our country. My name is Ulysses Bell. I am the Director of Employment and Training Projects. My associate is Mr. Julian Ellison. Mr. Ellison is an economist at the center. He is the Director of Economic Development Policy. We have been asked to comment on the adequacy of federally collected labor market data on two population groups--rural workers and black workers. In general terms, the problems faced by the two groups are the same. However, we do know that being poor and nonwhite has always been tougher than just being poor. Blacks have an additional impediment to contend with in the economic struggle. Unfortunately, racial discrimination has been, and still remains, a factor of significance which merits attention when the economic plight of blacks is under assessment. We have submitted a formal statement and will proceed at this point with summary comments.

As you know, unemployment and underemployment in this country have remained exceptionally high in recent years and dramatic improvements in the employment picture are not immediately anticipated. The need for public supported programs to increase employment opportunities, train potential workers and provide needed services and facilities in rural America is apparent. Poverty, basic service need inadequacies, and limitations on employment opportunities are well known to rural community residents. Rural Americans, generally, should be included in the list of the economically disadvantaged in our society. Rural and small town citizens traditionally do not share fully in the benefits of economic growth and development. Available data make it clear that improved allocation of federal funding is badly needed by rural America. The socio-economic status of rural Americans has improved somewhat since 1970, but rural people continue to trail other Americans in every socio-economic indicator of well-being. The problem is particularly acute with black Americans who live in rural communities.

Poor, nonmetropolitan women in the childbearing population between 15 and 44 years of age account for almost 20% of all nonmetro poor people. Whites comprise the majority of these poor women. However, the incidence of poverty for black nonmetro women in this age group is more than three times that for white, nonmetropolitan residents (according to NRC's welfare reform study). Thus, we see that in actual numbers, there are more nonmetro whites living in poverty than blacks, but blacks in all categories have a 2 to 4 times greater likelihood of being poor. Specifically, germane to rural areas, and especially for blacks, is "disguised" unemployment or subemployment; that is, the unemployment rate fails to take into account discouraged workers, those who have dropped out of the labor force because they cannot find a job, or workers involuntarily on part-time schedules earning less than poverty level wages

because full-time work is not available. Although the unemployment rate in nonmetropolitan areas is usually lower than that in metro areas, there is a greater proportion of workers who are discouraged and on part-time schedules for economic reasons in nonmetropolitan areas. Inclusion of these individuals would alter the relative position of unemployment rates in metro and nonmetro areas.

Blacks in general and teenagers in particular are disproportionately unemployed. When Spanish origin workers are separated out from the category, "minorities and others," the unemployment rate for blacks alone would undoubtedly accelerate upward.

(Working papers for a new society, May/June 1978, "Lazy, Young, Female and Black: The New Conservative Theories of Unemployment," James S. Henry)

"If there exist some groups of workers who should be deleted from the labor force and unemployment data because their true status is uncertain, there exist others who, arguably, should be deleted from employment data because their true status is uncertain; still others should be added back into the ranks of the unemployed because, while ignored by the official statistics, they really are part of the total labor supply. One example of the subtractions to be made from labor force data is self-employed workers, who almost by definition have a tiny unemployment rate--if they are looking for work, they are no longer self-employed. . . an example of the additions to be made is the group of workers who leave the labor force during periods of high unemployment because of frustration with job search. In 1975, this would have added about 1.1 million workers to the ranks of the unemployed. Furthermore, we should also take into account those workers who remain in the same jobs but involuntarily work part-time, and also the subemployed workers who accept jobs below their potential wages because of high unemployment. When these kinds of adjustments are made to the official unemployment rate, the "true" unemployment rate for 1975 was easily over 12 percent."

Persons who have responsibility for designing and operating programs in rural communities need a reliable data base to determine a more accurate count of the number of persons as well as the characteristics of groups needing services within their communities. I was in a recent situation where program people needed to, and wanted to, respond to the youth problem within their multi-county region. This community wanted to find out how many black youths, aged 16 to 21, from rural poverty families lived within their multi-county region as of March 1978. No one seemed to be able to find an answer. The employment service was somewhat at a loss. Employment service officials knew that their monthly survey did not reach down to the nooks and crannies of the dirt and partially paved roads in the countryside. They also knew that most rural, black youths have never heard of the employment service. For many who have, they never want to hear of it again. So the two (employment service and blacks) seldom meet and the survey results reflect more of a "guesstimate" of the problem. As a former program director has been out there, I generally advise planners to triple the official unemployment rate and then start planning. (My only fear was that we were underestimating or being too conservative about the magnitude of the problem.) Mr. Charles Bannerman, Director of Delta Enterprise in Mississippi, recently stated that regardless of what the official projections might say, he will tell anyone that the unemployment rate of black youths in the Mississippi Delta is 90 percent.

With our current statistical base, we have no way of verifying whether or not those particular assessments are close to being accurate, way off in left field, or right on target. The samples from which statistics are obtained are not large enough or representative enough to provide disaggregated data on relatively small population groups.

There are other data problems of a more specific nature which Mr. Ellison will now discuss.

CHAIRMAN LEVITAN: Mr. Bell, just for the record could you give a copy of the statement that you have read to us, so that we have a copy of that.

MR. BELL: Yes, I can Mr. Chairman.

CHAIRMAN LEVITAN: I forgot when I introduced Mr. Bell to mention that the person who established the National Rural Center is a Statutory Advisory to this Commission by the name of Ray Marshall. I should have mentioned it.

Mr. Ellison, would you continue.

STATEMENT OF JULIAN ELLISON, ECONOMIC
DEVELOPMENT PROGRAMS, NATIONAL RURAL CENTER

IMPROVING LABOR MARKET DATA ON RURAL AND BLACK
WORKERS

I. On the Importance of Adequate Labor Market Data

Mr. Chairman, Members of the Commission:

Thank you for the opportunity to present our views before this Commission. We have been asked to comment on the adequacy of federally collected labor market statistics on two population groups--rural workers and black workers.

In general terms, the problems faced by the two groups are the same: the samples from which the statistics are obtained are not large enough to provide disaggregated data on relatively small population groups, and when these small population groups live as well in small or widely dispersed areas, i.e. inner cities and on farmsteads, the disaggregation problem is compounded. There are other problems of a more specific nature that we will discuss in a moment, but the sample size problem is the single most important problem in our view.

Why is the adequacy of labor market statistics an important subject, and to whom is it important? The essential purpose of such statistics is to provide information on prices and quantities of labor and jobs to market participants and to government. Such information is necessary to make the market more perfect, i.e. to enable it to allocate labor resources efficiently. Inefficient allocation or mal-allocation may create situations in which the quantity of labor demanded in certain uses at certain wage rates exceeds, or conversely lags, the quantity supplied for an extended period of time. This is a particularly important consequence for black workers and for rural workers in certain areas. The structural unemployment problem for these groups may be viewed as a mal-allocation problem, and this mal-allocation occurs to an appreciable extent because of a lack of labor market information. Let us examine a little closer the need of government, industry and labor for good labor market data.

A. The Federal Government's Need for Data

In 1975, there were at least nine Federal Government formula grant programs whose formulae include number employed, number unemployed and a stipulated rate of unemployment. Of these programs two served rural areas. Added to these were several programs for which rural population or other indices were used in the formula. There were 147 formula grant programs in all. In addition a number of non-formula grant programs, loan programs and loan guarantee programs have employment-related eligibility criteria. (Center for Governmental Research Inc., A Typology and Review of Federal Categorical Grant-in-Aid Formulas in Fiscal Year 1975.) New such programs are being proposed by Congress and the Administration daily. The purpose of the employment related programs of course is to alleviate the unemployment that triggers assistance payments in the first place, and to stimulate economic development.

While there have been several evaluations of the adequacy of federal statistics used in formula grant allocation procedures, surprisingly none have dealt with labor market statistics used in these formulae. Instead they have focused on those population and income statistics used. (See Center for Governmental Research, Inc., op cit; Federal Committee on Statistical Methodology, Subcommittee on Statistics for Allocation of Funds, "Statistical Policy Working Paper 1: Report on Statistics for Allocation of Funds," U.S. Department of Commerce, Office of Federal Statistical Policy and Standards, 1978. An exception is James Holt, et al, "Toward the Definition and Measurement of Farm Employment," Discussion Manuscript Prepared for the Workshop on Agricultural and Rural Data: Improvement of Concept and Operation, sponsored by the Economic Research Service, USDA, and by the American Agricultural Economics Association, Washington, D.C., May 4-6, 1977.)

B. Industry's Need for Rural Labor Market Data

Business firms need labor market data to plan investment and production. Firm and plant location decisions are made on the basis of information about availability of certain types of labor, wage rates for particular occupational categories, level of education of the labor force, degree of unionization of the labor force, etc. Labor costs are generally the largest single cost of business, and information about labor therefore assumes an overriding importance to business firms, including farms that hire labor. These are all supply side data. States and municipalities without such data are generally bypassed by relocating firms from other areas, and local entrepreneurs do not start new businesses or expand existing ones if information about profitable opportunities is not available.

C. Labor's Need for Rural Labor Market Data

Workers require information regarding job openings, job qualifications, wage rates, working conditions, and transportation facilities, and the change in these variables over time. They cannot plan to supply labor for jobs of which they are unaware, or which they cannot reach because of poor transportation. They will not supply labor if the wages are below some subjectively determined level, or if the conditions under which they must work are unacceptable. One very important working condition for black workers is the level of racial discrimination in promotion and firing. The supply of labor in a given market of course also depends on the alternative opportunities for earning income that are available to the potential labor force in that market. The data needed by workers reflect demand conditions in the rural labor market.

II. Existing Data on the Rural Labor Market

We assume in our comments that no problems exist with the concepts labor force, employment, unemployment, and labor force participation, that is that the definitions of these terms are known and generally accepted, that the measures of these concepts used by federal data gathering agencies reflect faithfully and accurately the underlying concepts and that the concepts measure welfare of labor market participants in some meaningful sense. We know that this is not strictly true, that several conceptual problems are being debated vigorously. However, this Commission has heard or will hear from others on these problems, so we will concern ourselves principally with the problems involved in collecting and disseminating data on these concepts, on matters, that is, of coverage, accuracy and frequency.

We cannot refrain, however, from a brief digression on the problem of underemployment, or as economic development theorists of the 1950's and 1960's put it, disguised unemployment. This concept was developed to describe the rural sectors of underdeveloped countries, and thus it is very appropriately applied to depressed rural areas in the United States. Blacks and other minorities in the United States because of racial discrimination also are subject to such less than optimal use of their capacities. Despite the theoretical tradition, however, attempts at measurement of this concept have been sporadic and not well developed. In a statement before a Joint Economic Committee hearing here in Atlanta in December 1975, current Secretary of Labor Ray Marshall presented a definition of what he called the subemployment rate. It included the official labor force plus those not in the labor force plus employed persons whose income is below the poverty line, all divided by the official labor force plus a constant times the persons not in the labor force. In algebraic symbols, the formula was:

$$S = \frac{L + N + P}{L + aN}$$

The constant a is exogenously given.

This concept should be defined precisely and data collected on it regularly and frequently using the suveys to be described below. This concept provides much increased information on the welfare of workers in rural labor markets and on Black and other racial minority workers.

A. Supply Side Data

One major problem with federal programs in rural areas is that the data on which the trigger is based are missing or inadequate. Geographic, occupational, age, sex and industry coverage of existing rural labor market surveys is not comprehensive. Surveys are taken infrequently. The samples on which surveys are based are too small to provide reliable estimates

of conditions in small (less than national) areas. Definitions of employment used in the surveys omit significant groups of workers. For these reasons, estimates of unemployment in rural depressed areas are generally understated, with the result that such areas do not receive the share of program benefits to which they are entitled.

There are 18 Federal Government sources of series data on the rural labor force, of which four will be considered here. One of these is the decennial census of population conducted by the Census Bureau. One, the federal-state Employment Service survey, is conducted monthly by state employment security agencies on instruments (forms) provided by the Bureau of Labor Statistics (BLS). Another source is the Current Population Survey (CPS), the labor section of which is conducted by the Census Bureau for BLS. The last source of data that we will discuss here is the Farm Employment and Wage Rate Survey (FEWRS), conducted by the Statistical Reporting Service (SRS) of the Department of Agriculture. (For a discussion of all 18 federal sources see Clark Edwards, et al Employment Data for Rural Development Research and Policy, Economic Development Division, Economic Research Service, United States Department of Agriculture, Working Paper No. 7809, n.d. (1978).)

The 18 federal sources are as follows: (1) Census of Population, (2) Census of Manufactures, (3) Census of Retail Trade, (4) Census of Wholesale Trade, (5) Census of Selected Service Industries, (6) Census of Mineral Industries, (7) Census of Agriculture, (9) Annual Survey of Manufactures, (10) Annual Economic Survey of Agriculture, (11) Public Employment Survey, (12) County Business Patterns, (13) Continuous Work History Sample, (14) Bureau of Economic Analysis Employment Data, (15) Farm Labor Survey, (16) Current Population Survey, (17) Department of Labor Establishment Data, and (18) Continuous Wage and Benefit History. In addition, Dun and Bradstreet, a private concern, provides an annual estimate of employment by firm size. The first of the federal source provides

data on a decennial basis. Sources two through seven, the economic censuses, provide data quinquennially. Source eight also provides data quinquennially. Sources nine through 14 provide annual data. Source 15 provides quarterly data. And sources 16-18 provide monthly data.

Sources 11, 15, and 16 provide data disaggregated to the state and large SMSA levels only. Sources 1-8, 12-14 and 18 provide county data. Source 16 provides data on the national nonmetropolitan population. Source 17 provides data on "substate" area. Source 9 provides data on the largest SMSA's. And source 10 provides data on the North, South and West regions.

Thus, only source 18, the Continuous Wage and Benefit Survey provides monthly data at the county level. This survey is based on a sample of administrative records of state unemployment insurance agency claimants. It is deficient in that it does not cover self-employed workers, sole proprietors, partnerships and certain agricultural and domestic workers.

In addition to these recurrent surveys, various Federal Government departments undertake special surveys of various aspects of the labor market on an ad hoc basis. We will discuss the short-comings of each of the recurring surveys in turn. We will refer only briefly to those more familiar of the ad hoc surveys.

1. The Decennial Census of Population

The Census Bureau since 1950 has used a sampling procedure in the decennial census. (In 1970 the Bureau took a 15 percent sample of the population, 5 percent for certain questions.) The Bureau in 1970 also utilized a mail survey for the first time, supplemented by telephone calls and personal visits to non-respondents. Information collected on the labor force used a 100 percent count of the labor

force, and included employment status of persons 16 years of age and over by sex, occupation, and industry of men and women 16 years of age and over, for all counties, and for rural farm and non-farm portions of states and counties. The same data on Blacks and Hispanics are available for counties with 400 or more Blacks or Hispanics respectively (cf. Conrad Taeuber, "Manpower Data for the Rural Population," in Collette Moser, ed., Labor Market Information in Rural Areas: Proceedings of a Conference, February 22-23, 1972, pp. 21-23. Also U.S. Bureau of the Census, Census of Population: 1970, General Social and Economic Characteristics. Final Report PC(1)-C1, United States Summary, pp. iii-iv.) For rural farm and non-farm sectors additional data were collected.

The 9.5 million households in the 1970 census offers the largest sample available of the rural labor force, although the percentage of the population represented is smaller than that of previous censuses. The census also presents the greatest amount of disaggregated area data, including states, counties, cities and towns in addition to the national totals. The major problem with it is its infrequency, although we understand this will be remedied somewhat by an additional, mid-decade census beginning in 1985.

2. The Current Population Survey

The CPS samples about 56,000 households nationally every month. (Telephone conversation with Richard Rosen, BLS, Friday, 6/30/78). The sample was increased recently from 50,000. The sample includes an "appropriate" proportion of rural households. (Taeuber, op. cit.)

In March of each year, the survey collects data on migration, work experience during the year, and personal and family income. (ibid) Thus data on these aspects of the labor force experience are available only on an annual basis. The timing of the survey biases rural unemployment statistics

upward because the peak labor period in the agricultural sector is late summer, although a seasonal adjustment procedure is made by the Census Bureau to correct the bias. Any remaining bias is probably small, since non-farm employment now accounts for nine-tenths of rural labor force income. (Clark Edwards, et al, "Employment Data for Rural Development Research and Policy," U.S. Department of Agriculture, Economic Research Service, Economic Development Division, Working Paper No. 7809, 1978).

In December of each year, the survey, in cooperation with the Department of Agriculture, collects data on persons who have done any agricultural work during the year, whatever they might be doing at the time of the interview. (ibid) This creates problems of recall.

Until this year, the most reliable data from the survey were national data. With the expansion to a larger sample size annual data will be available on state unemployment rates from the CPS.

The CPS does not cover inmates of institutions, members of the Armed Forces and person under 14 years of age. Because Blacks comprise a higher percentage of all these groups their labor market experience is likely to be understated. Inmates of prisons in particular produce goods and services that are sold by governments. However, this output does not enter GNP statistics as output of government enterprises, nor does the labor used in the production get counted.

Moreover, farm work during the peak harvesting seasons utilizes young workers under fourteen. I can testify personally to this, having done this work myself in my youth. Many such workers are recruited in small towns and cities, so that both rural and urban employment and unemployment statistics are significantly affected by the nature of the coverage.

As a household survey, the CPS provides more complete coverage of the population than establishment surveys, to the extent that it does cover rural, low income, and minority groups. The exclusion of these groups from the data in household surveys results principally from inadequate sample size, and not from a sample design problem. By contrast establishment surveys are deficient because the sample frame is a listing of establishments, and does not systematically include small and new firms and self-employed persons, resulting in an undercounting of the labor force, employment and unemployment. Because Blacks are underrepresented in the ownership of large establishments, and indeed even of small establishments, their employment and unemployment is also understated disproportionately. Furthermore, both types of survey are considered to measure labor supply, while in fact only household surveys do so. Establishment surveys measure the supply of jobs, job vacancies, etc., which are measures of the demand for labor. This distinction should be clearly drawn.

3. Federal-State Employment Service Survey

This program surveyed 1,171 labor areas of substantial or persistent unemployment as of November/December 1977. The number of such areas changes as labor market conditions in the areas change. (Area Trends in Employment and Unemployment, August, September, October, November, and December 1977, p. 5) In 1972, for example, there were about 1,600 labor areas. (Davis A. Portner, "Department of Labor Information on Labor Markets," in Moser, op cit, p. 150).

A labor area is defined as "a central city or cities and the surrounding territory within commuting distance." Such areas generally contain at least one entire county, or in the case of new England one or more towns. (Area Trends, p. 9) Thus any rural areas they contain are pockets within

urban areas. This might be a substantial area; Conrad Taeuber of the Census Bureau estimates that 30 percent of the population of SMSA's lives in rural areas. (Taeuber, op cit)

This program obtains data from administrative records of state employment security agencies on the basis of forms designed by the Labor Department's Employment Service. It provides monthly labor force, employment and unemployment data. Because rural offices of these services are few in number, however, the statistics on the rural labor market are understated. (See discussion of the Employment Service in section on demand side of statistics, below) Moreover, since most of these data are collected in the process of administering unemployment insurance programs, self-employed workers, small firms, domestic workers, and farm workers are not covered.

Another major deficiency of these data is that they are collected for administrative purposes by those who are responsible for programs. These persons have an incentive to manipulate the statistics to justify their programs, making the reliability of the statistics suspect. (See statement by Louis Levine on this point in Moser, op cit, p. 168)

D. Farm Employment and Wage Rate Survey

This survey is conducted by the Statistical Reporting Service (SRS). The sample on which it is based was until 1975 a non-representative sample, i.e. a non-probability sample. It surveyed 26,000 farm establishments who reported voluntarily. The survey from 1950 to January 1975 collected monthly data on number of workers on farms, average weekly hours worked, and farm wage rates. Workers are classified as family workers and hired workers for the number of workers items. Number of workers is defined as all workers on the payroll. For hours worked, they are classified as farm operators, other

members of the farm household working 15 hours or more with no cash wages, and hired workers. Hours worked data are available nationally and for some states. From 1970 to January 1975 a supplemental probability sample was collected on an experimental quarterly basis. (Lynn M. Daft, "Use of Department of Agricultural Data for Analysis of Rural Labor Markets," in Moser, op. cit. p. 175-176)

Since January 1975, this quarterly survey has replaced the monthly survey. U.S. Department of Agriculture, Statistical Reporting Service, Scope and Methods of the Statistical Reporting Service, pp. 124-125) These data are not disaggregated to the county level, and they contain no information on unemployment levels or rates. The survey is now taken in January, April, July, and October. The questionnaire requires that workers must have been employed in the week of the survey. Although this eliminates the recall problem, it creates another one by excluding workers who are on paid vacation, ill, or otherwise not at the work place during the survey week, but who are on the payroll. Moreover, contract workers are excluded from coverage. This group contains most legal immigrant migrant workers who are therefore committed from the Statistics. Particularly excluded by this provision are Jamaican and other Caribbean workers brought here on contract. All these workers are Blacks. (See U.S. Department of Agriculture, Statistical Reporting Service, Crop Reporting Board, Interviewers Manual 1977-78, Quarterly Agricultural Labor Survey, July 1977, p. 24)

5. Other Surveys

Among such surveys are the Equal Employment Opportunity Commission (EEOC) Surveys, the Social Security Administration Continuous Work History Sample (CWHS), and the Census Bureau/Department of Health, Education and Welfare Survey of Income and Education (SIE) taken in the Spring of 1976.

1. The EEOC survey covers private employers, apprenticeship programs, labor unions, state and local governments, elementary and secondary schools and colleges and universities. It is a census of such institutions with 50 or more employees, and thus is the second largest survey after the census of population. It collects data on the ethnic, racial and sexual characteristics of employees (General Services Administration, 1977/78 United States Government Manual, p. 494). Data are presented by county. Six surveys have been undertaken to date. These surveys provide data on state and local government employment not found elsewhere. The major problem with these surveys is their frequency, which is low. Another problem is that the EEOC does not have jurisdiction over small companies and thus collects no information on them. Because many rural firms or farms are small (under 50 employees) these data tend to understate employment in rural areas. No unemployment or labor force size data are collected.

2. The CWHS is a one percent sample of Social Security Administration records collected in the process of administering the Old Age, Survivors, Disability and Health Insurance (OASDHI) programs. The survey collects data on earnings, industry, sex, race, and age of Social Security registrants. Because workers in some occupations and industries, notably non-participating state and local governments, some self-employed workers (particularly farm operators) farm employees, household workers, employees of non-profit organizations, members of religious orders subject to a vow of poverty, persons in family employment and U.S. citizens working abroad, are not covered, and because rural and Black workers are disproportionately employed in most of these industries, they tend to be undercounted. (See Social Security Bulletin, Annual Statistical Supplement, 1975, p. 6.)

2. The SIE was conducted in May and June of 1976 for the most part, with a few interviews taking place in April and July. The survey sampled 190,000 households in all states and the District of Columbia. Labor force data collected included 38 data items on labor market activity. (U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 108, "Household Money Income in 1975, by Housing Tenure and Residence, for the United States, Regions, Divisions and States (Spring 1976, Survey of Income and Education)", pp. 1, 164-171). Although substate data are not presented in the published report, the address of each respondent was obtained. It should therefore be possible to tabulate the results by county, or otherwise identify and disaggregate responses by urban-rural (metropolitan-nonmetropolitan) location.

B. Demand Side Data

Federal data on the demand for labor are contained principally in the Occupational Outlook Handbook, published biennially by the Bureau of Labor Statistics (BLS). The projections of demand by occupation contained in this document are based on (1) detailed definitions of occupations developed for the Dictionary of Occupational Titles program, and (2) detailed forecasts of employer demand based upon a BLS model of the U.S. economy, which uses data provided from the sources listed above.

From a rural standpoint the rural occupational definitions are deficient. They were developed in occupational research carried out by the Federal Employment Service and state employment security agencies. Because no federal offices and few offices of the state services are located in rural areas, the research on which occupational definitions are based might have inaccuracies regarding the content of and required qualifications for occupations in traditional rural industries--agriculture, mining, forestry and fishing--as well as in manufacturing industries adapted to operate in rural locations.

In 1977 there were "nearly 2900" offices of the service in all 50 states, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands. (Employment and Training Report of the President, 1977, p. 72). In 1972, by contrast, there were 3,044 county governments. (U.S. Bureau of Census, Census of Governments 1972. Vol. 8, Guide to the 1972 Census of Governments, p. 8) Thus, even if only counties, the basis unit of rural government, are counted, the Service would be inadequate. We know, however, that most employment service offices are located not in the rural parts of counties but in municipalities or townships, of which there were 35,518 in 1972. (ibid) In fact, the rural program of the Employment Service was until recently administered as a separate program, successively called the Farm Labor Service, the Farm Labor and Rural Manpower Service (Lawyers' Committee for Civil Rights Under Law and the National Coalition, Falling Down on the Job: the United States Employment Service and the Disadvantaged, 1971, pp. 79-91) In the Carter Administration, it was abandoned and replaced by a Rural Equity Group. This group in turn has been abolished and an effort initiated to develop a comprehensive rural policy for the Department of Labor. This effort is being directed by Dr. Thomas Till. Nevertheless, as the Lawyers' Committee Study states "... many state employment services... do not adequately cover rural areas..." (ibid, p. 81)

Aside from the difficulty involved in obtaining data on rural occupations to construct definitions, there is the problem of projecting occupational demand for rural areas on the basis of an econometric model of the entire U.S. economy. We will not comment here on the model specification and design, although there are likely to be some problems involved in conceptualizing and specifying demand and supply relationships for industries in the rural sector of the economy. Even leaving those kinds of problems aside, the data used to make the projections are those collected in the surveys discussed previously, and

hence the reliability of the forecasts for subnational areas is not great. Specific labor market participants, i.e. workers and managers, cannot use such projections to plan except on a very tentative scale. The forecast reliability might be greater for national policy formulation by the Federal Government, given adequate design and specification. (See Bureau of Labor Statistics, Occupational Outlook Handbook, 1978-79, Edition, p. 17 for a discussion of the assumptions and methodology used in making the forecasts.)

Another major deficiency of the forecasts is that they cannot reflect short-term fluctuations in output, and therefore in the demand for labor. A related deficiency is their frequency. They are available only on an annual basis, but decisions must be made daily, and conditions change rapidly.

Recognizing the need for disaggregated forecasts, the BLS in 1972 began constructing state matrices for all 50 states and the District of Columbia. Such matrices are now available for 1970, 1974, and 1985. Eventually, it is planned to have such matrices for all SMSA's. Again this does not provide much information on rural sector demand.

In summary, the demand side program can stand such improvements as (1) extension of occupational definition research into rural areas by expanding the federal/state employment service/employment security system, (2) the development of county or nonmetropolitan area econometric models, (3) increasing the frequency of the forecasts, and (4) improving the capacity of the models to accurately forecast business cycle turning points.

III. Recommendations

As a result of our experience in using labor market statistics, and of our limited formal evaluation of the statistical programs of the Federal Government and state government, we make the following recommendations to the Commission.

(1) We recommend that the Current Population Survey (CPS) sample be expanded in size to such a degree that reliable statistics can be gathered (a) on small areas down to the level of the municipality and township, in general, and for large municipalities down to the level of the neighborhood (the neighborhood may be defined on a census tract, zip code area, election district or other basis) (b) on small population groups including specifically rural workers and black and other racial minority workers, and that this survey become the principal federal source of labor market information, to the extent that it does not already have this status, and (c) on rural non-farm industries such as mining, forestry, fishing.

(2) We recommend that resources be expended on developing and refining the concept of underemployment, that data be collected on this concept in the expanded CPS particularly, as well as in other less comprehensive and less frequent federal surveys, and disseminated widely, and that the concept be included in formulae for allocating federal assistance to distressed areas.

(3) We recommend that such disaggregated labor market data be collected and presented on a monthly basis, with quarterly and annual adjustments and summations.

(4) We recommend that the March CPS survey, which now collects data on personal and family income, also collect data on personal and family wealth, which is a major determinant of the supply of labor to the market. Alternatively wealth data should be collected in another month.

(5) We recommend that all federal data collection agencies define the labor force to include young workers, that is those 14 years of age and over.

(6) We recommend that household surveys, such as the population census and the CPS, be explicitly relied upon to furnish data on labor market supply only, and that establishment surveys be used to furnish data on labor market demand. Currently both types of surveys are considered to estimate

labor supply, and confusion exists because the product estimates that differ from one another. These data should be related to the demand forecast data published in the Occupational Outlook Handbook to improve the forecasts.

(7) We recommend that the state employment security system be improved by increasing the number of offices in rural areas and in black residential areas. The federal Employment Service should be improved similarly. This will permit improved service to black and rural workers, and just as important in this context would permit improved research on occupations engaged in by these groups. More accurate occupational definitions would result, which would aid young workers in choosing a career, and aid everyone in matching skills, aptitudes and desires to opportunities.

(8) We recommend that the Labor Department and the states support the development of state quarterly econometric models with a well defined labor sector, and a non-metropolitan or rural sector.

CHAIRMAN LEVITAN: If the BLS would do exactly as you tell them, they would be very busy folks. Any questions?

Mr. POPKIN: It was very clear. I have no questions, just because it is so clear.

MR. CARLSON: Had you given any thought to the size of the sample of your first recommendation?

MR. ELLISON: We have not formally tried to calculate the size of sample that would be required to make the data reliable for small areas and small groups. The only data that are available that are reliable as far as we can see comes in the census of population. That's a nine and half million person sample. We don't, of course, expect to see a monthly sample of that size; that would be prohibitively costly, but something on the order of at least doubling the current size of the CPS sample would be required, we would think.

MR. CARLSON: It would probably be much more than that, if you got down the details you have in mind. On your recommendation number eight, how would you go about that, by grants from the federal level down to the state, or would you standardize?

MR. ELLISON: We feel that the Federal Government should take the lead in designing these samples--in designing these models. In fact, it should design the model and permit the states to use them. We don't think most states or a very large number of states have the capacity to develop these kind of models.

MR. CARLSON: The last question. You feel strongly about the fact that these statistics should have included 14 years and older because the 14 year old worker in the rural area turns out to be a more significant factor, even though the trend in the past has been to move toward older age groups.

MR. ELLISON: I think so, particularly on family farms. Many of the workers are even younger than 14 years of age.

CHAIRMAN LEVITAN: Mr. Anderson.

MR. ANDERSON: I'm pleased to see Mr. Ellison. I have known him for some time and have been familiar with his work. At that time he was working on the urban problems. Now, he is in the rural areas, but he certainly has been a long and consistent scholar in the area of black employment problems, and along that line I would like to ask a question about the measuring of self-employment that is referred to on page four and about the comments there. In fact, I'm certainly no expert on the rural areas, but I have heard that the problem--no Philadelphia is quite urban--thank you--I've heard that the problem in rural areas is very often, more often, one of underemployment than unemployment.

But in any event, in trying to modify the current definition of the labor force to include discouraged workers, I wonder if you would expound on the appropriateness of adding all of those persons who are now not in the labor force when every bit of information we have suggests that at least 60 to 70 percent of them have no intentions of searching for a job. If in fact, we would include any of them as part of the labor force, what labor market tests do you think should be imposed? What job search tests do you think should be imposed in defining who, in fact, is willing and able to work? If you would share that with the Commission, I think it would be very helpful.

MR. ELLISON: My personal view is that the labor force should include everyone over a certain age, the assumption being made that everyone be--everyone would prefer to work--rather than otherwise. Since in this society work is a source of income, status, and psychological well being, this assumption would seem to be well founded, from my point of view.

MR. ANDERSON: So, you would not impose any job search test as a condition for an individual being defined as part of the labor force. In effect, what that would mean is that the labor force would be synonymous with the population constrained by an age limit.

MR. ELLISON: Yes.

MR. ANDERSON: Thank you.

MR. BELL: If I might comment on that, Mr. Anderson. I have directed a rural concentrated employment program. I have run several other manpower programs in the rural community and based on that experience, and that may be narrow and biased, but I have yet to find a handful of people who would not work if they

had the opportunity. Those who would not work were disabled, had other kinds of hardships which were impediments to work and they were discouraged workers to some extent who had looked and looked and didn't find a job, so I think our survey would tend to miss them on that day they decided that they weren't going to look.

MR. ANDERSON: Well, that's very helpful.

CHAIRMAN LEVITAN: Mr. Popkin.

MR. POPKIN: It seems to me your paper or discussion really highlights something which has come up several times before. Perhaps that is why a hardship index is needed, and why some revision in the CPS methodology or definitions are needed. And that has to do with, if you work 15 hours or more without remuneration in a family firm or farm, then you're counted as employed. You also have to think about the category of people who hang around the family firm whether it's a farm or a store, but who really are looking for other work at the same time. You brought that out very clearly in your paper.

But there's a lot of unemployed people working 40 hours or more a week on the family plot, or whatever, in some rural areas. I'm wondering if you have any comment on how we can revise definitions, and if these people should in fact be counted as unemployed? How do we do that? How do we distinguish between the person who is just putting in time at home because there are no jobs and a person who is putting time in at home because that's a very productive activity?

MR. ELLISON: It seems to me that the purpose of the labor market statistics in the first place is to permit, one, those who would like a job to find out where jobs exist and, two, those who would like to hire workers, where workers who would like

to work are. And therefore, there is no need in that sense to distinguish conceptually between those people who would want to work and those who would not want to work. The market should work, should be permitted to function. That is to say that if jobs are available, people should be informed of them and if people would desire to work they should be permitted to work.

And labor market information should facilitate this process to the extent possible--as far as possible--which means that all people should be defined or assumed to be in the market because it's--

MR. POPKIN: I think I was getting at something a little bit different. That is, that there may be a bias against unemployment, or finding unemployment, if it's a small store or it's a small farm, because the young person or the unemployed person will hang around the firm, so they won't be counted as employed for allocation purposes. I think--I guess that is what I was getting at.

CHAIRMAN LEVITAN: Ms. Wills.

MS. WILLS: We're running late, so you can answer it later. I think it is of sufficient importance. Your first recommendation has a lot of distinct possibilities in terms of size and unfortunately, as you well know, when you're dealing with the statistical community you need numbers to define sizes. If you will assume with me for a moment that we should throw out an election district as a possible geographic area because it may or may not fit within the labor market area, so we can go to the others--zip code areas, census tracts. Do you have any particular preferences? Municipalities, as you well know, can vary--they are even defined differently throughout the country. It would be very helpful to us, if we could have some focus on the rural areas. What kind of possible size we are talking about?

In relation to that, on the third recommendation, you talk about a monthly basis for this aggregate labor market information in the rural areas. If we have to deal with tradeoffs, and we all know that we do have to, would you find it of any value to say, for example, once a year have an expanded survey, handled somewhat analogously to, though not necessarily through the SIE, which you did mention earlier in the paper? Perhaps, larger than the population CPS, but not also a census--somewhere in between--would that be helpful? I'm not sure we need it on a monthly basis, but we need it more than once every 10 years. Somewhere in the midst of that--and if you could respond to that either by a phone call to the staff and/or myself in Washington, I would appreciate it. I want to thank you. You've done a lot of good work and testified before the Commission on the problems of rural America, and I very much appreciate it.

MR. ELLISON: Thank you very much for giving us the opportunity.

CHAIRMAN LEVITAN: Thank you very much, gentlemen. Last, but certainly not least is Ms. Paulette Norvel, the National Director, Minority Women's Employment Program. The MWEP is a part of our Employment and Training Administration, directed once again by a fellow who is now in Washington, Mr. Ernie Green.

Ms. Norvel, proceed in your own way.

STATEMENT OF PAULETTE NORVEL, NATIONAL DIRECTOR,
MINORITY WOMEN'S EMPLOYMENT PROGRAM

MS. NORVEL: Thank you, Mr. Chairman.

Good afternoon. My name is Paulette Norvel. I am the National Director of the Minority Employment Program of RTP, Inc.,--a project designed to help minority female college graduates into managerial, professional, and technical jobs in the private

sector, where their participation has traditionally been minimal or nonexistent. I have worked with the program since its inception as a pilot in Atlanta in 1972. The project was originally funded from the Office of Research and Development, U.S. Department of Labor.

Minority women employment program is a special effort designed to meet employers' claims that they would hire minority women if they could find qualified and interested applicants.

Through June 1978, the minority women employment program had placed 1,477 individuals into jobs. The average gain for those making a salary advance over their former jobs was greater than \$2,000. More than a fifth of the individuals placed made gains of \$3,000 or greater over their previous employment. In the 21 month period from September 1, 1976 to June 31, 1978, forty-nine "breakthrough" placements were made--that is, the first women, the first minority or the first minority woman holding the job. Through January of this year, the program has been able to place 186 women with college degrees who had been working in such occupations as receptionist or file clerk into managerial, technical, or professional jobs.

I am not here, however, to talk about our program's accomplishments. Rather I want to speak to the labor market needs which underutilized minority women have--needs which are often inadequately reflected in the employment and unemployment statistics which this nation presently compiles and publishes.

During my six years with the minority women employment program, I have seen thousands of talented female college graduates come to the program seeking help--women who are unemployed, stuck in dead-end clerical positions, or in numerous other jobs which demand far less than their capabilities and pay far less than their efforts merit. I have seen thousands who were in intermittent or part-time work and wanted a secure job with career potential. Such underutilization of human resources is not only harmful to the women themselves, it has grave consequences for society and general levels of productivity as well.

It should be pointed out that, according to current statistics, all these women are considered simply as employed. No distinctions are made for the quality of employment, either in relationship to the performance capability of the women, their family needs, or the satisfaction work offers them.

Because minority women are at the bottom of the economic totem pole with regard to unemployment and earnings, and because we are, (contrary to the current myth), twice cursed, it is vitally important that a clear and accurate picture of our participation in the labor market be communicated and emphasized in national statistics. Accuracy and detail will not only dispel the myth of the minority women's advantage and reduce backlash but it will also hopefully sensitize employers to the real labor market needs.

Although almost half of the applicants to our program are authentically unemployed (that is, without a job and seeking work), few have utilized either the employment service or the unemployment insurance system. The employment service simply does not have the reputation of being a productive source for locating managerial or professional jobs. Consequently, there tends to be a serious undercount of the minority women served by our program and such an undercount severely understates the employment needs of this group. In spite of this severe and significant undercount, statistics on minority women still reflect higher unemployment rates and less income than any other segment of the labor market. Even today more than seventy percent of Atlanta's major private employers do not employ even one minority woman in any managerial or professional job.

I know from my experience with the program for which I work, that there is a great need for upgrading the employment opportunities of minority women. The overwhelming applicant response to our program is reflective of this. Relying on a low profile word-of-mouth effort to locate candidates,

we have generated since the beginning of the program a file over 3,500 individuals with college degrees in the Atlanta office alone. It should be pointed out that this figure represents over fifty two percent of the number of Black and Spanish heritage women with four or more years of college, as enumerated in the 1970 census of population for the Atlanta SMSA. Such a turnout strongly reflects patterns of underutilization and need, as well as indicates that motivation for advancement exists among minority women. We need employment and unemployment statistics which better reflect the true needs and position of talented but underemployed and underutilized minority women. For these statistics directly influence the development of national employment programs, policies, and priorities and in that sense, they work against the needs of minority women and other groups whose labor market participation is not accurately represented.

I urge you in your deliberations to give serious consideration to ways in which more accurate information on minority women in and out of the labor market can be gathered and disseminated.

CHAIRMAN LEVITAN: Thank you, Ms. Norvel. Mr. Popkin.

MR. POPKIN: This would be served by exactly the suggestions that were made this morning by the economist from IBM.

CHAIRMAN LEVITAN: Dr. Chimerine.

MR. POPKIN: He suggested the need to have data on educational background on the CPS. The educational data would help identify precisely if minority people in particular occupational codes have more or less education, or more or less time on the job. And Barbara Bergmann suggested the same thing. So, from three different perspectives the need has been suggested for understanding promotion patterns and dead-end patterns, the need to have more data on education and time on the job on CPS, at least at some interval.

CHAIRMAN LEVITAN: We also have a paper from Dr. Theresa Sullivan, of the University of Chicago, that deals with the same subject. If you're interested we'll be glad to send it to you.

MS. NORVEL: I'd love to receive it. Thank you.

CHAIRMAN LEVITAN: Mr. Anderson.

MR. ANDERSON: We're very pleased to have you present testimony to the Commission on the MWEP. I simply wanted to ask you about your file of 3,500 minority women. What does that file show with respect to the labor market status of the women at the time you identified them? Were they out of the labor force? Were they unemployed? Were they underemployed, that is employed in jobs that were below the level of their qualifications in terms of education experience?

MS. NOVEL: Approximately 60 percent were unemployed, 30 percent were underemployed and about 10 percent were gainfully employed, but looking for another career area or another type of work.

MR. ANDERSON: Among these 60 percent that were unemployed, had they been unemployed for some time or were they recent jobless persons within the last month or so?

MS. NOVEL: I can guesstimate on that. We do have some accurate statistics, but I think the average amount of time is about 18 months of unemployment.

MR. ANDERSON: I see. Thank you very much.

CHAIRMAN LEVITAN: You used the figure of 30 percent underemployment. Do you have a precise definition for underemployment or is it just a general impression?

MS. NOVEL: We're saying people who have a college degree and who are working for less than \$6,000 or in a dead-end job paying less money.

CHAIRMAN LEVITAN: I don't think anyone would disagree with that.

Mr. Carlson, do you have any questions?

MR. CARLSON: No, I don't have any at this time.

CHAIRMAN LEVITAN: Thank you very much.

MS. NORVEL: Thank you very much.

CHAIRMAN LEVITAN: I said before that if anybody wanted to say a few well chosen words we will now entertain and listen to them. If nobody is volunteering, we will invite you to continue with this hearing and come back with us on July 26th. You're all welcome then. Thank you very much. Thank you. Mr. Norwood?

MR. NORWOOD: I don't want to drag out the proceedings here. I'd just like to underscore one point, if I might. As you know, I'm retired or semi-retired which means I'm not responsible for anything that's going on here in government programs, even producing statistics. I guess if there was one thing--

MR. POPKIN: For our record, please identify yourself?

MR. NORWOOD: I'm Bill Norwood. I'm a former regional administrator, Region Four, of the Employment Training Administration. I've been retired for about two years. I'm doing a little consulting as most everybody does after retirement.

The one thing that sticks in my mind is the question of underemployment. I was quite concerned at the time of the adoption of CETA allocations, but I felt regardless of how you defined unemployment, that the measure was inappropriate, particularly for this entire region. I support with respect to the inner city question and rural area. If I would urge you to do anything, I think seriously the question of whatever you want to call it, sub-employment or underemployment, I think it's much more pervasive particularly on a regional basis in the rural south and in the inner cities than we have thus far given it credit. The poverty index was a stand-in, in my judgement, for underemployment when they decided to put it in as a limited factor in the allocation process, but not a very good measure. Thank you.

CHAIRMAN LEVITAN: Thank you very much,
Mr. Norwood.

We will now adjourn until July 26th at 1:30 p.m.

TRANSCRIPT OF PUBLIC HEARINGS

Wednesday, July 26, 1978

NATIONAL COMMISSION ON EMPLOYMENT AND
UNEMPLOYMENT STATISTICS

Washington, D.C.

The Commission met, pursuant to notice, at 1:30 p.m., in room 6510, 2020 K Street, N.W., Sar A. Levitan, Chairman, Presiding.

Present: Bernard E. Anderson, Glen G. Cain, Eli Ginzberg (statutory advisor), Rudolph A. Oswald, Samuel L. Popkin, and Joan L. Wills.

Also present: Arvil V. Adams, Executive Director; Marc Rosenblum, staff economist; Lois Black, research analyst; and Wesley Lacey, administrative officer.

OPENING STATEMENT OF CHAIRMAN LEVITAN

CHAIRMAN LEVITAN: The meeting will come to order. This is the seventh public hearing of the National Commission on Employment and Unemployment Statistics. Our first advisor today is the Director of Michigan Employment Security Commission, Mr. Martin Taylor.

Our procedure is as follows: We ask advisors to summarize their advice in 15 minutes and then to give us another 15 minutes to ask you some questions.

I received your prepared statement, Mr. Taylor, and we will include that as part of the record. Please proceed to summarize your recommendations to the Commission in the next 15 minutes. Mr. Taylor, the floor is yours.

STATEMENT OF MR. MARTIN TAYLOR, DIRECTOR
MICHIGAN EMPLOYMENT SECURITY COMMISSION

REPORT ON THE LOCAL AREA UNEMPLOYMENT ESTIMATING
PROGRAM

MR. TAYLOR: Mr. Chairman, members of the Commission, I would like to begin by expressing my appreciation for this opportunity to present, on behalf of Governor William Milliken, Michigan's views on the important matters before you. Since their inception labor force and unemployment statistics and how they are measured have become increasingly important in the formation of the nation's social and economic policies. Because of the extensive use of such statistics for state and Federal funding programs as well as the increasing amount of attention and scrutiny the data receive throughout the community, a thorough review of the concept of unemployment and the system by which we measure it, is certainly in order.

It has long been a goal of social and economic policymakers to aim their efforts in the direction which would yield the most toward the common good of the nation. The problem has been, though, that due to inadequate information, it is difficult to target the areas that are most in need. We have followed closely and with a great deal of interest the activities of this Commission and have several concerns, particularly in regard to state and local labor force statistics, that I would like to share with you.

I am assuming from what I know about the Commission's activities to date that you are generally familiar with the history of the unemployment estimating program over the last several years. Therefore, I will not attempt to recount the evolution of the program since the Bureau of Labor Statistics (BLS) assumed control of it. For those of you who wish to review some of the background we have enclosed as an attachment to this paper, a report we prepared recently that briefly describes the history of the program and recent changes.

Direct Use of CPS

As you know, the Bureau of Labor Statistics recently introduced major revisions in the unemployment estimating procedures for state and areas. The most important of these changes involves the direct use of labor force statistics resulting from the Current Population Survey (CPS) in ten states, including Michigan. While we agree with the overall direction of change we do have reservations about several specific aspects of the revised methodology and its implementation.

At present the statistical criterion set by BLS for use of CPS monthly survey results by the states is a coefficient of variation of 10 percent on the monthly level of unemployment. By contrast the average error in the U.S. monthly data is less than two percent. While it may be unrealistic to demand similar quality in the individual state results we feel that the 10 percent criterion is too high.

In Michigan, the possible error of 10 percent (at one standard error) is approximately plus or minus 30,000 persons on the monthly level of unemployment. For example, the movement from 299 thousand persons unemployed in March to 271 thousand in April this year would be, statistically insignificant-it may not have changed at all. Such insensitivity in what we consider to be the most important of all the indicators of the state's economic conditions is difficult to accept. Our concern over these standards is influenced by the fact that in future Michigan could be excluded from participation in Federal programs and funding if its rate of unemployment is even incrementally less than some legislated threshold, despite the fact that the differences may be statistically insignificant.

We have examined the month-to-month changes in the CPS data for Michigan from 1970 through 1977. Of those 95 observations, less than ten percent were statistically significant, using the national criterion. This analysis was based on unadjusted

data and therefore includes both seasonal and cyclical movements. The basic point is that even in a state like Michigan, which experiences sharp cyclical and seasonal fluctuations, the reliability of the CPS data are such that in most cases it is impossible to analyze current unemployment conditions with any confidence. Of course, a quick review of comparable national data shows a much higher proportion of significant changes. I understand other states have shared specific examples of problems encountered with behavior of the CPS data. We have also analyzed the CPS employment and unemployment data in relation to other data series and would be happy to share that with the Commission, if you so desire.

The geographic distribution of the CPS sample within Michigan is also a cause for concern. The counties represented in the sample comprise 82 percent of the state's population. Many of the counties outside the sample, however, have a markedly different economic base from the generally heavily industrialized counties which are included. Furthermore, the non-sampled area includes most of the counties experiencing the most rapid population growth. We have examined the distribution of unemployment in the State and found that the aggregate rate for the non-sampled areas is consistently much above the rate in sampled areas. Although the effect on the statewide figure is small, this does suggest that the CPS estimates for Michigan may contain a consistent downward bias.

In addition to the direct use CPS decision, the new BLS guidelines for local area data contain a number of major revisions. The monthly CPS is now used as a control for the local area data, which are developed using the Handbook methodology. All area Handbook estimates are then forced to sum to the CPS totals on a monthly basis.

The CPS series, however, exhibits a different seasonal pattern than the Handbook series. This likely results from the fact that the new and reentrant factors used in the Handbook are based on national rather than Michigan data. According to our analysis, a significant portion of the CPS to sum-of-areas forcing required for the 1976 and 1977 data is attributable to differences in seasonality. It seems illogical, and needlessly indirect, to impart one set of seasonal movements to the Handbook estimates by way of the new and reentrant factors only to, in effect, impose the CPS seasonal pattern at a later stage of the procedure.

One danger of the forcing procedure is its potential for creating serious distortions in the month-to-month changes in the local area data. The implicit assumption behind the forcing process is that the error or difference between the statewide CPS and Handbook can reasonably be allocated among the sub-state estimates on a proportional basis. If in reality the difference is not consistently distributed but is concentrated in certain areas, forcing may seriously skew some of the estimates. The result would be to produce movements in the series which are clearly unreasonable and contrary to the behavior of other labor market indicators. Our experiences with the CPS to sum-of-areas adjustment has emphasized the likelihood of such situations occurring.

One feature of the new unemployment estimating instructions is the discontinuance of CPS estimates for sub-state areas. In the past these estimates have been available for the Detroit SMSA and the city of Detroit. The monthly SMSA estimates were linked to the previous year's CPS following the same extrapolator methodology used in developing the statewide estimates.

According to BLS the CPS for sub-state areas is being discontinued in order to insure the consistency of the estimates. Retaining the area CPS, it is argued, would result in divergent state and area figures. While this is a reasonable proposition, elimination of the area CPS cannot be viewed as a

progressive step since it involves a loss of useful and important information. For example, the CPS shows a clear downtrend between 1970 and 1977 in the Detroit SMSA share of unemployment in Michigan, while the Handbook estimates show little change in the relationship. Some practical methodology could surely be designed that would incorporate the area CPS, reflect the area's unemployment claims experience and be consistent with the state CPS.

The haste with which the direct use CPS system for states was introduced raises questions about the planning and underlying mechanisms of the program. The decision to include Michigan as a direct use state, which was not anticipated under the original BLS plans, was announced at the last minute. We were naturally concerned about this last minute change in policy. We have since been informed by the Census Bureau that the original estimate of the Michigan standard error, which did not meet the statistical test for direct use, was only an approximation. A more precise estimate indicated that Michigan did fall within the acceptable error range.

Proposed Change to Quarterly Data

The new system had been installed for less than a month when BLS announced that they were dropping plans to develop monthly CPS data for all states. Apparently due to budget restrictions imposed by the Office of Management and Budget, a decision was made to develop only quarterly CPS unemployment data for the states. BLS stated it would not be possible to move to a quarterly system until all legislation requiring monthly estimates for allocation purposes was amended to permit the use of quarterly data. I can understand the decision to change over to quarterly data for allocation purposes, but a capability must be maintained for providing monthly unemployment data for states and local areas. Quarterly data should be sufficiently

sensitive to local conditions for allocation purposes and their use would cut the cost of making needed improvements in the CPS sample. For many areas of the country, however, the monthly labor market data is the only current economic information available. To develop only quarterly estimates and to adopt what appears to be a slower processing schedule would be a major step backward.

Another problem with the new direct use method is the release procedure. We receive CPS data from BLS only two hours prior to their release nationally. Secondly, it is very difficult to interpret and comment on the data locally unless we are supplied with characteristics data or other information from BLS. This type of supportive information is not being provided in timely fashion. It would seem that arrangements could be made to provide the data, say twenty-four hours in advance, with proper safeguards to prevent premature release.

Implications for Overall LMI Program

The labor force and unemployment estimates represent one of the foundations of the local labor market information program and are supposed to be a "joint Federal-state cooperative program." The states and BLS are not, or certainly should not be, adversaries. Michigan, like all states, wants to provide a solid, comprehensive, labor market information (LMI) program. We are proud of the progress we have made in our LMI program over the last several years, as I think most states are. We understand, and have tried to be responsive to the need for better, more complete, more comparable data. The nation through the Comprehensive Employment and Training Act (CETA), has moved to a decentralized system for employment and training. CETA prime sponsors, local educational institutes, business and the public at large urgently require sound local data with which to plan local programs.

Unfortunately, this need is not clearly recognized in the planning of the local area unemployment statistics program. As I stated earlier, the recent changes provide less local area data than the system they replaced. Detroit city and SMSA data are no longer available from the CPS.

An important area that has been largely neglected is the development of reliable data on who the unemployed are. Little reliable information is available on whether they are black or white, male or female, old or young and so on. These are federally identified target groups that state and local agencies are supposed to serve. But limited efforts have been made to help the states identify even the size of these target groups at the prime sponsor level. The primary concern seems to be that the numbers add up. Consistency has become the overriding concern to the detriment of quality and richness of detail.

As a result of all the changes and revisions in the unemployment estimates, their credibility has been severely strained. This in itself is a difficult problem. A damaging side effect has been that all the efforts devoted to the development of the local labor market information program are endangered. There seems to be some feeling on the part of data users that if we cannot even estimate the unemployment rates properly, then what confidence can they have in any other data.

Finally, I would like to make a few brief comments on the broader charge of the Commission. I support the Commission's attempt to develop a more sensitive indicator of need. Central to the notion of such indicators would be the measurement of the problems of segments of the population who are not adequately represented in today's statistics. For example, the relative degree of hardships suffered by those considered discouraged workers or underemployed cannot be properly gauged by present labor force statistics.

In considering such indicators, however desirable they may be, we should not lose sight of the fact that any new concepts or systems must be readily implemented at least at the state level. No matter how much information can be generated out of the national survey, it is of little use in targeting resources if it cannot be used for state-to-state comparison at a minimum. Given our previous experience, we would find it hard to accept an information system for the states based upon some simplistic "disaggregation factors" gained from so called "national experience." Such attempts have not been successful in the past, and we have no reason to believe they would work in the future. I cannot emphasize enough that although national policy is made on the basis of national data, that policy is implemented at the local level. It cannot be effectively implemented unless the local program operators and decisionmakers have access to comparable information.

I want to emphasize that I am not being critical just for the sake of being critical. I recognize that BLS is subject to numerous and sometimes conflicting constraints and pressures--budgetary, political and technical--in their operation of the local labor market statistics program. Inevitably, choices have to be made and some considerations will be given a higher priority than others. Nevertheless, I feel that the local statistics have not received the kind of thought and attention they deserve, a problem that has been magnified by a lack of communication between the states and BLS. One of my primary responsibilities as director of the MESCS is the quality and credibility of the labor market statistics, and hopefully the comments I have made, by identifying some of the weaknesses in the system, will lead to changes for the better.

Recommendations

In summary, in order that the unemployment estimating procedures be made more acceptable we recommend the following changes be introduced:

1. A formal technical liaison committee should be formed between the Bureau of Labor Statistics and the states which would act to inform the states on pending procedural changes. Further it should be mandated that no substantive changes in either definition or methodology be implemented by BLS unless and until the committee and affected states have been given adequate time for review and comment on them.
2. Transmittal of the data to those states meeting the requirements for direct release of labor statistics from the monthly CPS be made allowing sufficient time for analysis at the state level to review and prepare comments on the data before it is released to the press. In this regard I am sure that safeguards could be developed ensuring BLS that such data will not be prematurely released at the state level.
3. We would urge that the CPS sample be redesigned to more accurately reflect conditions on the state level. The current system which utilizes results from a survey which from its inception was meant for national use only, leaves the statistics open to question.
4. We recommend that the sampling within sub-state areas be upgraded to a point where, at minimum, annual average labor force and employment estimates, consistent with the statewide CPS, could be used to monitor and control the data for at least the larger SMSA's. In this regard we feel that areas for which CPS data had been available in the past (i.e., Detroit) should be the minimum starting point.

5. We consider it essential that the adjustment procedures currently used in the Handbook estimates of unemployment for areas be modified to reflect conditions on a state, or at least regional, level in order that variations between the seasonal patterns in the CPS and the Handbook be minimized.
6. We strongly recommend that the acceptable error range for state data be reduced significantly.
7. Lastly, we recommend that current, as well as future, participation criteria under Federal programs such as CETA, be modified to reflect the error range inherent in such survey techniques. In this regard we feel that trigger levels under Federal legislation should be no more sensitive than the data upon which it is based would reasonably allow.

In conclusion, I hope that the end product of this Commission will be the basis for an integrated stable statistical system to accurately measure the employment needs. While in practice optimum standards of fairness, accuracy and depth of coverage will have to be balanced against their cost, I ask that no option be disregarded without thorough investigation. We must design this new statistical framework to meet the test of time and additional investment in information today will undoubtedly benefit us in the future.

Again I would like to thank the Commission for this opportunity to testify on the needs and direction of the labor force statistics program. I would at this time be happy to elaborate on any point I have raised or to discuss any other issues on which you may feel my opinion would be of interest to the Commission.

Report on 1978 Revisions in the Michigan Unemployment Estimating Methodology

A number of changes have occurred in the unemployment estimating methodology over the last several years and significant modifications are mandated for introduction in 1978. Since a number of Federal programs use unemployment data as part of their allocation formula for distributing funds to states and local areas, the effect of the changes will be of great importance to state and local levels of government throughout the country. This report summarizes the recent changes and discusses the major changes planned for 1978 and their possible impact on Michigan.

HANDBOOK METHODOLOGY - PRIMARY BASIS FOR STATE AND LOCAL AREA ESTIMATES

The handbook methodology or the 70-step method (because of the 70 steps on the worksheet) was introduced about twenty years ago and is still used in modified form as the basis for state and local area unemployment estimates. The handbook methodology has three basic components:

The first is a measurement of unemployment covered under the state unemployment compensation program. The basic data input is the number of claimants and such related factors as exhaustees.

The second component is a measurement of the unemployed who worked for noncovered employers, as domestics and agriculture. This block is estimated based on the experience of the covered unemployed.

The third component is a measurement of the number of unemployed new and reentrants in the labor force. These are individuals who do not have a recent attachment to the workforce and the estimate is based on the age distribution of the population of the area and factors supplied by the U.S. Bureau of Labor Statistics.

IMPACT ON CETA

With the passage of the Comprehensive Employment and Training Act (CETA) in late 1973, the ability to reasonably compare unemployment rates from state to state and community to community became critical. The allocation formula for distributing funds to local communities under CETA was based to a large extent on the number of unemployed and the unemployment rate. The Act also stated that "the determination of whether persons are without jobs should be in accordance with the criteria used by the Bureau of Labor Statistics of the Department of Labor in defining persons as unemployed." According to BLS, the appropriate criteria are the ones used in the monthly national household survey (Current Population Survey), which generates the data used to determine the national unemployment information.

CURRENT POPULATION SURVEY

The Current Population Survey (CPS) has been used for many years to measure labor force conditions nationally. Approximately 47,000 households are surveyed across the country each month. The actual collection of the data is the responsibility of the Bureau of the Census.

The sample group, which was designed to track month-to-month movements on the U.S. labor force, is based to a large extent on the population distribution at the time of the 1970 Census. In essence, the method used to select the sample was to group the 3,146 counties in the United States into 1,931 groups called "primary sampling units" (PSU's) which include the 238 SMSA's in existence at the time of the 1970 Census. The PSU's were then grouped by certain key economic, geographic and demographic characteristics into 376 subgroups called "strata." One, and in some cases two, PSU's are then randomly selected from each stratum to represent all of the other PSU's in the CPS sample. In all 461 individual PSU's were selected for sampling each month representing the 376 strata, 1,931 PSU's and 3,146 counties and independent cities nationwide.

From the selected PSU's addresses are selected for interviews. The address lists are supplemented with newly constructed residences and "special places" such as convents, dormitories and mobile home parks. In total about 1 in every 1,500 households is surveyed each month.

In Michigan there are 21 PSU'S of which four are self-representing--Detroit, Flint, Grand Rapids and Lansing. A self-representing PSU is designed to represent only its own characteristics and not those of other PSU's across the country. Although there are some PSU's in the northern portion of Michigan the sample is clearly concentrated in the urbanized areas (See Exhibit 1 and 2 for map of the Michigan PSU's and the number of households surveyed in each). In Michigan about 2,400 households are surveyed each month.

It should be emphasized that the CPS data for the Detroit SMSA and the City of Detroit will no longer be used in the estimating process. From 1973 through 1977 the CPS data for these two areas was the basis for their unemployment estimates.

ADJUSTMENTS TO THE HANDBOOK METHODOLOGY

Until 1974 the handbook method was used in Michigan and all states, basically in the form that was introduced in the late 1950's. Throughout this period, the Employment and Training Administration of the U.S. Department of Labor was responsible for the local area unemployment estimates. In 1972, this responsibility was shifted to the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor. In late 1973 BLS began the series of revisions in the estimating procedure, which are still ongoing.

The Bureau of Labor Statistics analyzed the results from the handbook method from all the states and determined that it provided consistent results within a state. For example, the unemployment rate in Michigan during January 1971 could be reasonably compared with the rate for January 1962. However,

because of the differences in unemployment insurance laws from state to state, the Michigan rate for January 1971 could not be compared to the unemployment rate for the same month and year in Texas, Ohio, or Alabama. Because states have a certain amount of discretion in determining eligibility and disqualification criteria, duration of benefits and forgiveness of earnings under their individual unemployment insurance laws, the number of claimants included in the handbook methodology for estimating unemployment would vary. As a result, the methodology would produce different levels of unemployment from state to state even though a complete count may show overall unemployment the same.

As mentioned, BLS mandated a number of changes in the state estimating procedure, which were introduced in Michigan in mid 1974. Several substantial adjustments were made in the methodology, including the incorporation of the Current Population Survey (CPS) data for certain states and areas into the procedure.

In nineteen large states, including Michigan, thirty standard metropolitan statistical areas (SMSA's), including the Detroit SMSA, and ten central cities, including the city of Detroit, the annual CPS data were used as control totals. For these states and areas the data developed through the handbook method were benchmarked to the annual average CPS data in the first quarter of the following year. In other words, the twelve month average data developed directly from the CPS became the revised annual average figures in the state and areas. All the monthly figures published during the year were then forced to yield that CPS annual average.

For example, the unemployment rates for Michigan published in 1976 averaged 10.1 percent. The CPS benchmarked figures for 1976, which were released in the first quarter of 1977, averaged 9.4 percent. For each year that the CPS benchmarking process has been undertaken in the Michigan, it has revised unemployment downward (See Exhibit 3 for a comparison of the original and CPS benchmarked unemployment rates).

However, it appears that the 1977 unemployment rates in Michigan will be adjusted upward by as much as a percentage point.

The total employment and unemployment data for the Detroit SMSA is developed in the same manner. The CPS data for other areas in Michigan is not considered to have the necessary validity to produce independent estimates. In order to maintain consistency within a state an "additivity" procedure was introduced by BLS. The procedure requires that all areas within a state equal the state total of employment and unemployment. In Michigan since the Detroit SMSA is also a CPS benchmarked area, all labor market areas outside the Detroit SMSA are forced to add to the residual of Michigan less the Detroit SMSA.

The process is straightforward. All the employment and unemployment statistics for all the local areas outside the Detroit SMSA are totaled. That total is then compared with the residual control total (Michigan less the Detroit SMSA). If the additive total is different, it is forced to equal the control total. For example if the estimates for unemployment for all the outstate areas totaled 120,000 and the Michigan less Detroit SMSA figure was 100,000, the local areas would be reduced proportionately so that they added to 100,000.

In addition BLS initiated a linking procedure that was designed to minimize the annual revisions. The procedure used the last available data from the CPS and handbook to develop a ratio that was applied to handbook estimates for Michigan and the Detroit SMSA. However, the differences between the original published estimates and the CPS benchmarked figures was and is large in many states and as a result the creditability and accuracy of the local unemployment data has been under continued attack.

Over the last couple of years the CPS sample has been expanded in states that were not originally under the new system. By 1976 all fifty states were accomplishing an annual CPS benchmark revisions (See Exhibit 4 for comparison of the original and CPS benchmarked data for all states for 1976).

PROPOSED DIRECT USE OF THE CPS

Because the annual benchmark revisions remain substantial, the BLS has issued instructions mandating major methodology changes for 1978. The most significant adjustment is that ten large states, including Michigan, will use the CPS monthly data for their states directly. The other direct use states are California, Illinois, Massachusetts, New York, Ohio, Pennsylvania, Texas, Florida and New Jersey. Michigan, Florida and New Jersey were added to the direct use states after the original instructions were issued, and Michigan was not notified until December, 1977.

To determine when the CPS sample was sufficient for direct use by a state, BLS established a statistical criterion based on the range of error of the estimates. At a 6.0 percent unemployment rate in two out of three cases the range of error must be ten percent or less. For example, if the monthly unemployment level for Michigan at a 6.0 percent unemployment rate was 240,000 in two out of three months the "true" unemployment level would be between 215,000 (5.4% rate) and 264,000 (6.6% rate). In the other third of the cases the range of error could be larger. Although the specific test data has not been provided by BLS, it can be reasonably assumed that Michigan just meets the ten percent criterion. If the Michigan data were well inside the ten percent range, it probably would have been made a direct use state initially.

There has been no formal word from BLS as to why Michigan and the other two states were added at the last moment. Apparently some of the assumptions that were used in establishing the reliability test were modified and as a result three additional states were made direct use states.

The Bureau of Labor Statistics plans call for all states to be direct use states by the end of 1981. In the other forty states the CPS sample will be expanded to be point where it meets the established reliability criterion. Since Michigan already meets the criterion it is anticipated that Michigan's sample will not be expanded. However, it is interesting to note that as late September 1977 the U.S. Census

Bureau staff in Detroit, which is responsible for conducting the Michigan CPS household interviews, was planning to add 760 units to the Michigan sample. Those plans apparently have been cancelled.

PUBLIC RELEASE PROCEDURE FOR CPS STATES

The current plans of the Bureau of Labor Statistics call for them to release the unemployment data for the ten direct use states at the same time they release the national estimates. The national data are usually released on the first Friday of the month following the reference month. The new policy will be introduced on February 3, 1978 with the release of the January 1978 data.

To introduce the new release policy BLS plans to send a letter to the Governor of the states explaining the new methodology. The BLS is also supposed to request that the Governor name an individual to receive the basic data for their state--labor force, employment and unemployment--two hours before the national release schedule. Since the national data are released at 10:00 a.m., the Michigan data would be telephoned to the designated representative at 8:00 a.m. Additional detailed information on the characteristics of the labor force would be received by the states in the following several days.

Presently the Michigan Employment Security Commission normally releases advance estimates for Michigan and the Detroit SMSA on the same day as the national release. Once the new policy is initiated it will not be possible to have available the Detroit SMSA data until several weeks after the Michigan data are available.

SUMMARY

To summarize, the evolutionary changes in the methodology for computing state and local unemployment rates are:

1. State and local totals were computed exclusively by the 70-step handbook method until 1973.

2. National employment and unemployment levels were and are exclusively developed by using the data from the Current Population Survey.
3. With the increase in Federal grant programs and the need for comparable state and local rates across the country, the 70-step handbook method was benchmarked to the state data, starting in 1974.
4. It is now proposed that to develop further uniformity and comparability, the 70-step handbook method be abolished initially in 10 states, and by 1981 in all states, and that the CPS data be used directly in all states. However, local labor market areas within the state will use the 70-step handbook method, adjusted to insure that their total is the same as the CPS total for the state.

In conclusion, the direction of effort of the Bureau of Labor Statistics to improve the local area unemployment estimating program is sound. To have all state estimates derived from a household survey that is based on the same definitions and concepts from state to state and to the nation is the best approach. In time this effort should produce unemployment data that is truly uniform and comparable across the country.

The problem is the range of error that the Bureau of Labor Statistics has decided is acceptable for use of the monthly CPS data on a statewide basis. With approximately \$16 billion in Federal funds allocated to states and local communities based on the local unemployment rate, it can be seriously questioned whether a accuracy level of plus or minus ten percent in two out of three cases is adequate.

CHAIRMAN LEVITAN: Thank you, Mr. Taylor, on behalf of the Commission. I am sure BLS will also thank you for your testimony. They are present right here. They will get copies of your testimony even before it is published.

Exhibit 2

MICHIGAN CPS PRIME SAMPLING UNITS

<u>PSU</u>	<u>COUNTIES</u>	<u>#INTERVIEWERS</u>	<u>RANGE OF # HOUSEHOLDS SAMPLED IN 1977</u>
303	Genesee, Lapeer	2	111-124
309	Wayne, Oakland, Macomb	20	930-978
321	Kent, Ottawa	2	128-255
328	Berrien, Van Buren	2	73-87
331	Monroe	1	27-30
343	Clinton, Easton, Ingham	2	88-99
359	Sanilac	2	78-88
364	Allegan, Barry	2	64-84
368	Dickinson	1	57-67
372	Cheboygan, Emmet	2	75-95
408	Montcalm, Ionia	1	44-52

<u>PSU</u>	<u>COUNTIES</u>	<u>#INTERVIEWERS</u>	<u>RANGE OF # HOUSEHOLDS SAMPLED IN 1977</u>
413	Calhoun	1	65-78
414	Bay	2	47-61
429	Kalamazoo	1	62-71
430	Jackson	1	51-56
438	St. Clair	1	36-48
440	Mecosta, Isabella	2	67-76
460	Schoolcraft	2	75-100
481	Saginaw	1	53-62
483	Branch	1	34-49
484	Gratiot, Midland	1	52-63

MICHIGAN

Originally Published Data and CPS Benchmarked Data

Unemployment Rates 1970-1976

Unemployment Rate1976

CPS Benchmarked	9.4
Original	10.1

1975

CPS Benchmarked	12.5
Original	13.7

1974

CPS Benchmarked	8.5
Original	8.9

1973

CPS Benchmarked	5.9
Original	6.9

1972

CPS Benchmarked	7.0
Original	8.1

1971

CPS Benchmarked	7.6
Original	8.1

1970

CPS Benchmarked	6.7
Original	7.0

Comparison of Original and CPS Benchmarked Unemployment Rates by State
1976 Annual Averages

	<u>Unemployment Rate</u>		<u>Unemployment Rate</u>
<u>Alabama</u>		<u>Illinois</u>	
Original	6.8	Original	7.3
CPS Benchmark	6.8	CPS Benchmark	6.5
<u>Alaska</u>		<u>Indiana</u>	
Original	9.3	Original	5.6
CPS Benchmark	8.0	CPS Benchmark	6.1
<u>Arizona</u>		<u>Iowa</u>	
Original	7.6	Original	5.0
CPS Benchmark	9.8	CPS Benchmark	4.0
<u>Arkansas</u>		<u>Kansas</u>	
Original	6.1	Original	4.1
CPS Benchmark	7.1	CPS Benchmark	4.2
<u>California</u>		<u>Kentucky</u>	
Original	9.6	Original	6.2
CPS Benchmark	9.2	CPS Benchmark	5.6
<u>Colorado</u>		<u>Louisiana</u>	
Original	6.0	Original	7.4
CPS Benchmark	5.9	CPS Benchmark	6.8
<u>Connecticut</u>		<u>Maine</u>	
Original	9.4	Original	3.5
CPS Benchmark	9.5	CPS Benchmark	3.9
<u>Delaware</u>		<u>Maryland</u>	
Original	7.7	Original	6.3
CPS Benchmark	8.9	CPS Benchmark	6.8
<u>District of Columbia</u>		<u>Massachusetts</u>	
Original	7.4	Original	8.0
CPS Benchmark	9.1	CPS Benchmark	9.5
<u>Florida</u>		<u>Michigan</u>	
Original	10.1	Original	10.1
CPS Benchmark	9.0	CPS Benchmark	9.4
<u>Georgia</u>		<u>Minnesota</u>	
Original	6.6	Original	5.4
CPS Benchmark	8.1	CPS Benchmark	5.9
<u>Hawaii</u>		<u>Mississippi</u>	
Original	8.6	Original	5.8
CPS Benchmark	9.8	CPS Benchmark	6.6
<u>Idaho</u>		<u>Missouri</u>	
Original	6.3	Original	5.4
CPS Benchmark	5.7	CPS Benchmark	6.2

Comparison of Original and CPS Benchmarked Unemployment Rates by State
1976 Annual Averages (Continued)

<u>Unemployment Rate</u>		<u>Unemployment Rate</u>	
<u>Montana</u>		<u>Rhode Island</u>	
Original	7.1	Original	10.2
CPS Benchmark	6.1	CPS Benchmark	8.1
<u>Nebraska</u>		<u>South Carolina</u>	
Original	5.0	Original	6.0
CPS Benchmark	3.3	CPS Benchmark	6.9
<u>Nevada</u>		<u>South Dakota</u>	
Original	8.4	Original	4.4
CPS Benchmark	9.0	CPS Benchmark	3.4
<u>New Hampshire</u>		<u>Tennessee</u>	
Original	4.3	Original	6.8
CPS Benchmark	6.4	CPS Benchmark	6.0
<u>New Jersey</u>		<u>Texas</u>	
Original	9.2	Original	5.5
CPS Benchmark	10.4	CPS Benchmark	5.7
<u>New Mexico</u>		<u>Utah</u>	
Original	6.7	Original	5.9
CPS Benchmark	9.1	CPS Benchmark	5.7
<u>New York</u>		<u>Vermont</u>	
Original	9.2	Original	9.0
CPS Benchmark	10.3	CPS Benchmark	8.7
<u>North Carolina</u>		<u>Virginia</u>	
Original	6.3	Original	5.5
CPS Benchmark	6.2	CPS Benchmark	5.9
<u>North Dakota</u>		<u>Washington</u>	
Original	5.2	Original	8.9
CPS Benchmark	3.6	CPS Benchmark	8.7
<u>Ohio</u>		<u>West Virginia</u>	
Original	7.2	Original	6.0
CPS Benchmark	7.8	CPS Benchmark	7.5
<u>Oklahoma</u>		<u>Wisconsin</u>	
Original	7.4	Original	5.9
CPS Benchmark	5.6	CPS Benchmark	5.6
<u>Oregon</u>		<u>Wyoming</u>	
Original	9.3	Original	3.8
CPS Benchmark	9.5	CPS Benchmark	4.1
<u>Pennsylvania</u>			
Original	8.1		
CPS Benchmark	7.9		

As I mentioned to you before, Mr. Taylor, our practice is to keep the advisor for a few minutes to ask some questions. Well, to part from the usual practice, Dr. Eli Ginzberg has participated actively in the deliberations of the Commission, but not in the public hearings. Since he is very much interested, we will start with an advisor to ask another advisor.

Dr. Ginzberg is a statutory advisor to the Commission. Dr. Ginzberg, do you have any questions for Mr. Taylor?

DR. GINZBERG: Yes. I would be helped if you could be more concrete. Just give me one or two or three examples. They are probably in your paper, and I excuse myself. I haven't read it since I just walked in, but if you would give me a few examples of where the slippage comes in your local planning because of the inadequacy of the data.

I always ask myself the question if you have better data, how would you use it? So let me ask you the obvious question. Now that you are complaining about the quality and the quantity of this data, how does it interact with your planning in the state at the local and state level?

Of course, that is an important point that you made, and I heard you make it. But, let me tell you what is going through my head. Most of our programs are underfunded for most of the people who are eligible. If you look at our third--I forgot. We put out so many publications of the commission--not this commission, the other commission. All commissions put out too many publications, but my recollection is that on Title I, we have something like 26,000,000 people eligible, and may be supporting 1,000,000 people somewhere during the course of the year.

So I really want to know a little bit more specifically from you--what would you really be able to do more effectively and efficiently if you had a much higher quality data base?

MR. TAYLOR: I think one of the things you could certainly do from a state level is that your ability to budget could be much better from the state level. You would have better revenue estimates. We have had extreme problems with that in Michigan. That is number one.

Obviously your revenue estimates are the sum of the parts of the entire state. That is a very critical thing, though, in any state. I believe that at least a significant number of states have constitutional provisions requiring balanced budgets, and you can cause some very severe problems when your revenue estimates are substantially off, and quite frequently, they are off as a result of faulty employment and unemployment data.

If we had better data, it would not necessarily be a matter of doing anything different. It would be a difference of where you are doing it, I think. We now perceive problems in areas where perhaps there is not a problem, at least the problem is not as great as what we think it is.

As you so accurately pointed out, usually your resources fall far short of your needs, and when you are faced with that situation, what you typically do is try to develop a set of priorities. And in developing priorities for social problems in particular, you usually look at areas you think have been impacted the most. Where is your youth unemployment the highest? Where is the incidence of plant dislocation and the inability of middle-aged workers to get new employment the greatest, et cetera?

Those kinds of decisions, that kind of information is necessary for you to focus a program in the right place. States increasingly have a greater ability to affect things through such programs as CETA in the balance of state. Questions have to be posed as to where should the focus be. And given the state of things right now, I just don't believe that we really know. I don't think we have the data to tell us where our problems are and who has the problems. It is simply too flimsy.

CHAIRMAN LEVITAN: Mr. Popkin?

MR. POPKIN: Two quick questions. One, if you had to pay 50 percent of the cost, would you make the same recommendations for more data?

MR. TAYLOR: Wait a minute. Ask me that again.

(Laughter)

MR. POPKIN: There has never been a hearing at which people have not requested more data from the Federal Government for state and local areas, and one question I wondered about is how much the state really needs data, as opposed to how much the agency needs the data.

I know everytime an agency gets more data, they get more access to the governor or the mayor. Suppose you had to go to the governor and say, "If we pay the cost, they will double the sample." Would you be willing to share the cost half and half with the Federal Government for an increased volume of data?

MR. TAYLOR: There is a second assumption, I guess, in your question, and that is if I was the governor, which I am not.

MR. POPKIN: Would you be willing--

MR. TAYLOR: In the way of a recommendation-- I am not saying, at least, I have not advocated that there is a need for additional data as much that there should be better data, more reliable data.

MR. POPKIN: But that is--

MR. TAYLOR: The reliability is the question. For example, I looked at the Chairman's paper that was delivered in Phoenix. I thought about what would be involved in the way of cost to develop systems that would even have hardship indices and that sort of thing. We are not even asking for that yet. All we want -- we think right now when you are

talking about allocating \$17 billions of dollars nationally, when you are talking about the billions of dollars that are allocated by the states, that that ought to be done on some reliable basis.

MR. POPKIN: Martin Glick in California, for example, I believe was one of the people who said "Even if it comes out of our CETA allocation, we will pay to get more reliable data because more reliable data is always more costly than the data you have now."

Do you think that the better data is important enough that you--

MR. TAYLOR: To spend more program money?

MR. POPKIN: Yes, some of your--

MR. TAYLOR: I would think so, yes. Now, I say that with some reservation because I am not in charge of the balance of state CETA and I am also not the governor, but in my personal opinion, yes, it would be a proper trade-off to spend some of the program money--I think that is what you are saying--for the purposes of producing more reliable data. Yes, because there is a great possibility that some of the program money is being misspent because we have faulty information.

MR. POPKIN: Secondly, just for your purposes, is survey data necessary for all the things you want, as opposed to administrative data? Could the claims data or other administrative data solve some of your problems?

MR. TAYLOR: Well, I think your question is really posing the difference between, say, the handbook method as opposed to the CPS survey method. We don't believe that the handbook method is the proper methodology. We really don't think this is the answer. There are too many factors. There are too many biases in that. You know, the whole thing of exhaustions, new entry, uncovered, the differences in the unemployment insurance laws among the states, et. cetera--it appears to make the handbook method unworkable if you are going to try to develop comparable data throughout the country, which is critical.

MR. POPKIN: Agreed.

MR. TAYLOR: But you will have to use the administrative data, as I stated, for a local labor market area. You have to rely on it quite extensively because I don't think anyone would argue that you could expand the survey, the CPS, to such a degree that you could go in any direct use in small labor market areas. That would obviously be beyond the benefit.

CHAIRMAN LEVITAN: Well, the main thing that Ms. Wills does for the Commission is to worry about state and local data. Ms. Wills do you have any questions of this gentlemen from your neighbor state?

MS. WILLS: Of course. Marty, I had four questions as I ran through your testimony. First of all--and correct me if I am wrong--in your backup data, you said that you were working with BLS and you were doing some work to identify how large the CPS needs to be for Michigan. How far have you gotten into that estimate?

MR. TAYLOR: Well, a little background to that. We were somewhat upset when we were at the eleventh minute with very little advanced information. That did result in a meeting with myself and some other officials from Michigan with Commissioner Shiskin and others, Ray Marshall, the Secretary. As a result of that meeting, there have been several meetings of a technical committee from the state and with BLS to try to see what would be an adequate increase in sample to substantially reduce that 10 percent error rate.

At this point we think that in order for Michigan's error rate to be reduced to the level that it is in California, for example, which we understand is five to six percent, you would have to double the survey units in Michigan.

MS. WILLS: And what about Detroit?

MR. TAYLOR: I couldn't tell you just for Detroit. We are concerned, for example, when you look at the location of the sampling units within Michigan, that

inexplicably again--I guess, well, the explanation for it is the fact that it wasn't originally established to produce state figures--that some critical counties are not covered at all.

Some counties where we have the highest unemployment rate in the entire state have no sampling units whatsoever. So in Michigan we think the CPS system has a downward bias built in because of some areas that are not covered. We would be more than happy to leave the paper with you, and when we are completed, to give you maybe an example of what would be required in Michigan.

MS. WILLIS: I think everybody here recognizes the limitations of the handbook methodology, but also recognizes that we need that, or it needs to be improved. What modifications do you suggest in the handbook methodology?

MR. TAYLOR: The whole process of disaggregation and the use of the handbook and benchmarking, or forcing porcess, so that the sum of your parts equals the whole is of a fairly technical nature. That is why I ran through the litany of the problems that are involved in it. It is covered more specifically there. I would have to call on one of our experts to really intelligently answer that question.

MS. WILLIS: Could you comment just off the top of your head? I am particularly focusing right now on the concerns about the Detroit SMSA, and as I recall, the elimination of the CPS in the Detroit area, which has caused, to say the least, concern.

Do you think it is essential--do you think it is explainable from the public announcement point of view, once a month for there to be two different kinds of unemployment rates or three different kinds of unemployment rates.

MR. TAYLOR: I think the situation now is so chaotic. We have revised data so many times. The methodology has been changed so many times that I

seriously doubt whether anybody would believe what I said about the state of unemployment statistics right now. The credibility has reached that point.

CHAIRMAN LEVITAN: Mr. Anderson?

MR. ANDERSON: Mr. Taylor, your statement is very detailed and I appreciate the work that I am sure went into preparing this statement, and I certainly intend to read it very carefully. I appreciate especially the specific recommendation you include here.

I would like to turn some attention to the specific problems of Detroit and comment on the question raised by Dr. Ginzberg in a slightly different way. You rightly have recognized, in my view, the non-feasibility of using a survey as a basis of obtaining information for local areas. I wondered, though, whether your organization or anyone in the State of Michigan, to your knowledge, has commissioned the University of Michigan Survey Research Center or any other substantial research organization to look at the availability of administrative data currently in existence to see if by massaging the data currently in existence it would facilitate the planning process for purposes of CETA. Has anyone looked at that?

MR. TAYLOR: Not to my knowledge.

MR. LOGAN: We use administrative data.

MR. TAYLOR: I am sorry. This is Mr. Von Logan from my staff, who might be familiar with some program that had been--

MR. LOGAN: There is not a specific program. We have used administrative data. We have the problem of what are you going to benchmark the administrative data against?

MR. ANDERSON: Well, I guess my question is, what do you need that you do not now have that would help you decide better than apparently you think you are deciding now on how the CETA funds can be used to get at problems of structural unemployment in the City of Detroit? That is, do you really need to know with a greater degree of reliability than you presently know, what the rate of unemployment of black teenagers is? Does it really make a difference that than rate is 25 percent or 50 percent? Do you really need to know where they are concentrated if you know, in fact, where the black population is concentrated in Detroit? How much really do you need to know that you cannot find at the present time on the basis of a judicious examination of available data?

MR. TAYLOR: The problem that you have, sir, is the fact that the decisions about whether to do something or not with respect to social programs, with respect to certain target groups, is essentially one that is made politically. Political decisions are aided, if you will, if the credibility of your data is better. And the difficulty that is experienced right now is that there are many groups who would be opposed to a special program to help a certain ethnic group or a particular age group or whatever and can now cite the fact that you do not have credible information and that becomes--I am using the same word too often--a critical problem.

We need the ability to produce data that is above impeachment, and we cannot do that now. Our ability to massage the administrative costs that we have right now is not good enough. Some of the areas that I pointed out -- uncovered, new entry, failure to file, exhaustees -- additional work must be done in those areas so that those factors can be cranked into the administrative data, so that we can be assured of a lower error rate. That is, something all statisticians and economists will stand behind.

Without that, I think the difficulty when you confront the political arena in terms of trying to establish a need to do certain things--that problem is unsurmountable right now, or at least is very, very difficult.

MR. ANDERSON: One final question. In our meeting yesterday, we spent a considerable amount of time discussing what some have called a hardship index. I notice in your statement on page nine some reference to that. I would be interested to know how you would use a hardship index for purposes of program planning. What would that tell you that you would not know now in looking at labor force status information, information on poverty, and information on the waste distribution of workers in the various communities?

MR. TAYLOR: Quite frankly, I have some difficulty. As you point out, we refer to this on page nine, and we specifically say we support the Commission's attempt to develop a more sensitive indicator of need. We accept that. We have a great deal of difficulty figuring out how it can be done. We really don't know.

I have some reservations about it, which are implicit in your question. I think, though, that it is possible for some employment data now to be misleading because the reliance is too great upon the basic rate. If the rate is low, everything must be all right. That becomes a political perception of it.

What you must have is to show that, notwithstanding the fact that in a given area your unemployment rate may be five percent or four percent, that the unemployment rate among blacks is 20 percent, the unemployment rate among female heads of household is 25 percent, et cetera.

Those kinds of things, that kind of breakdown of data could show that even though overall things may look pretty good, for certain areas within that community, it isn't so good. And without that kind of specific breakout, you do have difficulty, I think, in trying to figure out where you should target your money -- as was pointed out by one of your colleagues, that insufficient amount of money.

I think some areas could be overlooked because the overall data looks positive, so the need is more acute as the economy continues to improve. As economy

continues to improve, as you well know, the difficulty becomes identifying those people who are still not in the economic mainstream, identifying who they are and where they are, so that those programs can be targeted to those particular people.

Without a detailed breakout, without something that shows underemployment, for example, I don't think you can do that.

CHAIRMAN LEVITAN: Mr. Taylor, we are running behind schedule, and the next advisor is here, but Dr. Ginzberg has another question which he wants to ask you.

DR. GINZBERG: I came this morning from a long session with Ernie Green and his staff about the importance of getting not improved planning data, but improved operational data out of the system. After you do all the treatments, where do you go? So what I want to simply put to you is, what is your sense of balance between improving the planning data, which is really the point you have been making, versus having some elementary control over the operational results of all of these \$17 billion of outlay. And I want to put to you very hard as to whether a dollar committed to improving the outlay data, so you would have some sense as to whether any kind of treatment, did anything to anybody, might not be better than increasing and improving the planning data by some factor.

MR. TAYLOR: I don't see much of a conflict between the planning data and the output. I mean, if you do some of the things that we are talking about on paper, that the general quality, the reliability of the data is better, that is used for planning. That is also used to test the effectiveness of programs.

Right now it seems to me that the difficulty that we have is that if you embark upon some grand new program, you have difficulty ascertaining whether it worked or not. So I think I am agreeing with you. I am saying that it is needed at both ends. It is needed at the start, and it is needed at the end. I think we have right now difficulty finding out whether a program is working or not working, and so it is used for both planning purposes and for test purposes.

CHAIRMAN LEVITAN: I have a few, very brief questions which I would just establish in the record that can be answered very briefly. You mentioned before that Governor Milliken was informed about the change as the new figures were actually released.

Did the Governor write to the Secretary of Labor, the Commissioner of BLS, indicating his concern about that, to your knowledge?

MR. TAYLOR: Yes. The letter, I believe, went to the Secretary of Labor.

CHAIRMAN LEVITAN: Could you make a copy of that letter available to the Commission?

MR. TAYLOR: Yes, and that as I said earlier, resulted in a meeting with the Governor's representatives, myself and others.

CHAIRMAN LEVITAN: You say it resulted in a meeting. Are there any minutes of that meeting?

MR. TAYLOR: No, sir.

CHAIRMAN LEVITAN: Well, you stated before that you do not get any advanced copy of the BLS monthly CPS data now, at least for the State of Michigan. You get it at 9:00 a.m., it is released at 10:00, right, sir?

MR. TAYLOR: Yes.

CHAIRMAN LEVITAN: Have you indicated to BLS your concern about that?

MR. TAYLOR: Oh, yes.

CHAIRMAN LEVITAN: If you did, what was their response?

MR. TAYLOR: That they did not get the final product much earlier, and there were problems in terms of premature disclosure. But we have pointed out to

them that there is some difficulty when the figures are announced that Michigan's unemployment rate is X percent, and when the Governor or other state officials, such as my self, are asked, "What does it mean? What is happening?" that we are totally without any resources now to respond to that. They are well aware of that fact.

CHAIRMAN LEVITAN: There must be some kind of modern means of communication. I heard about telegraph and all sorts of--

(Laughter)

MR. TAYLOR: We have felt that way, too, and I think that I would pass most security tests. It would certainly seem to me that it would be something that one could presume, that a Governor and a state official such as myself would be trustworthy in terms of not prematurely releasing the data, and that certainly they would be more than justified to discontinue an advanced notification if we were to breach the agreement.

CHAIRMAN LEVITAN: Again, have you written to the Commissioner of the Bureau of Labor Statistics about it?

MR. TAYLOR: Well, this problem was expressed. There has been quite a bit of correspondence. I am being somewhat cautious as I am being recorded here.

There have been many letters and a whole series of meetings. I can say to you without any reservations at all that either through written comments or through oral comments, the points that you have made have been clearly stated to the BLS officials.

CHAIRMAN LEVITAN: Mr. Taylor, I didn't make any points. I just asked questions.

MR. TAYLOR: Well, your questions implied had we suggested to them that we should get more notice, that--I have lost my--

CHAIRMAN LEVITAN: That is a presumption. I may not trust you anymore than BLS.

(Laughter)

MR. TAYLOR: Give us a chance.

CHAIRMAN LEVITAN: We have two other colleagues who have not participated. Mr. Oswald?

MR. OSWALD: I was just wondering if you could supply us with the details of how you would change the handbook method. With your supplement to your statement you said that you had specific means of changing its. I would appreciate it if you had that in writing.

MR. TAYLOR: Yes. I think the document that would probably in the greatest amount of detail set forth our position of what changes ought to be made will be the paper that is being readied now as a result of our discussions and meetings with BLS, which talks about the expansion of the CPS survey units and in addition, the current problems we have with the disaggregation process.

CHAIRMAN LEVITAN: Mr. Taylor, while the communication between Washington and East Lansing apparently is very slow, we appreciate your coming all the way to Washington to advise us about the work of the Commission. Thank you very much.

MR. TAYLOR: It was my pleasure, Mr. Chairman. Thank you.

CHAIRMAN LEVITAN: Our next advisor is the Director of the National Governors' Association, Mr. Stephen Farber. He is accompanied by Dr. Jack Brezius, the Director of the Center for Policy Analysis.

As you may have heard, Mr. Farber, our practice is to ask the advisor--we don't call it "witness"--to advise us for 15 minutes. Of course, we will put your complete statement into the record and it will be part

of the Commission record, which will be printed by the Joint Economic Committee of the United States Congress, and then if you do it in 15 minutes, we will keep you for 15 more minutes, if you will stay with us, to answer some questions from members of the Commission. Proceed in your own way, Mr. Farber.

STATEMENT OF MR. STEPHEN FARBER,
DIRECTOR,
NATIONAL GOVERNORS' ASSOCIATION

MR. FARBER: Thank you very much, Mr. Chairman. Mr. Chairman and members of the Commission, Joan Wills is a member of your Commission, and I know that she is making a tremendous contribution to your work, just as she does for us at the National Governors' Association.

I suppose if I have any complaint, it is that while she is doing the Lord's work with you, we are suffering to that extent.

I would also like to express appreciation, Mr. Chairman, for the close association that we have had with you and with other members of your commission individually over the years. Last year, you were good enough to join us in our conference on numbers and data, held, I believe, last August in Washington, and your paper made a major contribution to the success of that conference.

CHAIRMAN LEVITAN: Thank you.

MR. FARBER: Mr. Chairman and members of the Commission, I appreciate the opportunity to be with you today. The work of this Commission will have a significant impact on the domestic policies of the nation. Your deliberations will affect overall measurement of the economic health of our nation; identify indicators which demonstrate the need for Federal legislation; develop indicators which can be used to target Federal funds to geographic areas and individuals needing services; influence the collection of base line data for state and local economic plan-

ning; and identify occupational demand trends which influence education and training patterns for high schools, colleges, and training programs. These and other issues on your agenda are of great interest and concern to the nation's governors.

I would like to concentrate today on several key questions involving data production and dissemination. As you know, states are both primary producers and users of employment and unemployment statistics as well as other statistical data. During they past two years the National Governors' Association has been attempting to improve the total system of Federal-state cooperative statistical functions.

As you know, the Federal-state cooperative system is a group of federally-sponsored statistical programs involving the collection and compilation of nationally standardized data. State and local agencies assist in these programs by providing subnational data such as economic measures, population characteristics, and administrative data on human services programs. The objective of these programs is to provide high quality data with broad applicability at the lowest possible cost for the mutual benefit of Federal, state, and local users. The programs provide mainly recurrent data, gathered at the level of service delivery. Through joint efforts to collect and produce this information, duplication of data collection can be reduced, and the scope, uniformity, quality, and timeliness of the data can be improved. The current Federal-state cooperative systems, composed of seven programs, generate data related to employment, population estimates, agriculture, Medicaid, criminal justice, health, and education.

Through these programs the Federal government has become the main provider of statistical decisionmaking information. The Office of Federal Statistical Policy and Standards (OFSPS), in the Department of Commerce, serves as the coordination point for all Federal statistical efforts, including Federal-state cooperative systems. As part of its effort to

coordinate Federal statistical policy, the OFSPS has generated A Framework for Planning: United States Federal Statistics, 1978-1989, in 1975-76. The Framework details the nature of the Federal plan and the organization of Federal statistics, and examines statistics in each functional area. These discussions include guidelines for data gathering, the state of the system, system problems and recommendations for improvements in each functional area. However, while this coordination function provided by OFSPS has been effective in improving Federal-state cooperatives, it has naturally tended to reinforce the Federal orientation of these statistical resources.

Data available to state and local governments will continue to be driven primarily by perceptions of Federal needs as long as no mechanism exists to coordinate state and local input into the design of these Federal systems. State purposes could best be served by forming a counterpart to the OFSPS composed of state and local data users. This group could work closely with Federal statistical policymakers in the design of future data systems and ensure that state and local priorities are reflected in these system development efforts.

It is imperative that a strong Federal-state-local partnership evolve for all stages of statistical system development. State and local officials rely heavily on Federal data for decisionmaking, and demands for Federally collected data are increasing. Given the limited funds available to begin new statistical programs, it is crucial that dollars not be spent disproportionately for the collection of data that are used only infrequently. Instead, priority should be given to the collection of data that are clearly needed. Moreover, as budget constraints limit the growth of data collection programs, the need for a strong partnership is even more important.

A strong Federal-state partnership in the objective-setting stage could greatly enhance the usefulness of Federal data for states and local units of government. We recognize that although

states have expressed concern about current data, they have not fully provided the Federal Government with detailed state data needs. Without a careful specification of state system objectives, the Federal Government cannot generate the sorts of information states require.

From system objectives a comprehensive system framework must be developed. This framework can become a map of the system of data elements to be collected, level of disaggregation, frequency of collection (timeliness), means of collection, storage and processing, and the roles for system participants. Most current data issues revolve around problems which deal with the framework of current data systems. The literature suggests four areas of concern:

- (1) standardization
- (2) timeliness;
- (3) gaps in current data collection;
and
- (4) quality and reliability.

Standardization

In the Conference on Numbers and Decisions, co-sponsored by the Council of State Planning Agencies and the National Governors' Association with EDA and DOL support, a discussion of standardization emphasized the need for clear and consistent definitions of data elements in a single data base. Federal, state and local governments, as well as private organizations, issue data in similar categories such as population, income status, economic projections, health and disability, and other socio-economic indicators. Variations in methodologies, scope of coverage, and level of aggregation frequently yield inconsistent or noncomparable data. In some respects the existence of several sets of data provides desirable flexibility to states and localities. But under current circumstances, confusion, unnecessary work, and the particular concerns of Federal officials sometimes impede state, local, and areawide planning.

For example, HUD, EPA, and the Bureau of Outdoor Recreation, the Office of Coastal Zone Management, Title V Commissions, and the Appalachian Regional Commission require projections of population and other socio-economic data for their respective programs. However, many of these programs designate specific yet differing sources of data which should be used. This frequently results in related program decisions based on noncomparable data. This problem is particularly acute when projections are required.

The use of standard definitions, specifications, and classification systems such as SMSA's and SIC classes to aid in standardizing common definitions would be of great value.

A state forum could also be valuable. Activities could include developing definitions, building state and regional data profiles, coordinating state data activities, and interacting with Federal data policy-makers. Localities could be organized through the forum to coordinate and standardize their contributions to state and Federal data systems. State officials who have analyzed a wide array of information systems further advocate the implementation of State Data Centers in each state to centralize computer hardware and provide maximum user access. They could also serve as a focal point for training and technical advice. Federal participation in such a national program could aid standardization by providing software and improving access to standard series of demographic, unemployment, and economic data.

The creation of the National Occupational Information Coordinating Committee (NOICC) and the State Occupational Information Coordinating Committee (SOICC) under the Vocational Education Amendments of 1976 and 1977 and amendments to CETA point us in the direction of a more active state role in the establishment of standardized information systems. To date, however, the national leadership provided by the parent organizations has been limited.

We recognize the timeliness problems that are inherent in the collection of large quantities of data and the tradeoffs between timeliness and quality.

We also recognize that the statistical producers are correct when they argue that statistics designed to indicate trends are not absolute. But the fact remains that we have yet to develop a rational system which enables elected officials at all levels to understand the political, programmatic, and cost tradeoffs implicit in their approaches. We believe that this Commission needs to explore ways in which such a system can be developed and implemented.

We are assuming that you will consider, and probably recommend, that a monthly national unemployment rate or series of rates should continue to be published. State unemployment rates and SMSA rates based on the national CPS should also be published on a monthly basis. But we would urge you to weigh the costs and benefits of continuing to publish massive amounts of sub-state data on a monthly basis. Perhaps quarterly or even semi-annual data would suffice in cases where timeliness could be traded off to obtain higher quality data that are crucial in the allocation of funds.

Gaps in Current Data

State policymakers often complain that data are unavailable or are unsuited to their needs. One reason for the existence of these gaps is that precise data elements to be collected are not specified in the Federal framework. State policymakers should work with Federal statisticians to seek data that are useful to both Federal and state program managers. This problem is particularly prevalent in collections of sub-national data and data for program performance evaluation. For example, the passage of the new CETA youth legislation last year provided a rude awakening for many people as to how little detailed information we have on the socio-economic characteristics of our young people. Yet the Federal government placed tremendous data collection demands on the CETA prime sponsor network to feed back to the Federal government detailed statistics on young people within their areas, data the Department of Labor knew

did not exist in any systematic standardized framework. Such information demands could arguably have been anticipated many years ago. With the growth of a strong Federal-state partnership, systems can be developed to address such gaps.

Quality and Reliability

Quality and reliability are major problems in current statistical data. The problem of unreliable statistics is most apparent when data are used for allocation of funds and services, such as allocation in employment and training programs, countercyclical assistance, revenue sharing, accelerated public works programs, and unemployment compensation. Given the magnitude of the funding for these kinds of programs, serious examination is clearly required, with particular emphasis on how to improve and use administrative data as an alternative or supplement to national survey data. Provisions should be made for testing, monitoring, and assessing formula components and the available statistics used to distribute funds.

Because they have had only limited opportunity to provide this kind of input into the Federal system framework in the past, states have attempted to provide for themselves some of the data lacking in the Federal system. States are currently developing some of their own data systems to augment Federal resources or to provide data more specific to their needs. As of 1975, forty states had departments specifically designated for development of information systems. Every state has made some progress in establishing information systems for its own use. State information systems have assumed a greater priority in state planning, management, operations, and research. However, the large cost associated with systems development has retarded the building of comprehensive state data systems.

The State of Maine's State Planning Office Information system is an example of how one state has assembled its own data resources for state use.

The goals of the Maine system are to collect and computerize data and rapidly and inexpensively distribute information to users. Major data programs included in the system are:

- (1) Comprehensive Planning Assistance
 - (a) HUD-701 Comprehensive Planning Assistance for Indian Reservations
 - (b) Regional Planning and Assistance
 - (c) Shoreline Zoning
 - (d) Technical Planning Assistance
 - (e) A-95 State Clearinghouse
- (2) Natural Resources Planning
 - (a) Coastal Planning
 - (b) Critical Areas
 - (c) Water Resources
 - (d) Resources Policies
- (3) Economic Planning and Analysis
 - (a) Strategic Economic Planning
 - (b) Policy Planning and Analysis
 - (c) Information Development and Services
 - (d) Agency Coordination
 - (e) Technical and Staff Assistance
 - (f) EDA Grants Administration
- (4) Technical Services
 - (a) General Information and Support Services
 - (b) Housing Monitoring System
 - (c) MIDAS
 - (d) Statistical Reports

Almost all of Maine's data are generated from administrative files of other agencies, such as the U.S. Department of Commerce; Maine's Departments of Education, Environmental Protection, Human Services, Manpower Affairs, Public Safety, State, and Taxation; and the University of Maine. By developing a tight framework Maine was able to develop this system, which satisfies many of the state's internal needs, in one year with a \$12,000 budget.

Dissemination

The dissemination function is perhaps the most important aspect of data systems. After information is collected, users must be aware of what data are available, how they may be used to fulfill their needs, and where to find them. We are defining a user in this instance as a program planner, manager, and/or policymaker. However, we clearly recognize there is another client for the statistics: the individual consumer. The young person needing adequate information to make wise career choices and the individual needing information about job openings ultimately are the most important clients. Development of such client centered dissemination techniques clearly is a responsibility of state and local systems and does not lend itself to national design. The Bureau of Labor Statistics, for example, provides some of the richest data resources, but the dissemination problem is a main stumbling block for users. Federal statistical agencies have provided only limited technical assistance to users, primarily through the Census Use Seminars. A program to make state users aware of currently existing resources, as well as information on how these data may be used for state and local applications, could greatly alleviate many states' and local users' problems.

Opportunities for improving the state of statistical resources are manifold. The National Governor's Association has undertaken two projects to strengthen the badly needed Federal-state partnership for statistical development. With support from the National Science Foundation, Federal, state and local data producers and users are exchanging ideas and developing data priorities through a series of regional workshops. A grant from the Economic Development Administration has made possible a study to develop a comprehensive data policy position paper, to be used as a cornerstone for future Federal-state-local dialogues.

We ask you to give serious thought to our concept of state data centers, which should include an advisory panel of state and local users, to help implement a more rational Federal-state local statistical system. The many projects to assess state and local needs which I have mentioned may pave the way for improved Federal-state communication, but Federal support of the state data center concept could do much more to standardize and coordinate statistical resources and facilities in each state.

Mr. Chairman, my previous remarks have focused on a generalized framework. It is a topic which we obviously consider essential for this Commission to address, but I would now like to turn my attention to more specific employment statistics-related issues.

We are accurately aware that in this fiscal year alone over \$17 billion of Federal funds are being dispersed solely or primarily on the basis of disaggregated unemployment statistics. We know that continuing changes and refinements in the methodology can and do alter funding allocations, sometimes dramatically. Methodological progress in improving the reliability of subnational statistics is an important objective. However, until the commission's recommendations can be integrated into the statistical systems, we urge that a minimum of six months' testing of any program changes be conducted and that a mechanism be instituted to advise policymakers of the testing results and cost estimates for improving the data.

We anticipate a great opportunity during the next session of Congress to help improve our data production and dissemination systems of employment and unemployment statistics. Both houses of Congress have gone on record that a much needed review and rewrite of the 1933 Wagner-Peyser legislation will take place. Governors have taken the lead in seeking this action. For more than a year a task force of the National Governors' Association has been addressing the problems of clarifying the states' roles and responsibilities in our employment and training programs. While there are many elements of such a

legislative review, we are confident that one of the main features of that rewrite exercise will be to organize a more rational labor statistics gathering and dissemination framework within state government.

Within the revised CETA legislation, at least four different sections of the legislation call for the production and/or the dissemination of labor market information. Because the Wagner-Peyser legislation has the same mandates, duplication of effort and waste of resources could result. It is important to identify what functions need to be performed as a part of the Federal-state cooperative system and then to provide separate and identifiable funding to perform them. This approach has received strong support from state, local and Federal officials, and we--as well as the Congress--will look forward to your views on this question.

CHAIRMAN LEVITAN: Thank you, Mr. Farber. We have just taken a quick poll, and all your colleagues on the Commission, Ms. Wills, agreed to give the rest of the time left to Mr. Farber to you, so you can make up for all the time you lost for the National Governors' Association. Ask all the questions you want to get answers for on the record.

MS. WILLS: For the first time, with a representative of a state or local government, I refuse to ask a question.

CHAIRMAN LEVITAN: Alright, who wants to be first?

MR. POPKIN: I will. This is a homework question. First of all, thank you for giving the statement. I am curious how often people from state analysis agencies or policy agencies have asked the BLS for data without success. I mean, I am curious. We have lots of discussions all over about the need for more dissemination or less dissemination. A few examples: so-and-so wrote and asked and didn't get it for six months, or when people do ask this person they get it, but when they ask that person, they don't. Just some very concrete examples. It may turn out that whenever people ask, they get exactly what they want, but they're not aware of the fact that BLS is so nice.

I would really like to know a little precise detail. Is the problem that they don't know where to go, or is the problem that BLS is slow to give it to them, or what?

MR. FARBER: I think that's an excellent question, Mr. Popkin, and I think that it's very important to be precise about issues of that kind because only in that way can we home in on what the needs really are and how they ought to be addressed.

My perception on the basis of our conference last summer on "Numbers and Decisions" which was attended by experts from the states is that there was a number of specific examples that could be cited. Perhaps Jack Brizius could comment more on that point.

Dr. Brizius: My impression is that it's more a matter of availability of information than willingness of BLS. There's a responsibility for state officials to know more about what's at the Federal level. As you know, in terms of the total data that the Federal Government collects, there is no single listing of all of the data that are available.

MR. POPKIN: What about BLS? Does BLS have a single listing that you--.

DR. BRIZIUS: I hesitate to admit this, but I've been planning director in two states and I don't know, so I presume that even if it is available, it is not widely distributed. I will say also, Mr. Popkin, that as we are having these four regional data conferences this summer, that we will put that question to the some hundred state officials and we'll be glad to summarize that for the Commission.

MR. FARBER: I believe, Mr. Popkin, that's an excellent point that Mr. Brizius has just made because these conferences, I believe, will all be completed within the next several weeks, and therefore, in terms of their timeliness, we will be able to answer that question quite specifically.

MR. POPKIN: At the conference ask one more question: would it be valuable if the regional BLS offices had data analysis capability in them, so that people could look at the last six CPS's and ask what does it look like for my state? Just ask them if it would be of serious value to have something in the regional offices as opposed to in Washington. Maybe it would be better to have it all in Washington because they have to come here for other purposes. But where would, say, Michigan or Minnesota or North Dakota like to go if they wanted to get some help looking at the data? Chicago or Washington? Where would the people in Nevada rather go, Washington or San Francisco? I think it would be very valuable to get some hints on that.

MR. FARBER: I might add, Mr. Popkin, that if you or other members of the Commission have other issues, related or otherwise, that you feel would be usefully explored at these regional conferences, I'd very much appreciate knowing about that right away. We are going to be bringing together some of the best people from around the country who work in the states and also in the local governments, and it would be a useful opportunity. I think, to explore this issue and other issues that are of concern to this Commission, and it might feed very well into your own work. We'd be very happy to be helpful in that regard if it seems useful to you.

CHAIRMAN LEVITAN: Thank you. Dr. Ginzberg?

DR. GINZBERG: I don't know whether this muddies the water, I hope not, but I want to know whether this is a data problem, a competence problem at the governors' level, or what it is. With the amendments in '68 the states were supposed to worry about the interface between vocational educational and the manpower programs, and they were told to do that earlier by the Congress, et cetera. As far as I can judge, the movement on that front is almost so small that you can't see it. Does it have anything to do with data? Does it have to do with the lack of control by the governors in their own offices? What does it have to do with?

MS. WILLS: Can I answer that?

MR. FARBER: I think that Joan can speak effectively to that. She lives with it.

MS. WILLS: I think in that case, it is appropriate. You hit on part of the problem. In at least 45 or 46 states, the governors do not have any constitutional control of the state education agencies. Point one.

MR. FARBER: I might add, Joan, in only five states do the governors appoint their education commissioners. There are boards, of course, state boards of education who make the appointment in most of the other states, and there are, as you know, some elected education commissioners.

I do think it's fair to say that in those states in which the governor does not have direct appointment power, there is an effort, a strong effort made in the governor's office to have a strong education staff capacity so that there will be coordination. But Joan's point, I think, is well taken.

MS. WILLS: Second point. Within the Federal-state cooperative programs on education, I'm not sure, and I don't want to be unfair, but I'm not sure that they've even agreed upon what kind of standardized information they need for the educational programs overall.

Third point. I think that we've all been at fault, certainly within the employment training world, and that is one of the reasons for, as you well know, Dr. Ginzberg, the establishment of the State and National Occupational Information Coordinating Committee. We look forward to some standardization of definitions, just utilized in terms of the forms, by in this case, the vocational educational community, the employment service, the CETA system, et cetera. We think that will go a long way. And the standardization of the DOT code and the SIC code and on and on and on.

That's one of the reasons we have been quite frankly very concerned that there has been a great lack of leadership, even though perhaps putting a committee together is not the solution. But there's been little activity at the Federal level--

DR. GINZBERG: Yes, but you know, I hear the poor Feds getting hit on the head. They've got good reasons, maybe, to be hit on the head, but I tried to surface a problem that seems to lie largely at the governor's level, even though structural problems may be there. I don't like to see the requests for data really camouflaging very real political decisionmaking problems that underlie the data, and I could conceive of improvement at the state level about the interfacing of these two major efforts. With even the same lousy data, you could get ahead if you did something there. And with the best data in the world, you might not get ahead unless there was some political capability and administrative capacity and desire to do something.

So I just wanted to indicate that from where I sit, watching this, I've been very unhappy. That's all.

CHAIRMAN LEVITAN: Mr. Anderson?

DR. BRIZIUS: Dr. Ginzberg, may I just comment briefly on that. As a recent addition to the Washington community, I find that there's tendency for the Federal government to view the word "state" also to mean the word "governor". Congress does not provide the incentives at the state level for the governor to be able to be accountable in many, many areas, including standardized data. And if the Commission could develop Federal incentives for the governor in fact to have the authority to standardize these data, it would be valuable not only to the states, but to the Federal Government.

CHAIRMAN LEVITAN: Mr. Anderson?

MR. ANDERSON: I'd simply like to comment that the Commonwealth of Pennsylvania, I'm sure, is at a great loss while the National Governors' Association is at great gain by having Dr. Brizius join your staff. I want to thank you, Mr. Farber, for the statement, but I have no questions.

MR. FARBER: Thank you, and I concur in your views.

CHAIRMAN LEVITAN: On that very happy note, thank you very much, Mr. Farber.

MR. FARBER: Thank you, Mr. Chairman and members of the Commission.

CHAIRMAN LEVITAN: Our next advisor is Dr. Lazare Teper, Research Director, International Ladies Garment Workers' Union. Dr Teper has been in the job for almost as many years as I can remember. That's quite a lot of years.

Dr. Teper, you're the first AFL-CIO advisor to this Commission. Welcome.

STATEMENT OF LAZARE TEPER
DIRECTOR OF RESEARCH
INTERNATIONAL LADIES' GARMENT WORKERS UNION

DR. TEPER: Thank you. I don't claim any first place in any case.

Labor force statistics, as designed, measure the degree to which the nation's economy provides work to those in the nation's population who want jobs and the characteristics of those employed, unemployed, and out-of-the-labor force. The available statistics are used, of course, for a variety of disparate purposes. We are also aware that many aspects of experience undergone by the people in the labor force are not reflected in the statistics of employment and unemployment.

How well do existing labor force statistics measure the degree to which the economy provides work to those who want to work and what improvements in the existing measures may be desirable?

Currently, analytical data on the nation's labor force divides the nation's noninstitutional population between the military and civilians. In the case of the latter, data are tabulated as between employed, unemployed and those out-of-the-labor-force with many additional breakdowns. Let me first comment on this broad approach. There is no doubt that some people in penal or non-penal institutions are engaged in productive activities. By common consent, however, institutional population and its work activities are excluded from consideration in labor force inquiries. I have no quarrel with this general approach. If

nothing else, were the institutional population included, these data are prone to distort the information in the geographic areas where such institutions are located.

In many respects, the military are akin to other types of institutional populations. Only a small number of military personnel reside outside military installations. Their personal characteristics and the nature of compensation are quite distinct from the non-institutional civilian population. Furthermore, in national emergencies, due to security considerations, detailed information on the military is likely to be classified. In addition, uneven distribution of armed forces as between the states and localities, unforeseeable shifts in the military presence at the different bases, and their greater mobility suggest that the present practice of limiting detailed labor force surveys to the non-institutional population should be continued. I realize, of course, that currently our armed forces are made up of volunteers. There is no certainty, however, that this will persist should a national emergency arise. It thus appears best, to assure the continuity of our current approach and in recognition of the special nature of the military establishment, to limit detailed labor force statistics to the non-institutional civilian population.*

A question needs to be posed at this point regarding the treatment of civilians scheduled for induction into the military within 30 days. If they do not otherwise qualify for inclusion in the labor force, they are handled as though they were outside of the labor force. This is not sound. At the time of the enumeration, the potential inductees are civilians.

* Nothing precludes separate and distinct studies of manpower in the armed forces. In view of the mobility of the military, it should be seriously considered, however, whether to develop data for personnel stationed both in the United States and abroad or to confine it solely to those in this country.

They meet the same criteria as do others with a new job to start within 30 days. Actually, this is one of the situations where niceties of language may affect classification. If becoming a part of the military establishments is viewed by the respondent as a new job, a person would be classified as unemployed but not so if the response is in terms of the forthcoming induction. This possible anomaly should be avoided. It can be done by treating all persons as unemployed if their new job is to start within a 30 day period, whether such work is civilian or military in character.

Individuals who are going to school and expect to start a new job, as may be the case near graduation time, are not counted among the unemployed even though they have a new job to start within 30 days. Such students, however, do not differ from others who might have been out of the labor force but who secured a job thereafter to start within 30 days. The very fact that some students make an effort to secure employment should place them on a par with others who might have been out of the labor force prior to the initiation of a job search.

The ability of respondents to offer information to interviewers is limited both by the amount of knowledge they possess or could possess as well as by the nature of their verbal expressions. In discussing other members of the household (some of whom may be distantly related or even unrelated), the respondent may only have partial information. Hopefully, when this occurs, responses should be sought for such other persons at a later time. This is not what a recent BLS report suggests. It cites an example of a respondent who knew that her daughter looked for work in the past 4 weeks but did not know what steps the daughter took to find a job -- the daughter, according to BLS, was to be counted out of the labor force. I believe that in such and similar circumstances, the enumerator should be required to seek further information from the person for whom the respondent admits a lack of comprehensive information.

How precise can the respondents be even when they provide meaningful responses to questions? Let me cite an example. Depending on the response, "discouraged" workers who stopped looking for work may be recorded as those who believed that no work was available or those who could not find work. I doubt whether most of the respondents made a meaningful differentiation between the two replies. Actually, a decided link may exist between the two responses--a belief that no work is available might have been due to a prior inability to find work or by the knowledge of the local labor market, particularly in smaller one-company localities where the potential job givers have gone out of business or relocated.

In actual practice, information on "discouraged" workers frequently combines the two responses, though probably due to inadequate sample size. A better practice would be to abandon the particular distinction because, in most instances, it is likely to reflect a lack of precision in the use of language rather than a difference in experience.

Proper use of language in dealing with labor force issues is not confined to respondents. Time and again, analysts and policymakers treat labor force data as though all persons in the labor force dealt with their own experiences. A sample sentence will do: "Respondents looking for work during the four-week period prior to the survey are asked what they have been doing to find work" (my italics). There is little doubt that analytical perspectives are distorted in the wake of such misstatements.

Another problem arises when analysts or policymakers treat statistics of "employment" in labor force surveys as though they referred to people "at work." This occurs much too frequently. For this reason alone, one should differentiate in all labor force tabulations between persons employed and at work and those employed but not at work.

The ability to get informational detail is obviously limited by the know-how of the respondents, the ability to recall past details of one's own or someone else's experience, as well as by resistance to questioning, particularly when respondents feel that privacy is unduly invaded.

Resistance to long and complex questioning is illustrated by the experience of the May 1976 survey which sought information on multiple job holding, premium pay, hourly and weekly earnings as well as additional information from a smaller sample on the job search activities of the unemployed. For whatever reason, the nonresponse rates are typically higher when information is sought on earnings. According to BLS, the nonresponse rate on weekly earnings since 1967 ranged from about 16 to 20 percent while the nonresponse rate was somewhat lower on hourly earnings--14 percent in May 1976. The nonresponse rate rose, however, to 31 percent in the case of the special job-search inquiry which called for information for some 100 items. When the unemployed persons were at home; they were personally interviewed about their job search activity; otherwise, the interviewer left the questionnaires for subsequent completion by the unemployed. There is no doubt that many potential respondents were befuddled by the complexity of the questionnaire.

Interest in additional data on the nature and intensity of job search and the demand for additional probing should be gauged in light of the experience with the May 1976 inquiry and the rate of nonresponse. Besides, however, it appears that other matters have been forgotten in the process; for example, the fact that the amount of information that can be secured from respondents, particularly when they discuss other members of their households, is limited by the nature of information they possess.

There also appears to be a lack of recognition of the fact that the hours spent in searching for work or the variety of contacts made by the unemployed with several sources of potential job information do not necessarily reflect the intensity of the search. Public or private employment agencies do not typically want the applicants to stay around on their premises after registration is completed. It does not take long to contact friends or relatives about possible job openings. Not infrequently, employers interviewing job applicants for blue collar jobs do so at factory

gates at certain overlapping hours. It does not take long to write a job wanted ad or to scan help wanted columns of daily papers. Depending on the job sought, not all approaches are equally potent. This is reflected in the May 1976 survey--those who relied on a single type of job search fared about as well in getting work as those who used several approaches. All contacts seem to have been equally effective.

We may well ask a question at this point regarding the possible limit to probing that may exist. The subject deserves study, particularly in view of the rising demand for more information. No one wants, I am sure, to kill the proverbial goose that lay golden eggs. We must make certain that in the process of groping for more data we may not significantly diminish the willingness of the people to be interviewed.

Every possible effort should of course be made to improve precision with which labor force data are measured. We know that due to the undercoverage of the 1970 Census, the undercount continues to be reflected in the current estimates of employment and unemployment. It may be further compounded by the undercoverage of the monthly current population survey. The effect may be of particular significance in the case of black men, young people, the poor and the unskilled. The problem becomes particularly serious when our samples are relatively small and cross-classification is badly needed by sex, age and race.

While the problem of undercoverage has been carried on by the Bureau of the Census for many years, further research is obviously in order to develop adjustment procedures and eliminate the impact of the undercut on end results. In some cases, though unquestionably not all, improvements can be attained by increasing the sample size--this action would reduce sampling errors for a number of subgroups which are seriously affected by under-enumeration. It may not be amiss to note in this connection that Canada, with a population one-tenth that of the United States, can afford to base its labor force survey on 56,000 households while we only survey 55,000 (and then only

beginning January 1978). Larger samples should yield extra dividends by permitting additional tabulations for geographical areas not currently provided for as well as the other substrata of the labor force, and at the same time reduce the sampling errors. It would allow a significant improvement in cross-classifying persons at work by occupation and industry. It would permit more uniform differentiation between wage and salary workers on the one hand, and the self-employed and unpaid family workers on the other. Hopefully it might provide separate data on production and other non-supervisory workers by industry and occupation. It may not be amiss to recall in this connection the view expressed by Professor John T. Dunlop more than a decade ago regarding the eleven occupational breakdowns then used in the monthly labor force statistics as having no "analytical base" and "not related to job content or any of its major components, such as skill, responsibility or working conditions." At the present time, it must be noted, some additional detail is available on a monthly basis for the employed, but it is far from satisfactory in meeting analytical needs; more breakdowns are available as annual averages by industry or by occupation, again for all employed (including the self-employed and unpaid family workers). No cross-classification between industrial and occupational attachments is available.

Basically, I favor the retention of the present approach to the measurement of the labor force, with some refinements that I have suggested earlier. None of my proposals would have a major impact on the historical continuity of the existing series even though some of them are prone to highlight the distinction between those deemed employed and those at work. In one respect, though, the existing stratification of the labor force needs to be changed. I have reference to "discouraged" workers, i.e. persons who stopped looking for work because they could not find a job or thought work was not available. This group, in my judgement, should be transferred to the category of the unemployed. If this were done, it would not prevent compilation of historically continuous series. Let me offer a tentative schematic of the basic

that I would like to see in future labor force tabulations:

Noninstitutional civilian population

Employed (working or not working)

Employed and at work full-time

Employed and at work part-time for economic reasons

Employed and at work part-time for personal reasons (including bad weather, industrial disputes, etc.)

Employed but not at work for personal reasons (including vacations, illness, etc.)

Unemployed

Unemployed looking for full-time work

Unemployed looking for part-time work

Discouraged unemployed (stopped looking for work because none was available)

Out of the labor force

Whenever the sampling frame permits it, the basic classification should be applied separately to wage and salaried workers and to others, both in the nonagricultural and agricultural sectors of the economy.

I do not recommend a change in the distinction currently made between full time and part time work. I am aware that in some of the BLS surveys a different standard is used to classify regular, or full-time, and part-time schedules in a particular establishment. Such application, of course, is not likely to be feasible in household inquiries. The method used by the Department of Commerce in estimating the equivalent number of employees on full-time schedules on the basis of the assumed industry experience is also not satisfactory--it is too crude since varied practices may prevail in the same industry, and for that matter in the same establishment for different employees (such as for those in the office and factory). The May 1976 BLS survey revealed that less than 2 percent of nonfarm wage and salary workers had full time weekly schedules of less than 35 hours. The current distinction between full-time and part-time workers thus appears to be sufficiently realistic to serve most analytical needs.

Similarly, there is no need to change the existing population coverage for labor force measurement. Unemployment among the younger people, including those in the 16 and 17 age brackets, is a serious social problem that cannot be ignored. To exclude such young people from the official count of the unemployed thus appears ludicrous.

A similar comment applies to the older group in our population. Our population is aging. Those over 65 now account for more than 10 percent of the total. Their relative numbers are likely to further increase with the slow-down in birthrates. It is quite possible that the nation's economy will have to draw on the elderly to a much greater degree in the future than it has up to now. Already Congress banned mandatory retirement until the age of 70 in the private sector and wiped it out altogether for the Federal employees. Clearly, no justification exists for narrowing the present coverage of labor force statistics.

A brief comment on the unpaid family workers and unpaid volunteers. The current inclusion of unpaid family workers in the labor force, based on a week's work of at least 15 hours, is arbitrary and is designed to exclude casual activity. Any alternative is prone to be just as arbitrary. I therefore recommend that the present criterion for their inclusion be left unchanged. I reach the same conclusion in the case of unpaid volunteers. Their inclusion in the labor force is prone to generate more problems than it would solve, even should we apply the same standard as for unpaid family workers. For many people, volunteer work is a way to keep busy and thus escape boredom. For others, it may be dictated by social or professional interests and is viewed differently than employment.

A comment may be in order at this point. People want to work. Aside from providing more income than can be obtained through social insurance or public assistance, work provides activity that breaks the monotony of idleness. Economists have a lot to learn in this respect from experimental psychologists.

Let me take a minute to dispose from the myth sometimes propagated by theoretical economists that if people were willing to work for sufficiently low

wages, their employment would be assured. There are still many countries in this world which provide no minimum standards of compensation for their workers. Yet, despite the desire for work at whatever they can get, massive unemployment is rampant. One can also recall the years before the New Deal. In the years of the great depression, unemployment was rampant, unions were decimated, public assistance was virtually non-existent, and many wages fell. Yet, millions who wanted work at whatever they could get could not get work. And this experience clearly reflected what has happened in this country from the days of its inception. Whatever the state of the economy, whatever the institutions, the real world does not seem to operate as some theoreticians are prone to postulate.

Let me turn to the issue raised regarding the changing makeup of the labor force. Its composition, of course, changes continually both before surveys were first initiated and thereafter. Aside from the ups and downs in the economic conditions, shifts in the makeup of the labor force affect labor force participation in the aggregate as well as for the different groups that make it up. The same may be said about the unemployment rate. Society and its institutions never remain static. The available data at any one point in time reflect the situation as it exists. As such, it provides a valid portrayal of the economic scene. Over a period of time, it permits the evaluation of changes in the labor force and its components under the impact of the changing economy.

Of course, if we assure the maximum coverage and accuracy of labor force statistics and increase sample size sufficiently to minimize estimating error and to permit more cross classifications of data, additional insights can be developed for a variety of purposes, including more refined and sophisticated analyses.

I am aware, of course, that opinions differ as to how much unemployment one should expect to encounter when the nation operates at what may be described as full employment. I am conscious of debates regarding full employment and its desirability and definition.

I do not propose to discuss these issues at this time. Suffice it to say that whatever theories one wishes to espouse, it is essential that statistical data provide the maximum attainable coverage, detail and accuracy to serve a variety of purposes that analysts and policy-makers may wish to advance.

Before I conclude, I want to touch briefly on a few other aspects of employment and unemployment. The available data on state and local conditions is much too weak despite the increased demand for such data. The shortcomings of the available data are known only too well. More attention needs to be devoted to sharpening the information and improving accuracy.

Another comment addresses itself to the employment statistics collected from employers by BLS and cooperating state agencies. Several technical improvements need to be made--I will discuss only a few of these. State-Federal relationship in data collection and processing needs to be streamlined to assure a better and speedier flow of information. Statistical coverage needs to be improved and industrial classification modernized. Geographical detail should be expanded to cover, in addition to states, standard statistical metropolitan areas and their central cities. Information on hours paid for should be replaced by data on hours worked. In addition to earnings and hours of production and nonsupervisory workers, data on weekly earnings of other employees should also be collected (hours of work may not always be available for administrative, executive and professional personnel). Agriculture should be brought into the orbit of establishment reporting. At the same time, I am wary of some suggestions to expand data collection, even if from a smaller number of establishments on a rotating sample basis. I refer to data that would sort employees by the place of residence, by demographic characteristics, by part-time and full-time schedules, and the like. Such information is of great interest. But I fear that the relative simplicity of the current reporting will be distributed by the additional inquires and that, in the process, increased noncooperation by the respondents will be brought about. The soundness of the present payroll programs may thus be affected in a negative way.

Statistics of employment and unemployment portray a significant aspect of the nation's economy. Admittedly, all who are jobless do not experience the same degree of economic hardship. By the same token, not all persons who have a job find life easy--they too encounter difficulties in getting along on the income they and even other members of their families receive. It is desirable, therefore, to supplement the regular labor force statistics with measurements of the degree to which the economy enables individuals and their families to meet their needs. This is a complex order of business. Sar Levitan and Robert Taggart deserve full recognition for their pioneering exploration in this regard. Much more, however, remains to be done. The subject is still in its infancy. More research and discussion is needed before an acceptable measure of economic hardship would find public acceptance.

I will conclude at this point. I have confined my remarks to but a few aspects of household and payroll statistics of employment and unemployment. Many other issues are proper subjects of concern.

CHAIRMAN LEVITAN: Thank you very much, Dr. Teper. Anybody? Mr. Anderson?

MR. ANDERSON: In your last sentence you anticipated the very question I was going to ask you, Mr. Teper. Your paper here focuses, of course, on the CPS for the most part, the definition and methodology. While we're anxiously awaiting your statement on job vacancies, I was wondering if you might share with us today perhaps some preliminary views on what you think about that.

DR. TEPER: Well, let me read to you the concluding paragraph, I think, of what I wrote. I listed in the course of the paper a critique of what he has done, and made some suggestions for imperial investigations. I said "These tasks seem to me to be much more important than any possible collection of statistics of uncertain value and accuracy. What the nation needs are more specifics and fewer generalities."

Here I'm much more interested in having the employment service and other agencies improve their technique of matching existing vacancies with the unemployed than collecting some generalized statistics which may satisfy some ignoramuses in universities, and I'm using that deliberately. Whatever job vacancy I have seen leaves a lot to be desired, both in this country and in many foreign countries.

CHAIRMAN LEVITAN: Mr. Cain?

MR. CAIN: Yes. I really just wanted -- I was afraid you might be excused without enough comment from us that might reflect on our response to your paper, and I really do have such a favorable response to it that I didn't want you to leave without hearing words to that effect.

I ought to say that so many of these points, I might disagree or they would be debatable in the interpretation--

DR. TEPER: I agree with you.

MR. CAIN: - but I think, and indeed it would take us perhaps hours to go through them all, that you made them with such clarity and force that I don't really have any questions to ask of you regarding what you meant. It's very clear what you meant, and I appreciate the number of points and the way they were made so effectively.

CHAIRMAN LEVITAN: Dr. Ginzberg.

DR. GINZBERG: Your business, having to do with the Ladies' Garment Workers and so on leads me to ask a question that's really addressed to you and to Sar because I'm just a kibbutzer here, by statute.

How important is it for this Commission to think about--it may be thinking about, but I don't know--about this wholly legal problem as to whether people who are working in certain labor markets get counted at all? I figured that given your union,

you might know something about that and have some feeling about that. What does that do to mess up all of the other stuff?

DR. TEPER: I'm not sure that I fully understand your question--

MR. POPKIN: That's probably better.

DR. TEPER: You referred to people, how do the statistics affect those who work. Now in the apparel industry, long before unemployment insurance, we had a terrific amount of oddball employment. Some workers would be employed during the height of the season, once business slackened they would be laid off, there was a lot of discrimination in layoffs, et cetera. To generate equity, long before unemployment insurance, the principle of equal division of work during periods of slack was introduced in the union cointracts.

The rules for equal division of work are not spelled out. It's up to the employer to decide, depending on the amount of work, whether everybody should work, say, mornings, or whether to keep some workers working full days and rotate job assignments. Very frequently, when work starts, cutters may be active while there will be nothing for sewing machine operators to do, and nothing for pressers. When sewing machine operators begin working, there may still not be enough work for pressers.

So the administration of equal division of work had to be conducted on an equitable basis in one form or another, with decisions left up to management in consultation with the shop people.

When workers are laid off, they retain their job rights, their right to the job in the particular factory. They're subject to recall.

Sometimes it's not realized that a sewing machine operator who specialized in making dresses that wholesale for \$50 or more, i.e., dresses that will be sold by retailers for \$100 or more to the ultimate consumer, that they have to exercise

match. On the other hand, sewing machine operators producing dresses that wholesale around \$5 a piece or sell for about \$10 retail, they have to get their work out as rapidly as possible. If after joining two pieces of fabric, one is longer than another, the longer piece is shortened by cutting off a piece and thus making the two ends match.

Some people do not understand that when a worker is laid off by a high price establishment, and a job is available at the low end of the business, that a worker may not really be suitable for that work--the kind of work they've been doing, called for different attributes. The workers would have to be totally retrained and thus ruin their more refined skill, more highly compensated skill. At the same time, they will not be able to make out on a piecework basis and earn what they're accustomed to or anywhere near what they were accustomed to, with the employer possibly having to make up their wage to the minimum contractual standards. Such a transfer would be unsuitable either for the worker or the employer.

There are complications there. A worker who is laid off is likely to look for another job, the May '76 BLS survey showed that about 86% of workers on temporary lay-offs looked for work, when they may not it is because workers are assured that they will go back to the factory where they've been working. We have provisions under our agreements that permits pension rights to be carried over when one changes employment from one shop to another. But in situations outside of the industry, a change of employers may mean a loss of rights to pensions and the like. That's something that again all the scholars on the subject do not fully realize. I don't know whether I've answered your question. I tried to throw some light on it.

CHAIRMAN LEVITAN: I wonder whether you would care to comment on data needs for collective bargaining. Do you think that BLS or your state employment service or labor department supplies you with the data you need or are there gaps? Please comment particularly from the Federal point of view since we are interested mostly in the Federal statistics.

MR. TEPER: The answer is yes and no. For example, when we have a major negotiations in the dress industry, which covers some 80,000 people, we prepared data books for the use of negotiators that may contain around 1,000 pages of information and we'll assemble everything that we believe is relevant. The data will not be confined to information on the labor force. Certainly we'll use information on payroll, employment, hours and so on.

For dresses, for example, since I've used them as an example, we would compile information on production by price lines. Studies which we've made years ago have shown that seasonality patterns, depending on the price lines of the garment were significantly different. If I would show those charts, you wouldn't even know that they were from the same industry. We had weekly data during the NRA period because we had information from the codes which provided much more detail to provide the basis for these analyses.

The available information on the labor force-- I'm talking of the household surveys--provides relatively little information that may be used in a collective bargaining session. Information provided by the payroll statistics offers more data, including both state and local data.

Information compiled by the Commerce Department on industrial production would also be utilized, as would information on different industrial practices such as in the case of retirement benefit. The needed data covers a whole gamut of information more extensive than the data on the labor force. And you cannot, really, in my opinion, and I read the paper that was done for you in this field. You cannot think of labor force statistics as the sole basis for collective bargaining any more than you can think of employment and unemployment statistics as the sole basis for business cycle analyses. The Commerce Department for example has to use quite a number of indicators to reflect business cycle behavior. One cannot rely on any single indicator.

CHAIRMAN LEVITAN: Dr. Teper, I want to thank you very much for your excellent testimony. I'm sure

you'll find a great deal of what you advised in our final report, although not 100 percent. I cannot promise that.

DR. TEPPER: I never expect 100 percent from anybody.

CHAIRMAN LEVITAN: Thank you, Dr. Teper.

MS. WILLS: Before he leaves, I just want to join William to say thank you. It really was excellent testimony.

CHAIRMAN LEVITAN: Thank you. Our next advisor comes from a slightly different type of organization; namely, the National Association of Manufacturers.

Mr. Mohay, as you know, you have 15 minutes for your presentation. Your total statements will be included in the record, and you may proceed in your own way.

MR. MOHAY: I have no intention of reading the full statement. It is 21 pages, and I think it would take too long. So if you could include it in the record I would appreciate it, and I will speak from prepared notes.

STATEMENT OF MR. KURT MOHAY
RESEARCH ANALYST,
NATIONAL ASSOCIATION OF MANUFACTURERS

It is imperative that a country have timely, accurate, comprehensive, and significant economic statistics. These statistics are the yardstick by which a country measures its economic and social performance. Whether that nation is a centrally planned economy, a mixed economy, or a market oriented economy, it needs statistics with which to approach its progress.

Employment and unemployment statistics are an indicator of one critical aspect of our economic and social performance. They gauge the ability of our market system to provide employment to those able and willing to work. They indicate whether our economy is healthy or not, and thus, they play an integral role

in policy determination. The unemployment rate is frequently used as an indicator of the degree of stimulation the economy requires. These statistics are also used to indicate the necessity for expanded microeconomic programs to increase the skill level and employability of labor.

Employment and unemployment statistics are of particular importance in light of the drop in the unemployment rate to 5.7 percent in June and recent research that indicates unemployment rates consistently below 6 percent can precipitate accelerating inflation. Several respected economists have determined that, due to demographic and legal changes, the non-inflationary rate of unemployment has increased consistently over the past 20 years. After adjusting for the decreased work incentive created by higher welfare and unemployment benefits, the reduced employability of the marginally skilled because of higher minimum wage laws, and the labor force influx of women and younger workers who tend to have higher unemployment rates, these economists found that the non-inflationary rate of unemployment increased from 4 percent in the mid 1950s to approximately 6 percent in the mid 1970s. In the wake of this research it is essential that the nation have accurate unemployment figures so that we know how close we are to the inflationary level of unemployment.

Legislators, policymakers and academicians are not the only ones who use unemployment statistics. Businesses use these numbers as general indicators of the economy's vitality. If, as has occurred for the past year, employment is increasing smartly and the unemployment rate is falling consistently, business may view these as signs of a strong economy. Retail firms expecting higher future sales because of the increased employment may expand inventories or build new outlets. Some large manufacturers who produce consumer goods may use employment and unemployment statistics when planning production levels. A falling unemployment rate and increased total employment could mean higher future demand for consumer goods. Business is also concerned about the employment and unemployment statistics because of their political implications.

Business realizes that changes in unemployment rates impact on government economic policy. Expectations of policy changes can greatly influence business plans for the future. Finally, state and local unemployment statistics may be used by firms when making plant location choices. High unemployment might indicate an ample supply of labor. Low unemployment would indicate a tight local labor market, an inadequate supply of labor and possibly higher labor costs as the firm increases its wages to attract workers from surrounding areas and alternative occupations. It's likely that the firm wouldn't rely solely on the published local unemployment statistics when studying the local labor market. Knowing the degree of error involved in these statistics, the firm would probably send representatives to locations that are being seriously considered to get a first hand look at the area labor market. The firm would base its decision on interviews with local politicians, labor leaders, businessmen, and employment agency personnel.

From the above discussion it should be obvious that business has a vital interest in employment and unemployment statistics. Without them businesses ability to plan would be impaired.

An Open Season for Measuring Unemployment

Some of the witnesses who have come before the Commission have come with "shopping lists" enumerating various groups who are counted as employed, unemployed, or not in the labor force, but who in the witnesses opinion should be reclassified. Other witnesses have come before the Commission with a different kind of shopping list. This latter set of witnesses has asked for a greater demographic breakdown of the employed and unemployed. It's doubtful that either of these approaches contributes much to the kind of discussion and review of employment and unemployment statistics the Commission desires.

The second approach gives us new information but there is some question as to how beneficial further demographic breakdown would be. The current breakdown supplies data that is helpful in policymaking decisions.

It helps direct programs to those sex and age groups that experience chronically high unemployment. It helps isolate those races that suffer high unemployment and thus it assists in designing microeconomic policies to benefit them. A further disaggregation, such as breaking down the unemployed by country of origin, would likely have little additional benefit. Of course, the Commission should remain open to convincing arguments that a further breakdown would help in determining policy then the Commission should be receptive. But at present there appears to be no crying need for greater detail.

The first approach mentioned above is to ask the Commission to reclassify the employed, unemployed or those not in the labor force. One organization might suggest that a portion of the population classified as not in the labor force be reclassified so that it is now counted as employed. Another organization might suggest a different portion of the population currently classified as not in the labor force be counted as unemployed. Such changes would deflate or inflate the official unemployment rate. There are several reasons why these manipulations of the official unemployment rate may be unnecessary.

The Bureau of Labor Statistics and the Bureau of the Census currently amass a vast amount of employment and unemployment data. Unemployment is broken down by age, sex, race, marital status, educational attainment, veteran status, occupation, industry, attachment to the labor force, duration of unemployment and more. The existing data is so extensive and readily available, the user who is unsatisfied with one of the current measures of unemployment can easily develop an alternative unemployment rate. For example, one organization might want to include the Armed Forces when developing an unemployment rate. Using data in the June Employment Situation Release they would calculate an unemployment rate of 5.6 percent. Another organization might feel that discouraged workers should be counted as unemployed. Again, using data in the June Employment Situation Release they could calculate an unemployment rate of 6.5 percent. In short, the unemployment statistic user who is

unhappy with the current measure of unemployment has ample opportunity to manipulate the data and develop an unemployment rate that he finds satisfactory. In fact, the Commission should urge users of labor market data to juggle the available figures until they are content.

The reason I suggest the Commission urge the data user to freely manipulate the available information is that there is no perfect measure of unemployment. Any measure of joblessness is going to be subject to criticism. There are going to be some individuals who feel the measure is too narrow and others will argue it is too broad. Anyone who attempts to develop an ideal unemployment measure will be taking on an impossible task. The official rate, U_5 , is a reasonable stab at developing an acceptable unemployment measure but even it is widely criticized. Any reclassification the Commission makes in U_5 will be sure to placate some people and irritate others. Since it appears doubtful that a universally accepted measure of unemployment will ever be discovered the Commission should recommend the data user develop a statistic that suits his purpose.

There are additional reasons why the Commission should question these urgings to reclassify those in the labor force and those not in the labor force. Our present definitions and criteria for classifications while not perfect, at least appear to be sound. The concepts we currently utilize were originally adopted by the Works Progress Administration in 1940 for their national sample survey. In the intervening period several commissions and government study groups have reviewed the definitions, concepts, methodology, and techniques employed. There have been several improvements in measurement techniques, but the concepts have been used in substantially unchanged form since that date. This should not be interpreted to mean no further improvement in the concepts is possible or desirable. Quite the contrary is true. The government should constantly explore ways to improve our economic statistics and special commissions should be appointed intermittantly to thoroughly review all aspects of the

employment and unemployment data. The Gordon Committee in 1967, for instance, made some major conceptual improvements in the unemployment statistics. The present Commission in its review might also find some concepts that need further clarification. But, it appears as though the present system of classification into employed, unemployed and not in the labor force is sound, and therefore, no major overhaul is necessary.

Another factor that should be taken into account when considering any fundamental modification of the current employment and unemployment concept is the desirability of continuity of the existing statistics. It is invaluable for a nation to have economic data that is comparable over time. Earlier in this statement it was noted that policymakers, public administrators and business rely on labor force statistics when planning and performing many of their activities. A major change in the employment and unemployment numbers could upset the apple cart. It could impair businesses' ability to plan. It would take time for business to interpret the new figures then utilize them in decisionmaking. A major alteration in the existing statistics could also damage the policy determination process. How would legislation based on current economic statistics be interpreted if the statistical concepts are altered? Moreover, a fundamental change in the economic statistics could impair the ability of the statistics user to make comparisons of the magnitude and severity of historical and future economic events.

This doesn't mean that the present concepts should be adhered to simply for the sake of continuity. Indeed, if a major improvement can be made by changing the existing statistics then the change should be made. But, at the same time the Commission should weigh the value of continuous statistics against desires for minor changes in the concepts that have marginal benefits.

The Presentation of Monthly Employment and Unemployment Statistics

Presently U_5 is identified as the "official" measure of unemployment. On the first Friday of each month the media inundate the public with the news that

unemployment has increased or decreased by a fraction of a percentage point. Unfortunately, variation of one statistic does not tell the entire labor market story. This shortcoming should be addressed by the Commission in an effort to promote an improved public understanding of the labor market.

One way in which the Commission might promote a greater understanding of the labor market would be to suggest devoting more space in the Monthly Employment Situation Release to a discussion of some of the alternative unemployment measures. Possibly at the beginning of the release, after the change in U_5 is discussed, a brief discussion of one of the more conservative rates such as U_2 , and one of the more liberal rates, such as U_6 , could follow. It might also help if table A-7 were moved towards the front of the release so it is more accessible to the reader. These modest recommendations may contribute to a greater public and media understanding of the labor market. In the final analysis, however, the public's awareness of labor market developments may depend on how energetic the public is. The data are available, if only the public will take the time to analyze it.

The primary problem with the presentation of the labor market data does not lie with its analysis in the Monthly Employment Situation Release. Rather, the fundamental problem exists in the notion that there is a single combination that everyone can accept as the right measure of unemployment. The Commission should do what it can to discourage this notion. Instead it should encourage the public and the media to examine a variety of labor market measures. The Commission should suggest the public take a disaggregated approach to understanding the labor market. No single number can do justice to a phenomena as complicated as the United States labor market.

Rather than looking at one number, usually U_5 , as an indicator of the unemployment situation, the public should be encouraged to delve into the data to see how the various employment and unemployment aggregates fluctuate. If this were done, one would notice that over 3 million jobs have been created since June 1977. One would also note that

almost 59 percent of the population is employed and over 63 percent of the population participates in the civilian labor force. Examination of the trends of these and other data supplied by the Bureau of Labor Statistics could present a different picture than if one looked only at the official unemployment rate.

There is no question but that the public and media needs to become more cognizant of other labor market statistics. Unfortunately, there is no easy solution to this dilemma. I respectfully suggest that the final report of the Commission could serve as a beginning in the search for a solution.

The Need for More Reliable State and Local Unemployment Statistics

In 1965, 1973, and 1976 legislation was passed that required allocation of Federal funds based on state and local unemployment data. The funds distributed under these laws amounted to \$16 billion in 1977. With such large amounts of money at stake it is essential that precise state and local data exist. The Bureau of Labor Statistics in carrying out this responsibility has done the best job possible, considering the resources and data that is available to them. But, as even they admit, there is room for much improvement.

Over the past several years the Bureau has initiated many improvements in state and local area unemployment data. Their most recent modification was to change the estimating procedure for the 10 largest states and New York City and Los Angeles. Under the new procedure estimates of unemployment for these ten states and two metropolitan areas can be made from the Current Population Survey. Even under the new procedure, however, the true rate of unemployment can differ substantially from the measured rate.

The list of problems with the existing piecemeal system of compiling state and local area unemployment statistics is formidable. It appears as though the Commission does not have an easy task before it. If the Commission decides to retain the present system it

faces a monumental job of trying to address as many of these problems as possible. There is an alternative however. The Commission could suggest an increase in the sample of each state and local area so that an unemployment rate with the desired degree of reliability is obtained. This alternative is not without a substantial drawback.

The principal problem with this approach is its cost and sample size. The Bureau of the Census has developed some rough estimates of the sample size and expenditures required to provide state and local unemployment rates of varying degrees of reliability. They estimate it would cost \$720 million and necessitate a sample size of 2,400,00 households to provide on a monthly basis state and local data of the same reliability as the national data. Compared to the \$13 million presently spent and 56,000 households currently surveyed in the national CPS, a considerable expansion would be required to provide reliable state and local area data.

The above estimates are based on the assumption that "all sample design, methodological and cost parameters remain identical to those in the current CPS." By altering the sample design and methodology it may be possible to reduce the cost. Some suggestions the Commission might explore are as follows. First, the Commission might consider recommending the collection of state and local unemployment data on a quarterly basis. The Bureau of the Census estimates this would cost \$435 million, almost \$300 million less than collecting the same data on a monthly basis. The Federal programs that utilize these data for allocating funds would not be impaired and, with more reliable data they may even be able to allocate more equitably. A second possible way to reduce the cost of gathering accurate state and local data would be to utilize a shortened questionnaire form. Much of the demographic breakdown that is gathered in the CPS is not needed for the allocation of funds for state and local areas. A reduced CPS questionnaire that only classifies the respondent as employed, unemployed or not in the labor force would supply adequate information for the allocation

of funds. Finally, the Commission might also explore alternative methods for measuring state and local unemployment. Surveys other than the CPS should be studied.

The Commission in searching for ways to attain more reliable state and local unemployment data should also consider the need for seasonal adjustment of this data. Presently, no local data is seasonally adjusted and only seven large states are adjusted. Federal funds are allocated on the basis of unadjusted data even though it is preferable to use adjusted data. The poor quality of the current statistics, an inadequate time span for historical data, and divergent local methodologies prevent seasonal adjustment. Even if the Commission suggests improvements that permit collection of more reliable data some of the seasonal adjustment problems will still exist. It may be possible to seasonally adjust state figures but many difficulties will remain in adjusting the local figures. Finally, if state and local data of the same reliability as the national data is gathered it will still require at least five years of historical data before several adjustments can be made.

If it appears impractical to obtain accurate seasonally adjusted state and local data the Commission may want to suggest changing the legislation that mandates allocating funds based on this data. If it is not feasible to obtain reliable state and local data then Federal funds won't be allocated fairly. It may be advisable in these circumstances to distribute funds based upon other data that is a better indication of local area need.

As are so many of the problems the Commission is struggling with, there is no apparent answer to the problem of acquiring accurate state and local unemployment data. This dilemma has been studied for several years and still there is no light at the end of the tunnel. Hopefully, the Commission will be able to make a contribution towards a solution.

The Hardship Index

The Commission is directed, in its enabling legislation, to consider "the need for, and methods to obtain, data relating employment status and earnings, economic hardship, and family support obligation." This directive could be interpreted several ways.

One person might think this directs the Commission to analyze the economic well-being of the employed as compared to the unemployed. Such an analysis could be very enlightening. It might give some clue as to why unemployment is apparently so high. If the income level of the unemployed has increased relative to the income level of the employed there is less economic hardship associated with being unemployed. As the cost of being unemployed falls there is less incentive to seek work. Such information could be helpful in designing welfare and unemployment compensation programs.

This legislation, on the other hand, could be interpreted as directing the Commission to develop an economic hardship index. This index would be intended to complement the employment and unemployment statistics. Apparently labor force status does not tell the entire story. The hardship index would attempt to combine labor force status, non-labor force status, earnings, and family size in order to develop a grand index which gives a clear picture of an individual's well-being. While the objective is commendable, the index is nonetheless, subject to many pitfalls that would make it of dubious value. Some of these pitfalls are outlined below.

Earlier in this statement it was mentioned that determining who is employed and unemployed can be a very subjective undertaking. There are many fringe questions and interpretations as to who is employed and who is unemployed and who is in the labor force and who is not in the labor force. The data user, as a result, should be encouraged to not look at just one statistic when appraising the labor market. Rather he should take a disaggregated approach to the labor market. He should examine as much of the data as possible. The same approach should be taken when one attempts to appraise

economic hardship. A hardship index doesn't resolve any of the fringe questions. Rather, it simply results in a more inclusive index with greater pitfalls. The data user who is interested in measuring hardship should be encouraged to examine all the available data to arrive at his own appraisal of who is in hardship. There are too many variables and too many unmeasurable factors for any single index to measure economic well-being.

Another problem that arises in developing a hardship index is adjusting for income levels of different regions and states. A person who earns \$7,000 in Mississippi experiences much less economic hardship than a person in New York City who earns a like income. In other words, a national minimum standard of earnings adequacy would not be acceptable. Rather, more than one earnings adequacy standard would have to be developed for a single state. For example, the earnings standard for a family living in southern Virginia would not be the same as for a family living in northern Virginia. Developing the appropriate number of such indexes could be a lengthy, expensive and possibly an endless task as the indexes are constantly adjusted, for changing state and regional price levels.

Another major shortcoming of the economic hardship index is that it is based on reported income and earnings data. Recent research indicates that a substantial subterranean economy exists in the United States. A great deal of money changes hands and is not reported. Also, many goods and services are produced and consumed yet do not show up in the national income and product accounts. The unreported income, and goods and services could influence whether an individual is in economic hardship or not. A single person who has a part-time job and earns \$3,000 but moonlights and earns an unreported \$3,000 would be classified as hardship because only the income from the part time job is taken into account. Before a hardship index is developed one must first discover a way to measure all income and consumption, whether reported or not.

Another major difficulty that occurs when one attempts to develop a hardship index is how to relate economic hardship to individual circumstances. An elderly person and a young person who have the same income may not experience the same degree of hardship. The elderly person might require less money than the younger person who is just starting out in life and must purchase many more items. Another example of different individual circumstances would be two people who have the same income, but one does not work and the other must work in the city each day. The second person entails many work-related costs that the first person does not. He must pay for gas and parking if he drives to work, and he may have to buy his lunch each day. Both people have the same income but they experience different degrees of economic hardship. Thus, developing a hardship index requires more than just a comparison of income, it also requires a comparison of needs which result from individual circumstances.

The problems that arise when one tries to create a hardship index seem so formidable that it is doubtful whether a meaningful index can be derived. There are so many variables that must be considered and there are so many fringe questions that must be answered, any index that is developed will be subject to much criticism. This does not mean the Commission should end its exploration for an economic hardship index. The Commission may indeed be able to arrive at an acceptable index. Or, if the Commission decides a hardship index isn't feasible they will at least have done a valuable service by demonstrating the shortcomings of such an index.

Summary Remarks

It is worthwhile to examine intermittently the procedures, concepts and methodology involved in employment and unemployment statistics and suggest ways and means of improving them. As our society changes some refinements in the concepts may become necessary. Even if your final conclusion is that no major modifications in concepts or methods are necessary,

you will have performed an essential service in reassuring the users of the statistics of their integrity. Also, as time passes it may become apparent that some concepts are nebulous and in need of clarification. But, it should be apparent that our system is fundamentally sound--as far as the national statistics are concerned. It has been time tested and proven to be reliable. Many other countries use it as a model when they design their employment and unemployment statistics. Consequently, there doesn't appear to be a need for a broad scale revision of the national figures.

The Commission can, however, do a great service by improving many other aspects of the employment and unemployment statistics. Below is a summary list of recommendations made in this paper.

1. Preserve the continuity of existing statistics by making conceptual changes only when the benefits of the changes are clearly superior to the benefits of having continuous statistics.
2. Devote more space in the monthly Employment Situation Release to discussion of some of the alternative measures of unemployment and move table A-7 towards the front of the release.
3. Encourage the public and media to examine a variety of labor market indicators, i.e., suggest a disaggregated approach to understanding the labor market.
4. Discourage the notion that there is a right measure of unemployment.
5. Explore approaches to improve state and local unemployment data, such as, expanding the sample size, collecting the data on a quarterly basis, using a truncated CPS form.
6. Study the feasibility of seasonally adjusting state and local unemployment data.
7. Analyze the economic well-being of the unemployed as compared to the employed.
8. Explore the difficulties inherent in deriving an economic hardship index.

CHAIRMAN LEVITAN: Thank you, Mr. Mohay, for very useful testimony. Do you care to supplement it?

MR. HAGEDORN: No, I think Mr. Mohay has done an excellent job in summarizing our views.

CHAIRMAN LEVITAN: I think so too. Thank you very much. Anybody?

MS. WILLS: I have a very quick one, but go ahead.

CHAIRMAN LEVITAN: Ms. Wills?

MS. WILLS: You have recognized that we have some overwhelming responsibilities in a very short timeframe to address all these issues. Other people have testified before the Commission coming from a variety of backgrounds and perspectives, and have suggested that perhaps one of the useful things this Commission could do would be to recommend some kind of continuity so that we are not waiting once every fourteen years to establish a--somebody said this in Congress this morning--a commission for oversight to assist in review of methodology, changes et cetera. Have you done any thinking about this? Do you have any recommendations?

MR. MOHAY: Do you mean having more frequent review of the statistics?

MS. WILLS: Well --

MR. POPKIN: Yearly or biannually.

MS. WILLS: An organizational framework to assist the Bureau of Labor Statistics when they want to change methodology. One that can assist them as well as help advise Congress and other parts of the Administration, and also provide some kind of mechanism that would help provide information, share technical assistance, concerned with state and local officials and other kinds of users.

Do you think that the system that we now have in place with all the burdens placed upon the Federal statistical agency is satisfactory?

MR. MOHAY: I haven't done a great deal of thinking about that, but I could give you some initial impressions. It might be useful to have an agency within the Department of Labor that is reviewing employment and unemployment statistics on a continuing basis rather than having such long down-time. Rather than letting the problems build up for ten, twelve, fourteen years, having an organizational framework that addresses the problems on a continuing basis could be beneficial.

MR. ANDERSON: Mr. Mohay, would it be correct to assume that it is your view that the current data system, labor statistics system, is adequate for business purposes and that no significant changes at this time would be warranted?

MR. MOHAY: Yes.

MR. ANDERSON: I notice that in your paper you did not refer to job vacancy statistics, and I was wondering whether you had given any thought to that. Some comments in your paper, a very excellent paper, reflect an interest in the extent to which these statistics adequately describe and permit us to analyze economic performance.

Would you not agree that information on job vacancies would help us understand better our economic performance and help us better formulate programs and policies for matching the unemployed with the jobs?

MR. MOHAY: If I were to address everything I possibly could think of, it would be a tremendously large paper so I had to leave out some things. And one of them was the question of job vacancy statistics.

I have done some thinking on it, and I have discovered there is an agency within the Department of Labor that is currently studying the possibility of developing a national job vacancy bank, I think they call it a job data bank. What they want to do

is gather job vacancy statistics from the local and the state employment agencies, and feed those into a national computer so that they can on a continuing basis get a printout or some idea as to where jobs are available, what kinds of jobs are available, how many jobs are available, and what the qualifications for these jobs are. In short, there is some work going on in this area and I think it could be helpful. It could show where there is a need for more qualified people to fill these positions, and it possibly could help to reduce the unemployment rate.

I think that a lot of people are not aware of where jobs are available, and if there was some means to make them more aware--if we could help a person in New York City know that there is a job available in Southern New Jersey or Miami that requires the skills he has, he may very well contact that company in Miami and move down there and find a job.

MR. ANDERSON: You wouldn't anticipate any difficulties, then, on the part of the business community--you represent only the manufacturers, I gather--in cooperating with the government in obtaining these data.

But let me ask you another question that I think is raised by your views on ways to improve public understanding of the statistics. I find it interesting that the position that you have taken is that more information, information that is provided to the public without any guidance, in fact would enrich the public's understanding of the figures. I was wondering how that might be so. Normally, we think that by refining the data and by making information more concise, consolidating it in some sense, that we improve the understanding.

The Cronkite program, I believe, on that first Friday of each month indeed now gives three figures. It gives the total unemployment rate, the black unemployment rate, and the black teenage unemployment rate. In monetary statistics we have gone from one number to two. We have gone from M_1 to M_2 . Now it is your position apparently

that with unemployment we should give seven numbers. And I am wondering just how that is going to improve the public's understanding of these statistics and enrich our ability to know what is going on in the labor market, rather than trying to consolidate a little and perhaps come to a better understanding of what the situation really is. Do you want to comment on that, too?

DR. HAGEDORN: I will let Mr. Mohay answer it.

MR. MOHAY: There are so many problems in trying to consolidate all these variables into one simple statistic that is the right answer and that we can look to as a perfect indicator of the labor market, that it might be advisable to supply more information. I think one of the reasons behind developing U_1 and U_7 was that we just couldn't get any agreement on one particular measure of unemployment. Developing U_1 and U_7 did broaden the media's knowledge and the public's knowledge. The media is reporting different unemployment rates, and the public has a better understanding of what the labor market situation is. Again, I think you mentioned that we would provide this data, but it would be provided without guidance. I don't think we have to do that. We should explain what these various unemployment rates include. A person of average intelligence could understand these explanations and come to a better understanding of what is happening in the labor market.

CHAIRMAN LEVITAN: Mr. Ginzberg?

DR. GINZBERG: I have a question that you might help me out on. It may be unfair, but it is not unrelated to this matter.

This issue of whether the country has at this moment some likelihood of running into skill shortages, which ought to be a matter of concern to your constituency, has come up to my attention. I serve as the Chairman of the National Commission for Manpower Policy.

How would one ever learn anything about that kind of a question, as to whether the labor market is tightening with respect to critical skills in enough places, to worry about it?

Now, we have in the State of Connecticut a document which they sent me that said: you are putting out all kinds of money in CETA, and you training all kinds of people who are just rotated into no good training, and here our manufacturers are highly dependent on skilled workers and we can't get them. And I must say there is some substantiation in the weak data base that the Department has about what we call the man-jobs remaining unfilled.

And I just wondered whether you get any stuff from your internal sources or whether this is an issue that ever arises in your place. I have my own views on this, but I am curious because it is not unimportant for policy and program purposes; and at this moment there are a series of large companies that are starting to pester me about this. And I don't have any sense at all of how to move on this one.

CHAIRMAN LEVITAN: Dr. Hagedorn, would you care to comment on that?

DR. HAGEDORN: Well, I will say that without having made any formal survey and just relying on the impressions I get from conversations with the members of the NAM, I would say right now we are running into a situation where there are widespread shortages of skilled people employed in any sense in factories, I would say that the labor market in that respect is tighter right now than it has been at anytime since about 1968 or 1969 when I also heard a large volume of talk about skilled labor shortages.

DR. GINZBERG: But it does look to me that if we were going to have useful statistics, we ought to have at least some way of being able to move beyond conversational levels, and I don't know what is involved in this. But there is--from the period of 1961 to 1969 I used to have a standing request in

my other hat with the Bureau of Labor Statistics to alert the advisory committee as to whether there were any really substantial shortages in complicated skill areas not just employable people, but let us say skilled machinists, skilled electricians--showing up in enough places to have to worry about it. I would say I never was satisfied, and they never came up with anything of that nature. Arnie Weber has written a piece recently in which he says that he made special efforts in the period of the wage constraint period to look for that and couldn't find out anything about it. That was in his interchange with George Schultz in the ILLR.

I would simply put onto the table and ask whether there are any requests from your constituencies to learn other things about the labor market, and I use this simply as an illustration.

CHAIRMAN LEVITAN: Mr. Mohay?

MR. MOHAY: I haven't seen any great groundswell of requests from our constituency --

DR. GINZBERG: Good.

MR. MOHAY: -- for statistics like that.

CHAIRMAN LEVITAN: Mr. Mohay, there are lots of questions I would like to ask you about the very, very provocative testimony, but unfortunately the time is running out, and we want to take a short break and we all want to hear from three other advisers today who are already in the room. I think that we will have a chance to chat about it in the future when you come over to the Commission. Now I would like to thank you very much for your advice.

MR. MOHAY: Thank you for the opportunity to present the NAM's views.

CHAIRMAN LEVITAN: Thank you very much. We will take a ten-minute break, but not more than ten.

(A brief recess.)

CHAIRMAN LEVITAN: We will continue with the advice of Mr. George Rucker, Research Director, Rural America. Mr. Rucker, do we have your statement?

MR. RUCKER: I believe so, Mr. Chairman, yes.

CHAIRMAN LEVITAN: Well, Mr. Rucker, I trust you can summarize your statement together with all the pictures you have drawn.

STATEMENT OF MR. GEORGE RUCKER,
RESEARCH DIRECTOR, RURAL AMERICA, INC.

Recent years have seen a replacement of the population out-migration from nonmetropolitan areas with a substantial in-migration and accompanying rapid growth in employment. Despite this important change and its prospects for long-term improvement, nonmetro areas remain economically disadvantaged, with lower incomes and earnings and uneven growth. The labor force in nonmetro areas is more heavily weighted than that in metro areas with the youngest and oldest age groups. Self-employment and unpaid family work are both twice as common in nonmetro and as in metro areas, with farming accounting for about half of that non-wage employment. Blue collar work, particularly in nondurable manufacturing, is relatively more important on the nonmetro employment scene and white collar work is less important. Perhaps more significant, labor force participation rates in nonmetro areas continue to lag behind those in metro America. Nonmetro areas account for 31% of the civilian labor force, for almost 40% of educationally disadvantaged young workers, and for more than 60% of the labor force located in poverty areas. But only 11% of CETA outlays go to nonmetro areas.

Rural and small town areas suffer from a manpower statistics gap. In part this is due to a Federal unwillingness to meet the higher costs associated with the collection of reliable data on small areas and dispersed populations. But much of what little is collected remains unpublished and therefore less available to those interested.

Less than one-fiftieth of the regularly published manpower statistics reflect a metro-nonmetro breakdown. In addition, the methodologies utilized to estimate subnational, subregional, and substate statistics are generally designed for urban accuracy and prove progressively less reliable as you go down the size-of-place continuum.

But the most important discrimination against rural areas is probably in the very definition of unemployment. Its failure to measure unemployment and other sources of low-earnings distorts nonmetro figures far more than metro ones. Thus, contrary to the conventional measure which shows unemployment as less severe in nonmetro areas than in metro areas (especially during recessionary periods), a measure which took account of lower labor force participation rates, of more prevalent involuntary part-time, and of those who drop out of the job search due to discouragement, would show that underemployment is in fact a more serious and more persistent phenomenon in nonmetro areas. If low-earnings are also taken into account, the situation in nonmetro areas is revealed to be one-and-a-quarter to one-and-a-half times as bad as in the metro areas.

To reform this inequity, development of an improved measure of underemployment along the lines of the Levitan-Taggart Employment and Earnings Inadequacy Index is needed. An expanded and improved program of manpower data collection and one that is far more sensitive to special rural conditions and needs is also essential, and an expanded program of publication of data already collected should be an immediate first step. Finally, the allocation of CETA funds and other manpower program resources should be targetted on the basis of the more equitable and reliable measure of underemployment instead of on the basis of the current unemployment statistics which are limited in both validity and statistical reliability.

STATEMENT ON NONMETROPOLITAN MANPOWER STATISTICS

It is an obvious truism that adequate employment and unemployment statistics are important to non-metropolitan areas as well as to metropolitan areas.

Given the recent turnaround in migration patterns and the resultant population patterns, following on decades of rural decline, that truism can only be re-emphasized. As has been widely noted and commented upon, nonmetropolitan areas of the country have witnessed a reversal in net migration figures. From an outmigration of 3 million people in the 1960's, the pattern has shifted to an immigration of nearly 2 million in the first half of the 1970's. As a result of this reversal, nonmetro areas as a whole are now growing more rapidly in population than metropolitan areas (a 6.3% increase in nonmetro areas between 1970 and 1975, compared with a 3.6% increase in metro areas). As real and as important as this reversal is, it should be noted that the suburban portion of metropolitan areas is still the scene of the most rapid population growth (9.3% between 1970 and 1975). And the rate of growth among nonmetro counties seems to continue to be directly related to the commuting relationships with metropolitan centers. These caveats should be kept in mind in any discussion of the changing employment picture.

The Nonmetro Manpower Scene

It seems clear that -- at least when metro areas are considered as a whole, with the declining central city situation undercutting any growth reflected in the suburbs -- employment in nonmetropolitan areas is increasing at a rate many times that for metropolitan areas.* The estimated figures for 1970 and 1976 are given in Table 1. Wage and salary employment in manufacturing provides the most striking contrast, dropping by 11% in metro areas while increasing

* To some extent this disparity is overstated because the Current Population Survey, from which the figures are drawn, retains the metro/nonmetro designations of 1970. Some of the growth labeled nonmetro is actually in areas which are now metropolitan in character.

by almost 30% in nonmetro areas. But even in private service other than wholesale and retail trade, where metro employment grew the most rapidly, the increase was more rapid in nonmetro areas. It is worth noting that while this sector was second to mining and construction in rate of growth in nonmetro areas, the service sector accounted for the largest share of net nonmetro employment change.

Despite the convergence in employment patterns between metro and nonmetro areas which is taking place, there are still significant differences in the two economic scenes. Some of these differences are reflected in Table 2. By and large, they are not surprising. Self-employment is about twice as important in nonmetro areas as in metro areas (and less than 40% of nonmetro self-employment is in agriculture. Similarly, unpaid family work is about three times as important in nonmetro areas (and more than half of that is accounted for by farmwork).

Blue collar work is relatively more important in nonmetro areas and white collar work correspondingly less prevalent. In terms of industries, mining, construction, and nondurable manufacturing are relatively more important in nonmetro areas, as is government.* The most dramatic difference the other way is in finance and insurance.

Table 3 provides some further comparisons as to labor force characteristics in the two types of areas. Again, most of the differences are predictable. Those 55 years of age and older are a significantly more important part of the nonmetro labor force than of the metro labor force. Teenagers 16 to 19 years old are also a slightly larger factor in the nonmetro labor force. Conversely, the prime earnings years of 20 to 54 bulk less large in the nonmetro labor force. Nonwhites, who make up 13% of the metro labor force, account for only 8% of the nonmetro labor force. In both metro and nonmetro areas, household heads account for more than half of the civilian

* Note that these comparisons are after excluding farm employment so as to eliminate the most obvious distinction between the metro and nonmetro economies.

Table 1

ESTIMATES OF NONFARM WAGE AND SALARY EMPLOYMENT IN METRO AND NONMETRO AREAS,
1970 AND 1976

(numbers in thousands)

Industry	Metro Areas			Nonmetro Areas			Share of Increase
	Nonfarm Wage & Salary Empl't 1970	1976	Percent Change	Nonfarm Wage & Salary Empl't 1970	1976	Percent Change	
Manufacturing	14,887	13,279	-10.8%	4,909	6,322	+28.8%	22.9%
Other goods producing <u>a/</u>	2,712	2,696	- .6%	1,062	1,755	+65.2%	11.2%
Trade	11,519	11,642	+ 1.1%	3,112	4,366	+40.3%	20.4%
Other private services <u>b/</u>	12,322	14,291	+16.0%	2,605	4,102	+57.5%	24.3%
Government	9,153	10,309	+12.6%	3,657	4,644	+27.0%	16.0%
Transp'n, Comm'ns	3,590	3,415	- 4.9%	868	1,186	+36.6%	5.2%
Total	54,183	55,631	+ 2.7%	16,213	22,376	+38.0%	100.0%

Source: 1970 figures from The Economic and Social Condition of Nonmetropolitan America in the 1970's (Committee Print, Senate Agriculture Committee), Table 13; 1976 figures from unpublished Bureau of Labor Statistics data from Current Population Survey.

a/ Construction and mining.

b/ Finance and insurance, private household work, and other nongovernment services.

TABLE 2

SELECTED CHARACTERISTICS OF THE METRO AND NONMETRO
LABOR FORCE, 1976

	Metro Areas			Nonmetro Areas		
	All*	By Age		All*	By Age	
		20-54	55&up		20-54	55&up
Type of Employment:						
Wage & Salary	93%	94%	88%	86%	87%	73%
Self employed	6	6	12	13	11	25
Unpaid family work	1	0	1	2	1	2
Non-farm employment by occupation:						
White-collar	55%	57%	54%	43%	45%	45%
Blue-collar	31	31	30	42	43	36
Household & other services	14	12	16	15	12	19
Total	100%	100%	100%	100%	100%	100%
Non-agricultural wage & salary employment by industry:						
Mining	0	0	0	2%	2%	.2%
Construction	4%	5%	4%	6	6	4
Manufacturing (Durable)	24	25	26	28	30	25
Manufacturing (Nondurable)	(15)	(16)	(16)	(15)	(16)	(13)
Transp'n&comm'n	(9)	(9)	(10)	(13)	(14)	(12)
Wholesale,retail	6	7	5	5	6	4
Government	21	19	18	20	17	17
Finance,insurance	19	20	19	21	21	23
Other services	6	7	6	4	4	4
Total	19	19	21	15	13	20
Total	100%	100%	100%	100%	100%	100%

Source: Unpublished Bureau of Labor Statistics data.

* Including 16-19 years of age.

0 Less than 1/2.

Components do not always add to totals because of rounding.

TABLE 3

DISTRIBUTION BY AGE OF THE METRO AND NONMETRO

LABOR FORCE, 1976

(numbers in thousands)

	Total Labor Force	Metro Areas		Nonmetro Areas		Part'n Rate
		Percent Dist'n	Part'n Rate	Total Labor Force	Percent Dist'n	
By age: 16-19	6,128	9.3%	54.9%	2,842	9.7%	54.1%
20-24	9,724	14.8	74.9	4,222	14.5	74.5
25-44	28,369	43.3	75.7	12,343	42.3	75.7
45-54	11,930	18.2	73.2	5,061	17.3	71.2
55-64	7,668	11.7	58.0	3,611	12.4	54.4
65 & over	1,764	2.7	12.8	1,110	3.8	13.8
Total	65,584	100.0%	62.5%	29,190	100.0%	59.6%
By Race: White	57,091	87.0%	62.9%	26,785	91.8%	59.8%
Nonwhite	8,492	13.0%	60.3%	2,405	8.2%	56.5%
Household Heads:						
By Ages 16-24	3,594	9.6%	86.7%	1,770	10.8%	92.1%
25-54	26,629	71.2	91.5	11,128	67.6	92.1%
55 & up	7,173	19.2	41.6	3,565	21.6	37.7
Total	37,397	100.0%	74.1%	16,463	100.0%	70.2%

Source: Unpublished data from Bureau of Labor Statistics.

TABLE 4

COMPARATIVE LABOR FORCE PARTICIPATION RATES, BY RACE
AND BY SEX, 1974 THROUGH 1977
(in percent of civilian noninstitutional population)

		All	White	Nonwhite	20 & Over		Both Sexes 16-19
					Male	Female	
Metro: Central City	'74	60.4%	60.7%	59.3%	78.9%	46.7%	51.3%
	'75	60.2	60.7	58.5	78.3	47.1	50.5
	'76	60.5	61.2	58.4	77.8	48.1	50.5
	'77	60.8	61.4	58.8	77.6	48.6	51.2
Metro: Suburbs -	'74	63.3	63.2	63.9	84.3	45.6	57.2
	'75	63.3	63.6	63.9	83.5	47.0	57.4
	'76	64.0	63.9	65.5	83.1	48.1	57.8
	'77	64.8	64.7	65.8	83.1	49.3	59.6
Nonmetro Areas -	'74	59.6	59.7	58.3	79.0	43.3	55.1
	'75	59.2	59.4	57.1	78.1	43.7	53.1
	'76	59.6	59.8	56.5	77.6	44.6	54.1
	'77	60.5	60.8	57.6	77.5	46.2	56.1
Net Change, 1974-77:							
Metro Central City		+ .4	+ .7	- .5	- 1.3	+ 1.9	+ .1
Metro Suburbs		+ 1.5	+ 1.5	+ 1.9	- 1.2	+ 3.7	+ 2.4
Total Metro Areas)		(+ 1.1)	(+ 1.3)	(+ 2)	(- 1.2)	(+ 2.9)	(+ 1.4)
Nonmetro Areas		+ .9	+ 1.1	- .7	- 1.5	+ 2.9	+ 1.0

Source: Employment and Training Report of the President, 1976 and 1978, Table A-9.

labor force, for about one-fourth of the under 24 labor force, and about three fourths of the over 55 labor force.

Perhaps the most important characteristic reflected in Table 3 is the lower labor force participation rates for nonmetro areas. The nonmetro rate is nearly 3% less than the metro rate for total population (16 and older) and nearly 4% less for household heads. It is lower for each age group except the elderly, where it is higher, and the 25-44 age group, where the participation rate is the same for both metro and nonmetro areas. On the other hand, the participation rate for household heads is higher in nonmetro areas for those under 55 years of age (though the difference is so great for older household heads as to pull down the overall figure).

Using data from recent Employment and Training Reports, Table 4 provides some additional detail on comparative labor force participation rates. It not only breaks metro areas down into central city and suburbs, but contrasts the rates for male and female adults. It also indicates the changes that have been reflected over the past four years. As of last year, the nonmetro participation rate was lower than that of either the central city of the metropolitan suburbs for each group except teenagers. Note also that the differential is not being closed. Over the four years, the total nonmetro participation rate increased more than that for central cities, but less than that in the suburbs (and less than that for metro areas as a whole). In the case of adult females, the nonmetro rate reflected a similar pattern. But for adult males and for nonwhites, the nonmetro participation rate declined between 1974 and 1977 -- more even than in central cities.

The importance of labor force participation rates is clear. Common sense suggests that a major factor influencing the rate will be people's

prematurely the availability of jobs.* Thus, the lower rate in nonmetro areas can be said to reflect an unmeasured potential labor force -- what we might call "prematurely discouraged workers" (since they have never even regarded it as worthwhile to make an initial entrance into the labor force). This phenomenon, along with the much greater prevalence of unpaid family workers and of self-employed persons, serves to distort the validity of conventional employment and unemployment figures relative to nonmetropolitan areas. This is a point that will be discussed further at a later point.

In summary, despite the reversal in population migration and despite dramatic percentage increases in nonmetro employment, rural America remains an economically lagging area. Analysis of 1974 data by the Congressional Budget Office** found that nonmetro counties were three times as likely as metro counties to be in the bottom decile in terms of per capita income. More significantly, CBO found that low-income nonmetro counties were less likely to be growing than low-income metro counties, and in fact were about three times as likely as low-income metro counties to be continuing to decline.

Nonmetro areas continue to account for a disproportionate share of poverty and low incomes. Data from the expanded 1976 Survey of Income and Education, for example, reflect a median income for nonmetro households only 80% that for metro households.***

* Tweeten cites at least one empirical study (Robert Sandmeyer and Larkin Warner, "The Determinants of Labor Force Participation Rates," Stillwater, 1968), in support of this assumption. Luther Tweeten, Rural Employment and Unemployment Statistics, footnote, page 4.

** Congressional Budget Office, Troubled Local Economies and the Distribution of Federal Dollars (Washington, August 1977).

*** Current Population Reports Household Money Income In 1975, by Housing Tenure and Residence (series P-60, No. 108), Table 6.

Even if the data are adjusted to exclude elderly-headed households, the nonmetro median is only 85% of the metro median. This is consistent with the analysis of 1973 earnings data done by Sigurd Nilsen, which found that even after adjusting for differences in occupational distributions, average annual earnings for nonmetro male workers lagged well behind those for their metro counterparts. The range was from 89% for those employed in retail trade to only 81% for those in public administration.*

Table 5 summarizes some additional indicators of disproportionate need for manpower programs and assistance in nonmetropolitan areas and compares them with the available data on the distribution of Comprehensive Employment and Training Act funds. The disparity of this non-response speaks as eloquently as anything could to the need for focusing more attention on rural manpower problems and doing a better job of targeting Federal programs to the areas most in need. With more than a fourth of the nation's population, at least 31% of the logical constituency for manpower programs, and an even larger share of those who are disadvantaged, non-metro areas benefit from only about one-tenth of CETA outlays. While not all of this gross disparity can be attributed to inadequacies in current employment and unemployment statistics, they do not help matters.

Any discussion of employment and unemployment statistics in rural and small town areas should deal with at least three concerns: conceptual validity, statistical reliability, and public availability. The remainder of this statement will take these up in reverse order.

* Sigurd Nilsen, Structural Difference in Industry and Occupational Composition Between Metropolitan and Nonmetropolitan Areas: The Impact on Male Earnings Differentials for Selected Industries (Working Paper No. 7805, Economic Research Service, Department of Agriculture), Table 6.

Inadequate Access

A common complaint of rural data users is the lack of timely statistics on a small area basis. While a good deal of this problem stems from the limitations of the data collection process (particularly the costs of expanding surveys to the point necessary to provide reliable small area data), that is a long way from being the only factor. A substantive case can be made that just plain insensitivity to the needs of rural users on the part of those collecting and publishing the data reduces access. As a group of Department of Agriculture economists note:

Much useful data is collected which is not made available to rural-oriented users. A geographic bias exists which obscures rural data while publishing national summaries and summaries of densely populated urban places. If detail needs to be suppressed because of disclosure rules, excessive volume, or scanty observations, rural area data are omitted.*

As good a symbol of this mind-set as any is the annual Employment and Training Report of the President. In a 164 page statistical appendix, it manages to devote just two pages to provisions of a metro-nonmetro breakdown. In the basic published source of employment and unemployment data, Employment and Earnings, only three of ninety-two tables provide metro-nonmetro comparisons--and those only quarterly. A good deal more detail is available on a metro-nonmetro basis, but BLS forces the researcher to go to the unpublished microfiche records if he wants it. The annual Economic Report of the President carries with it a statistical appendix of more than a hundred tables, not one of which has any metro-nonmetro breakdown.

* Clark Edwards, Conrad Fritsch, Sigurd Nilsen, Jeanne O'Leary, Robert Coltrane and Ron Holling, Employment Data for Rural Development Research and Policy (Working Paper No.7809), Economics Statistics, and Cooperative Service, Department of Agriculture) page 1.

Table 5

NONMETROPOLITAN SHARES OF SELECTED POPULATION GROUPS
AND OF OUTLAYS UNDER THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

	<u>Total U.S.</u> (numbers in thousands)	<u>Nonmetro</u>	<u>Percent</u> <u>Nonmetro</u>
Civilian population aged 16-to-65 a/	132,107	40,981	31.0%
Civilian labor force b/	97,401	30,307	31.1%
Adults 25-to-44 with less than high school education c/	12,146	4,593	37.8%
Non-elderly poverty population d/	22,560	8,859	39.3%
Labor force in poverty areas b/	16,049	9,938	61.9%
(dollars in millions)			
Comprehensive Employment and Training Act outlays: e/			
Title I	\$1,915.5	\$199	10.4%
Title II	642.3	86	13.4
Title III	244.5	39	16.0
Title IV	166.0	32	19.0
Title VI	842.3	66	7.9
Total	\$3,810.6	\$422	11.1%

- Sources: a/ 1976 figures from unpublished Bureau of Labor Statistics data.
 b/ 1977 figures from Employment and Training Report of the President, 1978, Tables A-9 and A-10.
 c/ 1975 figures from Current Population Reports, Educational Attainment in the United States (Series P-20, No295), Table 2.
 d/ 1975 figures from Census Bureau, Data Book for the White House: Conference on Balanced National Growth, Table 4-3.
 e/ FY'75 figures from Seventh Annual Report of the President on Government Services to Rural America, Appendix Table I.

The urban mindset is reflected not only in failure to publish available rural data, but in other ways as well. Tweeten reports, for example: The Public Use Sample of the decennial Census... identifies states first. Then, for those states which satisfy the confidentiality requirements, metro-nonmetro residence is identified. Usefulness of data could be increased if the priority scheme were changed so that metro-nonmetro identification was of primary concern, then census regions, census divisions, and states.*

In short, greater sensitivity to the special needs of rural oriented data users could result in some immediate increase in the availability of nonmetro manpower statistics. It would also help to assure that improvements in data collection and presentation take equitable account of the rural dimension.

Limited Reliability

The lack of reliability associated with small area data -- and that usually means rural data -- is one that has long been recognized, not only by users, but by Federal statistical agencies. The Commissioner of Labor Statistics has conceded that the quality of unemployment data for individual states and for smaller areas is a cause for concern.** It is generally recognized that the use of unemployment insurance records as the basis for substate estimates of unemployment poses special problems for rural areas since coverage is less comprehensive there. While it is clear that this methodology is far less than perfect for both urban and rural areas, it may be significant that of nine

* Tweeten, op. cit. pp. 17-18

** See March 1977 testimony before House Government Operations Committee's Subcommittee on Intergovernmental Relations and Human Resources.

states in which the difference in the unemployment rate estimated from UI data and that projected on the basis of the Current Population Survey household interviews differed by more than 1.5%, two-thirds were states with more than 40% of their population in nonmetropolitan areas.*

The Bureau of Labor Statistics and other concerned agencies are working to improve the reliability of substate unemployment figures,** but it is not clear that those improvements are being approached with the special needs of rural areas in mind. There is no indication that consideration is being given to the development of separate estimating procedures for rural and urban counties, for example, though this would seem an obvious option to explore. Similarly, there is no assurance that expansion of the data base for direct collection of unemployment data would give as much attention to the nonmetropolitan portions of states as to those individual SMSAs not now being sampled on a reliable basis.

Unemployment statistics are not the only ones for which reliable rural information is lacking. Other manpower series suffer from the same problems. Our organization took a look at the various "counts" of hired farmworkers a year ago and concluded that they lacked both consistency of definition and reliability***. Like the unemployment figures,

* Based on 1976 data presented in Bureau of Labor Statistics, Estimating State and Local Unemployment: Problems and Perspectives (Report 500, 1977), Table 1.

** See, for example, Martin Ziegler, "Efforts to Improve Estimates of State and Local Unemployment," Monthly Labor Review, November 1977.

*** Karen Spellman, Where Have all the Farmworkers Gone? (Rural America, September, 1977). See also David Lillesand, Linda Kravitz and Joan McClellan, An Estimate of the Number of Migrant and Seasonal Farmworkers in the United States and Commonwealth of Puerto Rico (Migrant Legal Action Program, May 1977).

these statistics determine allocations of Federal program funds and their defects can misdirect hundreds of thousands and even millions of dollars. For this and other reasons, the Task Panel on Migrant and Seasonal Farmworkers of the President's Commission on Mental Health has called for a "comprehensive Federal effort" to survey farmworkers and secure "demographic and socioeconomic information on a national, state, and local basis."*

Lack of Conceptual Validity

The most significant bias against rural areas, however, is reflected in the very definition of unemployment. The limitations of the conventional concept have long been the subject of discussion and debate. The existence of the National Commission on Employment and Unemployment Statistics is in large part an institutionalization of that debate. And even earlier, Congress had called on the Labor Department to "develop preliminary data for an annual statistical measure of labor market related economic hardship,** a legislative expression of dissatisfaction with the current measure.

The major elements in which the conventional definition of unemployment is defective are pretty well known. One is its exclusion of discouraged workers from the active labor force on the grounds that they are not actively seeking jobs. (The idea seems to be that the unemployed must prove either their worthiness or their bonafides by continuing to go through the futile motions of seeking work when no work is to be had). A second is the ignoring of partial layoffs, as reflected in the amount of involuntary part-time status. (Apparently the theory here is that if unemployment is spread around it does not exist.)

* Report of the Task Panel, page 100.

** 1973 Comprehensive Employment and Training Act, Section 312(c).

A third limitation is in the failure to take account of non-participation in the labor force. As noted earlier, labor force participation is greatly influenced by employment prospects. One indirect evidence of this is the fact, noted by Tweeten, that unemployment is negatively correlated with labor force participation.* It is, of course, logical to assume that where employment prospects are slim, potential workers do not even enter the market--a direct corollary of the discouraged worker pattern. A similar but unmeasured corollary of involuntary part-time undoubtedly exists for the self-employed portion of the labor force, and for unpaid family workers.

Finally, there is the whole issue of low wages. Whether the function of unemployment statistics is to measure the divergence between full and less-than-optimum utilization of the potential labor force or is to measure economic hardship among members of the labor force, some account should be taken of workers who are in low-productivity, low-earnings situations.

All of these limitations in the conventional unemployment measure apply to both metro and nonmetro areas. But they all apply with particular force in the latter. Discouraged workers are more prevalent in the nonmetro population, involuntary part-time is a more common phenomenon, labor force participation rates (as noted) are lower, self-employment and unpaid family employment bulk substantially larger, and (again as noted) earnings levels are lower. The result of this pattern is a cumulative distortion of the statistics since their failure to measure underemployment or more broadly defined unemployment is a failure that has greater reflection in the nonmetro statistics than in the metro ones.

The comparative impact of the first two limitations (failure to count discouraged workers and failure to allow for involuntary part-time status) is reflected in Table 6 and the accompanying chart, providing quarterly data over the past five years.** Using the conventional definition, metro

* Tweeten, op. cit., p. 20

** Special acknowledgement is due Jeanne O' Leary of the Economics, Statistics, and Cooperatives Service of the Department of Agriculture for making available tabulations from the unpublished BLS survey data.

unemployment was consistently above the nonmetro rate, and by an average of three-fourths of a percentage point. When both rates are adjusted to include discouraged workers and to allow for involuntary part-time employment (equating that status to half-unemployment), then the rate in metro areas is below the nonmetro rate almost as often as it is above it and the average difference is only three-hundredths of a percentage point. (It is worth noting that the highest rate--in the first quarter of '75--was registered in nonmetro areas.)

If account is taken of still other defects in the conventional definition, the relative rates change even more dramatically. Table 7 presents summary data for two years, 1968 and 1972.* The first adjustment reflected is that utilized in Table 6 and the chart. The second adjustment is to allow for the lower labor force participation rate in nonmetro areas, and merely adds to the labor force and the unemployed those additional persons (net of already registered discouraged workers) who would be reflected if labor force participation in nonmetro areas was the same as in metro areas.

But the more useful index is that developed by Chairman Levitan and his associate, Robert Taggart. It not only allows for discouraged workers and involuntary part-time status, but for low earnings. In taking into account earnings inadequacy, the Levitan-Taggart Index can be assumed to pick up at least some portion of the underemployment that exists among self-employed, family workers and part-time workers that may not be registered as involuntary by the conventional statistics. Though it does not take specific account of differences in the labor force participation rates, this seems a modest defect in relation to its other merits. While two points in time provide a slim basis for generalizing, it is interesting that the nonmetro EEI Index was far more subtle than the metro Index.

* These years are utilized because they are ones for which metro-nonmetro Employment and Earnings Inadequacy Index figures were available.

This is consistent with the designers' note in an explanatory article* that EEI "oscillations were much less pronounced than in the unemployment rates." What is measured by the EEI is in large part structural distress as distinguished from temporary dislocation. It should come as no surprise that structural distress is the major problem in nonmetropolitan areas.

Summary and Recommendations

In short, the conventional measure of unemployment discriminates against rural areas by failing to take adequate account of underemployment in all its aspects and of the inadequate earnings that are characteristic of rural areas. Employment statistics are less likely to be collected for rural and small town areas and when they are collected for rural and small town areas are frequently less reliable. And a general urban bias within the manpower statistical establishment inhibits more attention to filling rural data gaps and reduces the public availability of such information as is collected.

In pursuit of increased equity for nonmetro areas, we generally endorse the recommendations of Professor Tweeten and of the Agriculture Department economists (Clark Edwards et al).** Specifically, the following represent priority needs.

1) The first need is for an adequate measure of underemployment--preferably along the lines of the Levitan-Taggart Employment and Earnings Inadequacy Index.

2) Current Population Survey and similar Federal data collection programs need to be expanded and made more reflective of urban-rural differentials.

* Sar Levitan and Robert Taggart, "Employment and Earnings Inadequacy Index," Monthly Labor Review, October, 1973, page 24.

* Tweeten, op. cit. pages, 39-41; Edwards et al., op. cit., pages 1-11.

Table 6

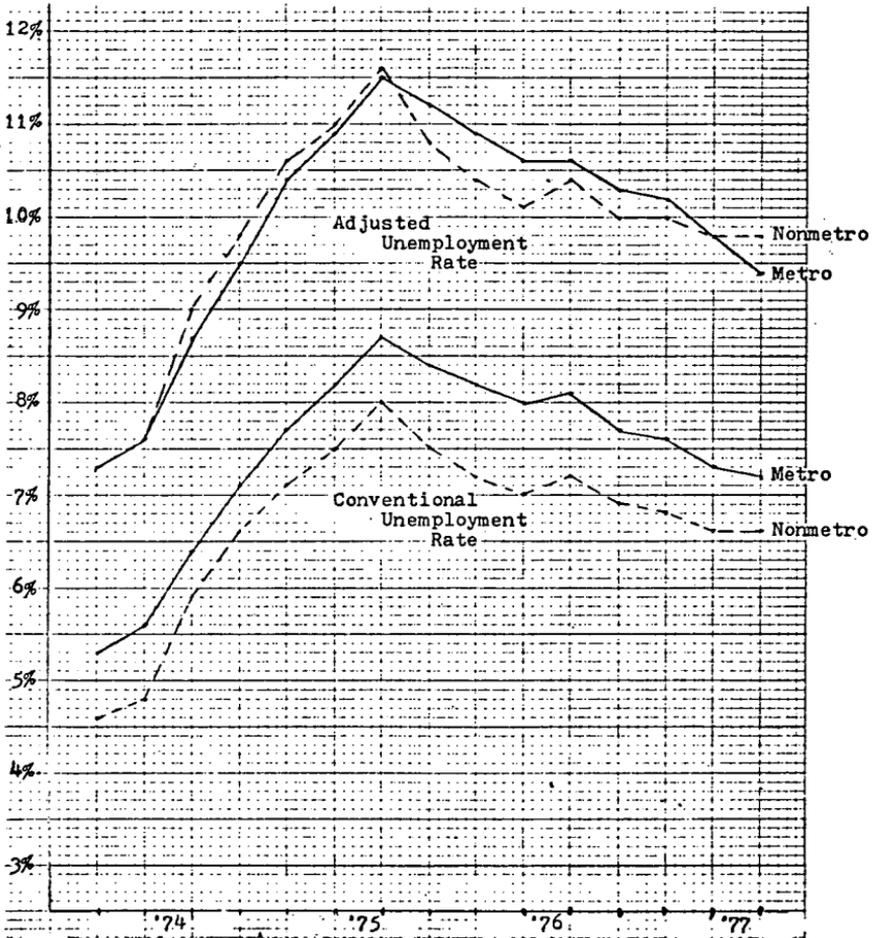
COMPARISON OF QUARTERLY METRO AND NONMETRO UNEMPLOYMENT RATES
UNDER CONVENTIONAL AND ADJUSTED DEFINITIONS, 3RD QUARTER '73-1ST
QUARTER '78

		Unemployment Rate			
		Conventional Definition		Adjusted Definition	
		Metro	Nonmetro	Metro	Nonmetro
1973:	Q III	5.1%	4.0%	7.3%	6.9%
	Q IV	4.7	3.7	6.5	6.4
1974:	Q I	5.7%	5.2%	7.7%	7.9%
	Q II	5.3	5.2	7.9	7.2
	Q III	5.7	5.2	7.9	8.1
	Q IV	6.4	5.4	8.6	8.6
	(Annual Average)	(5.8%)	(5.1%)	(7.9%)	(7.9%)
1975:	Q I	9.1%	9.2%	11.9%	13.3%
	Q II	8.8	8.3	11.8	11.9
	Q III	8.7	7.5	11.7	11.1
	Q IV	8.1	7.0	10.7	10.1
	(Annual Average)	(8.7%)	(8.0%)	(11.5%)	(11.6%)
1976:	Q I	8.7%	8.1%	11.4%	11.4%
	Q II	7.7	6.5	10.3	9.6
	Q III	8.0	6.7	10.5	9.8
	Q IV	7.6	6.6	10.1	9.8
	(Annual Average)	(8.0%)	(7.0%)	(10.6%)	(10.2%)
1977:	Q I	8.3%	8.0%	10.9%	11.2%
	Q II	7.1	6.5	9.6	9.7
	Q III	7.1	6.1	9.8	9.5
	Q IV	6.5	5.7	8.7	8.8
	(Annual Average)	(7.3%)	(6.6%)	(9.8%)	(9.8%)
1978:	Q I	6.8%	6.8%	9.2%	9.9%

Source: Unpublished Bureau of Labor Statistics data from Current Population Survey, tabulated by Economic Research Service staff. Adjusted definition includes discouraged workers and weights involuntary part-time as equivalent to half unemployment.

CHART

COMPARISON OF METRO AND NONMETRO UNEMPLOYMENT RATES
 UNDER CONVENTIONAL AND ADJUSTED DEFINITION, 1974-1976



Source: Based on data in Table 6. Since basic data are seasonally unadjusted, a five-quarter moving average has been graphed. Adjusted definition includes discouraged workers and counts involuntary part-time as equivalent to half-unemployment.

TABLE 7

FOUR ILLUSTRATIVE MEASURES OF UNEMPLOYMENT AND UNDEREMPLOYMENT

	<u>1968</u>		<u>1972</u>	
	<u>Metro</u>	<u>Nonmetro</u>	<u>Metro</u>	<u>Nonmetro</u>
Conventional unemployment rate	3.0%	3.2%	5.0%	4.8%
Adjusted for discouraged workers and involuntary part-time(1)	4.2%	5.2%	6.7%	7.1%
Further adjusted to allow for difference in labor force participation rate(2)	4.2%	7.2%	6.7%	10.3%
Levitan-Taggart Employment and Earnings Inadequacy Index	8.8%	13.5%	10.6%	13.7%

Notes: (1) Adjustment involves adding discouraged workers to labor force and unemployed and counting involuntary part-time as equivalent to one-half unemployment.

(2) Further adjustment adds to the labor force and the unemployed additional "prematurely discouraged workers" so that nonmetro labor force participation rate is on par with that of metro areas.

Source: Basic data for all calculations from Appendix, Sar Levitan and Robert Taggart, Employment and Earnings Inadequacy: A New Social Indicator (John Hopkins University Press, 1974), pp. 108-109.

Adjustment methodologies should be developed for disaggregating the underemployment measure recommended above to the substate level--to provide metro-nonmetro comparisons and, if possible, separate figures for multi-county groupings within the metro and nonmetro areas of each state. (In the development of adjustment methodologies, the possible use of different techniques for different economic settings should be explored.)

3. This conceptually and statistically improved measure should replace the present unemployment data as the basis for the allocation of relevant Federal program funds.

4. Other statistical series of particular importance to rural areas should be upgraded and expanded. In particular, if the Statistical Reporting Service survey data on hired farmworkers is to continue as the basis for allocating CETA funds, it should be reformed and substantially improved.*

5. Attention needs to be given to the expansion of the rural manpower data base through more creative linkage of existing information series. Specifically, the resources of the social security statistics (as used in the Continuous Work History Sample), with its almost unique capacity to coordinate establishment and household figures, should be explored for possible use in combination with other series. (Special surveys, for example, might make it possible to adjust from the social security data to allow for its shortcomings in coverage).

6. Attention should be given to making already collected data more easily available. This should include not only an expanded publication program for rural and nonmetro figures, but central collection and coordination of currently dispersed data (e.g., for county data held by state employment security agencies).

* Under contract with the Labor Department, the Association of Farmworkers Opportunity Program is currently preparing specific recommendations with regard to data on seasonal and migrant farmworkers.

Let me say that Rural America is a national membership organization seeking to raise the national consciousness level regarding the needs of people in rural areas and small towns and the ways in which public policies and programs frequently either ignore or discriminate against them.

We don't pretend to any special expertise on manpower statistics. I am very conscious of my lay status in this setting, but we do have some concerns about the effect of manpower statistics, and particularly since much of Federal program funding is now targeted on the basis of employment unemployment statistics.

Recent years have seen a replacement of the population out-migration from metropolitan areas with a substantial in-migration and accompanying rapid growth in employment.

Despite this important change and its prospects for long-term improvement, nonmetro areas remain economically disadvantaged with lower incomes and earnings and uneven growth. The labor force in nonmetro areas is more heavily weighted than that in metro areas with the youngest and the oldest age groups.

Self-employment and unpaid family work are both twice or more as common in nonmetro as in metro areas, with farming accounting for about half of that nonwage employment.

Blue collar work, particularly in nondurable manufacturing, is relatively more important on the nonmetro employment scene, and white collar work, correspondingly, less important.

Perhaps most significantly, labor force participation rates in nonmetro areas continue to lag behind those in metropolitan areas. Nonmetro areas account for about 31 percent of the civilian labor force, but for almost 40 percent of the educationally disadvantaged young workers and for more than 60 percent of the labor force which is located in what are officially defined as poverty areas.

But if you look at the Federal outlay data we find that only about 11 percent of CETA outlays go to nonmetropolitan areas.

Rural and small town areas suffer from a manpower statistics gap. In part this is due to Federal unwillingness to meet the higher cost associated with the collection of reliable data on small areas and dispersed populations. But much of what little is collected remains unpublished and therefore less available to those interested.

I estimate that less than 7 percent of the regularly published manpower statistics reflect a metro, nonmetro breakdown.

In addition, the methodologies utilized to estimate subnational, subregional, and substate statistics are generally designed for urban accuracy and prove progressively less reliable as you go down the size of place continuum. But the most important discrimination against rural areas is probably in the very definition of "unemployment." Its failure to measure underemployment and other sources of low earnings distort nonmetro figures far more than metro figures.

So contrary to the conventional measure which shows unemployment generally as less severe in nonmetro areas than in metro areas, especially during recessionary periods, a measure which takes account of lower labor force participation rates, of more prevalent involuntary part-time, of those who drop out of the job search due to discouragement--all of these would show underemployment is in fact a more serious and more persistent phenomenon in nonmetro areas.

If low earnings are also taken into account, the situation in nonmetro areas appears to be about one and a quarter to one and a half times as bad as in metro areas.

To reform this inequity development, an improved measure of underemployment along the lines of the Levitan-Taggart Employment Earnings Inadequacy Index is needed. An expanded and improved program

of manpower data collection and one that is far more sensitive to special rural needs and rural conditions is also essential; and an expanded program of publication of data already collected should be an immediate first step.

Finally, the allocation of CETA funds and other manpower program resources in our view should be targeted on the basis of a more equitable and more reliable measure of underemployment instead of on the basis of the current conventional statistics which are limited both in validity and in statistical reliability.

CHAIRMAN LEVITAN: Thank you, Mr. Rucker. As I said, your total statement will be included in the record.

Mr. Rucker, the issue that you present here, the basic one of underemployment--

MR. RUCKER: Yes.

CHAIRMAN LEVITAN:--is one that has bothered the Commission very much. We have a number of letters from members of Congress and others who are complaining that either their county or their particular area is not being included in statistics, or their unemployment is undercounted or underestimated. You are suggesting there is subemployment, a concept to which I am sympathetic. Have you or your organization done any work along that line at all?

MR. RUCKER: Towards developing our own index?

CHAIRMAN LEVITAN: Either developing your own index or applying one of the indexes that have been developed.

MR. RUCKER: Well, not very much--or I should say aside from what little attempt to do some comparisons as I do in this paper we have not. One of the big problems is the unavailability of the component data. You have to go the microfiche

to get the metro and nonmetro details on the labor force and on different parts of the employed and unemployed figures.

The whole question of reliability which a lot of people have addressed, and are in a much better position to address than I am, enters into it too, of course.

I think there could be better, more imaginative use of substate data without going all the way down to the county level--perhaps some kind of multicounty, economic district sorts of data. In other words, it seems to me there is something between the present situation and increasing the cost of the CPS to the point where you could get monthly county data, and I don't think that is necessary. And I think Professor Tweeten in his paper for the Commission suggests that there are some intermediary improvements that can be made.

But I think as a society we can afford to spend a little more on employment and unemployment statistics than we do. And we would particularly like to see a greater sensitivity in their collection and in their presentation and analysis, to the fact that there is more than one economy and it is not just regional, there are subeconomies within regions. And we think that the rural-urban sort of subeconomy comparison is worth taking note of and needs to be taken care of.

CHAIRMAN LEVITAN: Thank you. Mr. Cain, anything?

MR. CAIN: I have two questions. I probably would have a lot more if I had a chance to have heard your entire presentation. And I have not read what you have presented. But just based on your summary, you comment on the fact that the nonmetro area has a disproportionate amount of the nonwage employment. You can be as philosophical or not, as you please on this question. What is your response to the argument that if someone answers the question that they are not working for pay or profit, why

should they be included at all in the labor force, even given that they have met the fifteen hour or more test, particularly since we don't include voluntary workers, metro or nonmetro. Of course they would probably be more prevalent in metro areas. We don't include someone doing typing for their parents or somebody--

MR. RUCKER: Yes, well I am not sure I would be very good at where to draw the line. I mean, I remember my basic economics course, learning that if we counted wives, the contribution of wives, we could increase the gross national product by a great deal. Or if you divorced your wife and hired her, you would increase the gross national product.

MR. CAIN: And the labor force, yes.

MR. RUCKER: I think the fact that people are doing work for what are essentially, let's say, economic activities aimed outside their own household unit might well be the determinant as to whether you considered them a part of the labor force and employed or unemployed.

So that if it was a family business, a farm, or some sort of a service operation which had as its purpose and outcome economic activity that was of benefit to someone other than just that household-- then I don't see any reason why that economic activity shouldn't be considered as a part of the whole, regardless of whether it is wage paid or otherwise.

I think that is--

MR. CAIN: I think that would imply that voluntary work would be probably brought in then, since so often it is connected with Boy Scout activity or hospital activity and so on.

MR. RUCKER: Yes. Well, I haven't really thought about it, but that is my--

MR. CAIN: Yes. How about the idea that maybe it is incorrect to look upon particularly the farmworkers, but in other activities as well in these family businesses, as not getting paid. I mean they don't get a wage or salary, and the term "profit" is probably not something that is in common parlance in that situation, but perhaps they are getting paid in a different manner.

MR. RUCKER: Yes, yes. No, I recognize that there are household incomes. Sometimes they come from one wage earner, sometimes from two or more. They may come from the business and so forth, and those are problems you run into, I guess, in trying to define what is a wage and what isn't.

It just seems to me that we need some kind of measures of economic activity and of compensation for it. Any definitions we come up with are going to be inevitably somewhat arbitrary in certain gray areas and we just live with that. We do that now.

MR. CAIN: Yes.

MR. RUCKER: I just think we could do better than we do now.

MR. CAIN: On a different topic, could you briefly describe what adjustments are undertaken in your paper here and the research behind it, that takes the metro, nonmetro unemployment differential and eliminates it, at least over certain periods? What are the steps that are taken?

MR. RUCKER: Well, I did very simple sorts of things. The one adjustment, the one that is utilized in the chart actually is just an adjustment for adding discouraged workers back into the labor force and the unemployed and counting involuntary part-time as the equivalent of half unemployment; in other words, counting the involuntary part-time employees--

MR. CAIN: You did that for both--for metro and nonmetro?

MR. RUCKER: Yes, sir, I did that for both.

MR. CAIN: I am surprised. What I felt to be small numbers--

MR. RUCKER: And then the second adjustment on Table 7 was really a pretty mindless one. It was just an effort to see what difference it would make if the participation rate were the same in nonmetro as in metro. I wouldn't attempt to justify that on theoretical grounds, but I notice that Secretary Marshall in his 1974 book does something where he takes a percentage of the male nonparticipants and throws them in as potential participants, and the percentage of the females; and I thought this was maybe a somewhat simpler approach to the similar kind of thing. And then--

CHAIRMAN LEVITAN: Mr. Rucker, it is not fair to blame Secretary Marshall for what he did as a professor.

(Laughter)

MR. RUCKER: I wasn't blaming him. If I had had the data, I think I would have tried to duplicate him, but I didn't have it. And then of course the final one is really just straight out of the Levitan-Taggart book, the EEI rates.

MR. CAIN: Yes.

MR. RUCKER: And that was the reason I chose those two years. Those were the years for which they had a metro-nonmetro comparison.

I didn't do anything fancy at all. I am not up to that.

CHAIRMAN LEVITAN: Ms. Wills?

MS. WILLS: Thank you.

I haven't had a chance to read the testimony, and I am sorry. Are you satisfied with the metro, nonmetro breakdown, of the census I assume, not the Department of Agriculture? Is there anybody's else's definition?

MR. RUCKER: Well, this is a constant, I guess, question.

MS. WILLS: I know.

MR. RUCKER: What is a good definition of rural, urban? We end up using metro, nonmetro not because we think it is the best definition of rural, urban or the best dividing point but because it is the one to which there are the most statistics available. And I think in terms of comparing the two subeconomies, if you want to call them that, or the two parts of the society, it is useful because the nonmetro data tend to be dominated by the more rural and smaller places. The metro data, even though it includes some farms, some open country and some mighty small towns, tends to be dominated by the really big cities, by the urbanized centers.

And so, it is not the best possible.

If you try and come up with a definition, where do you draw the line between urban and rural? It is going to be arbitrary wherever you draw it. We have tended to drop into the convenience of using metro, nonmetro; and I think increasingly on the Hill they have done so also. And I think it really is just a convenience, a matter of convenience.

MS. WILLS: Okay. And then just as a matter of clarification, your point about 11 percent of CETA funds going into nonmetro areas. How did you arrive at that?

MR. RUCKER: Well, those are based on the Federal outlays tape or I think they are now called the Federal expenditure series, which are collected

by the--now the Community Services Administration under, I think it is OMB Circular A-85 or something, A-84 or something like that. And the Department of Agriculture people annually do an analysis of the tape. They take the tape and run it on a metro, nonmetro basis; and then the figures go up to Congress in the annual report on government services to rural America, one of the reports that the President has to file under the 1970 Agricultural Act.

And that is where those figures are from. My recollection is that although some of the outlay data is very, very dubious in terms of how accurate it is, I checked the list that Peggy Cuciti at the Congressional Budget Office did, in which she tried to separate out the least reliable programs and the CETA program was not one that she found as unreliable.

MR. WILLIS: I have painfully recognized the problems of getting an allocation of CETA dollars within the balanced state rule, nonrule, and have been trying to do a more systematic survey of that. We have a long way to go, as you are painfully aware.

CHAIRMAN LEVITAN: And Mr. Cain?

MR. CAIN: Yes, the statistic that is right next to that 11 percent.

MR. RUCKER: What page is that?

MR. CAIN: There is a statistic that is right next to the 11 percent of CETA outlays which refers to 60 percent of the labor force located in poverty areas.

I ought to say, first of all, I am surprised at the size of that, but the question that I wanted to ask is: What would the percent be, do you know, of the population, poor and nonpoor? I can see in the urban or the metro areas that perhaps a larger

fraction of the poor population is not in the labor force, due to welfare programs and so on. On the other hand, I guess the nonmetro areas have a larger nonlabor force segment, so it is kind of at cross purposes. Do you know what the--

MR. RUCKER: Yes. Well, the population split currently by the 1975 definition of metro, nonmetro is about 27 percent nonmetro, 73 percent metro--the total population.

The poverty figure is about, I think about 60-40 percent, somewhere about that, 40 percent in the nonmetro area, again based on the 1975 data.

I think that is what the 1976 Survey of Income and Education indicated. It used to be 44 I know. The metro areas are of course growing. I was amazed to find that in terms of land area the SMSAs have increased by almost a third between 1970 and 1976. So maybe we are going to eliminate the rural problem by eliminating rural areas.

MR. CAIN: Okay.

CHAIRMAN LEVITAN: Ms. Wills?

MS. WILLS: Just a point of information. When you begin to break down CETA by difference of titles you get an entirely different picture, and I think that is important to know--

MR. RUCKER: Yes.

MS. WILLS:--because on Title I, which has some factors in there for low-income adults, the amount of money going into the nonrural areas is substantively different than when you are dealing with only the unemployment rate, which is used in Title VI.

MR. RUCKER: Yes.

MR. ANDERSON: Yes. Mr. Rucker, Ms. Wills introduced a subject about which I was going to ask a few questions, and I will pursue that with you. I have one informational question, and then I would like to get back to the classification here. Is there any relationship between your organization and the National Rural Center?

MR. RUCKER: Only that we are working sort of the same side of the street. We know Mr. Cornman. We are a little older than they are. We were around first as the Rural Housing Alliance and then became Rural America and have been here I guess since 1967 or something like that. They are newer.

We do some of the same things.

MR. ANDERSON: Yes.

MR. RUCKER: They are probably, especially in view of Secretary Marshall's former connection with them, far more expert on labor market statistics, manpower statistics, and so forth than we are.

MR. ANDERSON: Well, they presented testimony in the public hearings in Atlanta, and I have noticed some similarities between the two of you. I wondered if there had been any collaboration, but that is not--

MR. RUCKER: No, I hadn't talked to anybody over there. As I indicate, I did get some tabulations from Jeanne O'Leary at what used to be the Economic Research Service at the Department of Agriculture, but I haven't talked to anybody in Mr. Cornman's shop.

MR. ANDERSON: Now getting back to the classification. You indicated that the reason for classifying rural--the metropolitan versus nonmetropolitan--is simply because that is the way the statistics are produced. I was wondering, though, whether it is your view that we need a finer breakdown by geographic areas in our statistics?

MR. RUCKER: Oh, I would definitely say yes to that.

MR. ANDERSON: But whether you are also taking the position--and I guess this is my question--whether you are taking the position that for the rural areas we need different concepts for measuring labor market participation? Is that what you are saying?

MR. RUCKER: Well, I had in mind mainly the so-called cookbook approach to the Unemployment Insurance Statistics, to build them up to what now are the monthly county unemployment figures. It just seems logical to me that we look at whether different adjustment systems might be better. I mean if you have to start from a data base like the unemployment insurance records and then build it up to allow for noncoverage to come up with the small area figures, it just seems to me that it would seem to make sense, and it is worth testing the possibility that you might need more than one cookbook. You might need several cookbooks, depending on the economic complexion of the area in which you are trying to adjust from the unemployment insurance figures to a more complete estimate. And that is what I had in mind there.

MR. ANDERSON: Yes. Would that be so for areas other than rural, strictly rural, farm areas?

MR. RUCKER: Yes.

MR. ANDERSON: It is my impression that a number of the nonmetropolitan areas are quite built up, they are expanding in size, they have economic characteristics that are not significantly different from what you find in some of the smaller metropolitan areas, and I was wondering if that is true.

MR. RUCKER: That is certainly true. And in fact, you know, we do a disservice to refer to metro alone.

MR. ANDERSON: Yes.

MR. RUCKER: There are a couple of places in here when I note that if you divide metro between central city and suburbs you get a very, very different picture. There has been much talk in recent years that now nonmetro areas are growing more rapidly than metro areas. Well, that is true, but the fact is that the central cities are declining, the suburbs are growing most rapidly and the offset of that means that the average for the metropolitan areas is less than for nonmetro areas.

But, yes, there needs to be a lot of different ways to cut it. The Economic Research Service has two or three subclassifications of nonmetro--adjacent, whether they are adjacent to a metro area or not, whether the counties are urbanized or not--and those are all useful classifications.

Your point about some nonmetro areas being as built up as some metro areas is sound, and that is one of the reasons why we are not all that happy with the comparison. But it is a convenient comparison in terms of the amount of data that become available; and, as I say, it seems to me when you are looking at large area data it is still a useful comparison because one side is pretty well determined by the dominant characteristics and the same with the other.

MR. ANDERSON: All right, thank you.

CHAIRMAN LEVITAN: Rudi?

MR. POPKIN: You point out the problem of discouraged workers in nonmetropolitan areas. Is it your position that discouraged workers should be counted as unemployed somehow?

MR. RUCKER: Yes. I think I make the kind of flip comment about the fact that apparently the conventional definition assumes that unemployed people have to keep proving their bona fides or their worthiness by hunting for jobs even when they know or have every reason to believe that jobs are not there or else we don't count them, we drop them out of the labor force.

And someone I can't remember who, makes the point that in nonmetropolitan areas, in the more rural areas there are fewer employers. A worker can find out how little employment there is faster. He has less options. It is easier to get discouraged. And that may be one of the reasons for a higher discouraged worker rate in nonmetro areas.

MR. POPKIN: Would you count as discouraged, then, basically people who were not looking within the last 30 days because they felt that no job was available or had already looked and had found that no work was available?

MR. RUCKER: Yes, but I also suspect that part of the lower labor force participation rate in rural areas is a reflection of a similar phenomenon, that I call prematurely discouraged workers, people who have not ever entered the labor force because they didn't think there was any point in it.

Again, Tweeten makes the point that labor force participation is related to whether there are jobs there or not.

MR. POPKIN: And I note that you also in your adjustment would account for half of the involuntary part-time.

MR. RUCKER: Yes. That perhaps should be a third, maybe two-thirds, I don't know. It just seemed logical that it should be counted as something not the same as full unemployment, equivalent of part unemployment.

CHAIRMAN LEVITAN: All right, thank you very much, Mr. Rucker, for very instructive testimony.

MR. RUCKER: Thank you.

CHAIRMAN LEVITAN: Our next advisor is welcomed on three grounds: one, he is a distinguished data user; two, he is the first contributor to the Commission for a paper which he is going to discuss;

three, he is a potential contributor to the Commission because he is the Chairman of the American Economic Association Committee to review of this Commission.

MS. WILLS: Do we offer him sympathy?
(Chuckles)

CHAIRMAN LEVITAN: For the time being, we will just welcome Professor Harold Watts, Columbia University. Harold, you proceed in your own way. You know the rules of the game here, since you already prepared the paper for the Commission. I understand that you are going to discuss that one and you are not going to give us a new paper?

PRESENTATION OF DR. HAROLD WATTS,
CENTER FOR SOCIAL SCIENCES,
COLUMBIA UNIVERSITY

DR. WATTS: Well, I guess you just found out that I didn't have anything additional to add. I did try to squeeze it all into that paper when I first did it, and now I have to save some more for the AEA exercise.

So I would like to summarize fairly briefly the main points that are in the Commission paper and recommend it to you very highly when you get it in final form.

The main concern of that paper and what I was asked to address is the issue of what has been happening to family and household composition and labor force patterns that might have major implications for the way we look at employment statistics and at hardship statistics. And the main changes that are reviewed in the paper by myself and Felicity Skidmore have to do with the labor force participation of women, which has been a major trend--I don't think I need to expand on that anymore; the closely related phenomenon of an increasing number of multiple earners among the population of households; a growing either instability or volatility of household composition, both of the sort that has to do with increasing divorce rates

and that which has to do with different or more flexible home-leaving patterns on the part of young people--we have had very sharp increases in the number of one-person households, largely populated by young and modestly educated people--plus perhaps, this is much more speculative, I think some increasing flexibility in life cycle patterns, having to do with when one stops being educated and starts working, when one stops working and starts being educated again. More increasing patterns may be an increasing thing in the future, and to the extent that greater flexibility comes with higher levels of real income one would expect that kind of thing to happen on good economic principles.

Well, an important implication of those things is that it is harder and harder to hang in there with the stereotype of a family consisting of a couple with children and only one of the couple who is called the breadwinner, working. And a lot of our introspective thinking, both about the significance of the unemployment rate and about its implications for hardship or other sorts of measures of hardship, has been heavily conditioned by that stereotype. And so that a major point is that that stereotype is becoming less and less useful as a description of the way people are living.

It also implies, I believe, that it is harder to think about hardship and unemployment as being terribly closely related concepts. When the stereotype suggests, it is not so easy to make a nice, simple transformation between one and the other. So that we are led in this paper to urge that hardship and unemployment be separated further and be regarded as really separate kinds of issues. Hardship does need to be defined in terms of a family or household concept.

For a variety of reasons one can certainly associate the hardship of that unit with an individual and go ahead and analyze individuals, but taking into account that they are living in a particular context at a point of time.

Employment is really inherently, and to a greater extent I think, an individual concept, where

the person is working or not working; not a family, basically. And the only exception I guess I might make to that is self-employed kind of context in which it is a family enterprise. You might make it there, but then they are always employed, so that it is not an unemployed situation to worry about. So we do argue in favor of separating them and then proceed from that to argue ways in which both could be strengthened as measures of what we are trying to get at.

In the area of hardship I do urge the distinction between acute and chronic versions of that, taking a medical metaphor here. In some sense the acute kinds of hardship are associated very closely with unemployment or any other interruption of a major income source and the mean level of income

People in the top 10 percent or higher in the income distribution, if they lose a major part of their income flow at a point in time they usually have commitments of various kinds that are in varying degrees of inflexibility. Quite often they don't have large stores of liquid assets on which to cushion such interruptions, and they may experience a substantial amount of distress of an acute nature when there is sudden and unexpected interruption of an income source.

That can be contrasted, I think, with chronic hardship which relates very closely to what we usually think of as poverty, that it may be exacerbated by interruptions. It may--the chronic situation--may be a result of repeated and continuous interruptions. But if they are that repeated and that continuous, they stop being all that unexpected; and it really is a chronic situation of unemployment and low earning that goes along with it. Or indeed, the hardship may be characterized by a relatively full employment of all the adults in the family.

But if one is mainly concerned about the acute kinds of hardship, one can I think make a fairly quick and easy transference between interruptions in employment that last at least for any period of time and some kind of acute hardship.

One could refine it a little more by looking into the sources of responding to such interruptions on the part of individuals, but that would take quite a different kind of survey than any that we are familiar with. In terms of the chronic varieties, and I have been looking at this sort of thing for a long time, I think there are a lot of ways in which our poverty, chronic poverty, could be analyzed.

The most critical ones, I think, have to do with the lack of comprehensiveness in the measure of resources that families have. The study that the CBO did a couple of years ago showing that as contrasted with the standard census money income common sense which gives no credit at all for Medicare, Medicaid, food stamps, housing subsidies, etc. and in terms of the growth of those programs since the mid-1960's, when we start making some of these comparisons, the movement has been quite different if you make some kind of accounting for those programs which have grown very rapidly relative to simple cash programs.

The change in family composition, family volatility and so on also suggests to me that we don't know nearly as much as we need to know about the patterns of private transfers. I suspect I have a daughter who at various times would have shown up in a CPS Money Income Survey as being quite poor.

She is not all that poor. She is living by herself as a student and so on. How many of those there are I don't know. I don't want to really want to go too far with anecdotal information.

But the kinds of measures that are well-measured by the Census Money Income do not pick up a lot of private transfers. With the exception of the Consumer Expenditure Survey, which has some information on that, we really are very, very poorly informed about that.

But it does suggest to me that we need to start thinking about family as a distinct kind of concept from a household. Now Census has done this right along, but they tend to talk about families as being more than one of them in a household, and I

am talking about more than one household being in a family for some kinds of important income and resource pooling purposes. And the surveys that we now have are not well-suited to picking up the extent or prevalence of this.

We also need in those measures to take more direct account of taxes and work expenses than is usually done, and this particularly comes up in the multi-earner or the only adult being an earner situation.

In the employment area and labor force data, we urge perhaps a more radical kind of departure than you have encountered by most of the other testimony, in that we would really like to see much more in the way of an accounting for how adults spend their time among various kinds of productive, paid and unpaid activities, family, family productive activities and so on. It would provide a much better context for understanding what is going on in these changed life cycle patterns and so on. And further, one should be looking at this by classifications that are based on past labor force and employment experience or labor force history. One can pick out a prime labor force which has been continuously and regularly in the labor force by an appropriate definition that does not depend on attitudes at a particular moment in time. I think that is an important addition.

And further, we should be looking at the utilization of our labor force classified by wage rates, and I think that is probably the best indicator that we have of productivity categories. And looking at the labor force and its utilization of our labor force classified by wage rates, and I think that is probably the best indicator that we have of productivity side--that is, rather than from the hardship side--one does get a different batch, ask a different batch of questions. And a great deal of them have to do with what, in more detail, is the kind of labor force that we are talking about and how our economy is utilizing

it--how effectively. Well, from those kinds of general considerations the paper proceeds to a couple of recommendations which I will mention fairly briefly.

One, we do not recommend increasing the size of the CPS by a factor of any size at all. We do urge that two surveys be considered. One might be most similar to the SIPP, which is now being designed and put forward. It would concentrate primarily on the hardship issue, and we would urge that it be made more resolutely longitudinal; that instead of interviewing for a five-quarter period, that it cover the same families and the rotating panel of such families over a five-year period, because again a great deal of the issue about chronic hardship does depend on more than snapshots at a point in time of the resources that are available as well as the earning experience of individuals over a period of time.

The Michigan Panel Study has I think provided a great deal of pilot experience for how this can be done. I think at this point the experience is mature enough for adapting and using that knowledge and experience for a major national survey which is done continuously. I think it would address these issues of hardship with much more authority and without a terrifically large sample, as long as one doesn't have to worry about going down to small areas.

I have another device for that, so hold off on that for a minute. The second recommendation deals with the labor survey, and again I think an adaptation of the CPS kind of survey could be used there. I would not urge that it be made longitudinal anymore than the current CPS is. I think it might even get along with a smaller sample than it now has. I would like to see more effort and more expense, therefore, put into more comprehensive information on time use of family members. And I would rather see resources put into a more comprehensive set of information on those individuals that are surveyed than on increasing the sample size.

To move on to where I think the brightest idea in the paper comes up; the small area data. It seems to me that we have one program which does operate with uniform national rules. It is focused at the low income end of the income distribution. Namely, it is the food stamps. One could utilize or beef up if necessary administrative data from that program, and one could get timely and disaggregated information out of that system which could be used to piece out information available from unemployment insurance data.

It would have any fewer problems than the unemployment insurance data. It is now part of those regulations that information about employment and employment availability be a part of the eligibility rules for food stamps. It would be possible to augment the informational quality of those records, and it would really be capable of quite fine geographic detail.

I think money could be spent in that way, and then we would come up with a very small fraction of the amount required to do a CPS, which is \$2.5 million or something like that. This might be the best alternative, or the only alternative that would give anything like the amount of precision, both for estimating and distributing the amount of chronic hardship which it most directly relates to, but also for distributing the amount of unemployment and various categories of unemployment which one could use even a CPS for--estimating control totals. And a system could be developed to distribute those control totals with a great deal of accuracy and timeliness.

So those are the three recommendations, and they all do have to do with fairly radical reformulations of what we have now. They will probably run into problems of providing great discontinuities in the kinds of data that have been collected in the past. Those discontinuities I think could be minimized, but I wouldn't want to suggest that they wouldn't be there.

On the other hand, I think sooner or later one does face the need to readapt a statistical system

unless you decide you really did take it right off of the Tablets to begin with and could not every change it.

So the discontinuities can not be avoided, and I think this may be a good time to consider such changes. And it would take, I think, a substantial amount of time to carry out the detailed plans to execute those things, in any case. And so a period of overlap could be built into such planning.

CHAIRMAN LEVITAN: Thanks, Harold.

CHAIRMAN LEVITAN: Mr. Cain, do you have any questions for your former colleague, particularly since he is attacking continuity.?

MR. CAIN: Yes, I do have several questions. For one of them, however I'm acting just as a proxy for Sam Popkins. I could lead into the question by saying first of all that I take it that Kurt is sympathetic with the idea of something like a hardship index to the extent that it's measuring low income and poverty and so on, when it comes to establishing criteria at the local level for lots of programs that are ostensibly aimed at alleviating distress in local areas. I'll have another question about that, but to get to Sam's question; it would be, do you also feel the need for the hardship index and if so, what kind, at the national level--once a year or perhaps more often, and if so, why?

DR. WATTS: I think we have one in the sense that we have a percentage of persons who are below an official poverty line and we've been using that one for some time. I would mainly like to see that one improved in the first instance by a more comprehensive set of resources being used for those calculations, and it could be improved by a reformation of the thresholds as well to reflect the fact that you're now talking about a different and more inclusive batch of resources. But I think that kind of a national hardship indicator, a scorecard,

is a useful thing. I have delivered myself earlier of improvements that I would think would make it more sensitive as well, and specifically argued for a measure that distinguishes between people who are just a little bit below and those who are a lot below. Something in the form of a gap measure is a more sensitive indicator, particularly if people are going to use it as a way of scoring programs. I don't much like programs that take those who are 5 cents below and just give them a little teeny nudge, which would make the simple kind of a scorecard move the most for a given dollar. But on the other hand, it does have the property of being very readily understood by the general public, the one based on the poverty gap is a little harder to grasp.

But in terms of interpreting hardship as chronic hardship, I think that's the line that needs to be developed and that those measures can and should be improved.

MR. CAIN: Okay, then on the index at the local area where you talk about relying on the food stamp program and its administration, I take it you really can't think of that device as being a source for unemployment rates, per se, at the local level and given that, I take it the implication is that unemployment rates be either abandoned or greatly diminished with respect to their use as a criteria for local areas.

DR. WATTS: Well, I think there are two ways, in which they could be useful for developing unemployment rate estimates. I don't think they would yield them directly, but you have in the food stamp data a much greater chance of tapping into a population that may be missed by the unemployment insurance statistics, in terms of uncovered occupations, in terms of more occasional workers and so forth, so that one can cover that end of the spectrum of the labor force with those data. I think there would be room for using food stamp data in developing a whole new annual for estimating

local rates. They could be based on really quite detailed and intensive studies of local labor market unemployment data as they vary over time, paired with the food stamp trends and changes through time could be used to allocate the otherwise globally estimated unemployment. One could get, by that method, a drastically improved means of estimating local unemployment statistics using food stamp results as a driver.

MS. WILLS: Glen, may I add to the question on that? I don't want to interrupt, but one of my questions was on food stamps. One of the states has done some initial work on taking a hard look at the food stamp administrative data, and they would agree with you that there is much richer data there, that we could have some creative combinations. I have been warned, and I am curious to know if you've done any looking into this, that there is probably a rural urban bias in the utilization of the food stamps that may still leave us with the nagging problem that we have now, even with the unemployment insurance data, in rural areas. I don't know whether we can ever overcome that problem, but have you checked that out?

DR. WATTS: If you can agree on the size of the bias, we can adjust it.

MS. WILLS: Good point.

MR. CAIN: How could you?

DR. WATTS: Just tell me how big it is and I'll say--

CHAIRMAN LEVITAN: But we don't know the size of the bias. What I understand John to say is that there is a bias and we don't know how much, and I'm asking you whether you can estimate its magnitude.

DR. WATTS: I don't know how much, but again I think that is the kind of thing that would be capable of being examined very closely in an intensive study and then used to adjust crude estimates.

MR. CAIN: The 1980 Census would offer a point in time when you would have comprehensive data, presumably on the real amount of unemployment and poverty at the most local area, and it's a time when you could have a match with the food stamp administration, as well as UI, and so on.

MR. WATTS: And the SIPP data as well, so that I think that those various converging sources of data could be used to nail down reasonable estimates of the size of the bias.

MR. CAIN: SIPP would have to be a very large aggregate geographic area to make that estimate of bias.

DR. WATTS: But I think the point is that a lot of research could be done toward finding ways of utilizing the potential of food stamp data, estimating the relationships that it bears to other indicators that we don't have ways of getting at on the local basis.

MR. CAIN: Actually, I do have more questions, but among all our testimony-givers, this is the one I have most access to in other contexts, so given the lateness of the day and so on, let me bypass.

MS. WILLS: Can I ask one more question? I'm sorry to do this, but I almost have to do it for Glen.

Your suggestion about taking a look and developing more information in terms of the population as a whole would suggest that we do that on the CPS.

MR. WATTS: Time use, you mean?

MS. WILLS: Yes. Or would you do that through the SIPP or some other kind of survey?

MR. WATTS: I think the CPS or a somewhat reformulated design for getting time use data would be very useful. I would like to see the design for that kind of a survey as the first step and then

serious consideration given to whether the CPS is the best way to do it, or whether a somewhat different sample design is needed. I rather doubt rather the four months on eight off, and four on, kind of pattern would be as useful for something that tries to get at detailed time allocation. But the people who have had some experience with estimation of time budgets, could provide some very useful input on that. I don't think that work can be regarded as a good pilot as the Michigan survey is for a longitudinal study, but there is a fair amount of accumulating wisdom in that area and could be exploited.

MR. OSWALD: You talked before in terms of a hardship index maybe not being necessary in light of some of the knowledge that we have from poverty statistics and what could be derived from food stamps data. What if we used a different terminology, maybe, such as a subemployment index that tried to measure not only unemployment but low earnings? Is there a need to have more information about earnings as it relates to families and their support--the sort of emphasis you gave before on the family issue?

DR. WATTS: I think we need to have more information on what our labor resources are like, and how fully and completely we are using them. Information on employment history and wage history provide some very useful ways of knowing when we're really wasteful and distinction in the way we're using our available labor supplies. So that the resource use aspect is treated in the recommendations that we've made on the labor force survey.

So far as the family is concerned, and turning to hardship, I really very much do equate poverty with hardship. I don't think they're a separate commodity. Chronic hardship equals poverty in the framework in which I'm thinking about it.

MS. OSWALD: That's why I'm using a different terminology. As this Commission has described it differently at different times and in some of the

background, materials. Wurtz at one time talked of a subemployment index, for example, where he used low income. That is at least conceptually maybe somewhat different than what hardship means.

DR. WATTS: In the case of sub-employment, I see the need to distinguish between the part of it which is a problem at a point in time when the labor market is employing people below their existing and demonstrated capabilities, and the sub-employment that comes from deficient and incomplete development of those capabilities--underdeveloped human capital in other words, we did not try to find ways of discovering the latter problem, the labor force issues we do examine try to address the former problem, the part that reflects a current failure of the labor market to use what people have, and have freely offered. The underdevelopment problem should be kept separate.

CHAIRMAN LEVITAN: There are lots of questions I would like to ask you, but given that we have one other advisor who has been waiting very, very patiently, I hope we'll have a chance to talk about it, either on the phone or possibly in Chicago. I'll look forward to receiving your paper. Maybe you'll answer the questions anyway, so I won't have to ask them.

Thanks very much, Hal.

Last but not least is Markley Roberts, Economist of AFL-CIO. Mr. Oswald, do you care to say anything before Mr. Roberts starts his advice to the Commission.

MR. OSWALD: No.

CHAIRMAN LEVITAN: Do you think you might approve his testimony?

MR. OSWALD: I am sure it will be excellent testimony.

CHAIRMAN LEVITAN: Mr. Roberts, you have the floor to proceed in your own way. Your total statement will be part of the hearing record.

STATEMENT BY MARKLEY ROBERTS, ECONOMIST,
DEPARTMENT OF RESEARCH
AFL-CIO

DR. ROBERTS: Thank you.

Mr. Chairman, my name is Markely Roberts. I am an economist for the AFL-CIO. I appreciate this opportunity to present the position of the AFL-CIO on a number of issues related to the nation's employment and unemployment statistics.

We have an obvious interest in good statistics on employment and unemployment. Good economic policy and good social policy depend on good statistics. So we welcome the efforts of this Commission to bring progress in this field.

First, I want to raise the AFL-CIO concern about the official unemployment statistics. Since early 1976 the AFL-CIO has been calculating and reporting our own measure of unemployment. We believe that the official monthly unemployment figures seriously understate the extent of unemployment and the amount of lost worktime and unused work skills.

Therefore, the AFL-CIO measure of unemployment includes not only the official unemployed but also discouraged workers who have stopped looking for jobs because they think no work is available--and also we include half of the "involuntary part-time" workers who want but cannot get full-time work for economic reasons.

The reason we take half of the "involuntary part-time workers is that studies by the Bureau of Labor Statistics show these people work an average of about 120 hours a week, about half the normal 40 hour workweek. I might add that we include agricultural workers as well as non-agricultural workers among the "involuntary part-time" workers. I mention this because the Bureau of Labor Statistics does not publish the data on "involuntary part-time" agricultural workers in its initial monthly release on "The Employment Situation" and figures appearing later in Employment and Earnings" are not seasonally

adjusted.

Our AFL-CIO measure of unemployment was 11.5 percent in 1975 when the official unemployment rate was 8.5 percent. In 1976 our AFL-CIO measure was 10.4 percent when the official rate was 7.7 percent. In 1977 our AFL-CIO measure was 9.8 percent when the official unemployment rate was 7.0 percent. And most recently, when the Bureau of Labor Statistics reported the June 1978 unemployment rate at 5.7 percent, the AFL-CIO measure of unemployment was 8.3 percent.

Of course, we are using BLS numbers, but we are putting these figures together in a way that gives a more comprehensive picture of the extent of unemployment and lost worktime and underutilized human resources.

Even the AFL-CIO measure, however, does not fully or adequately reflect the impact of unemployment and underemployment on workers and their families. For example, there are serious income losses for individuals and families. There are economic losses of potential output. And there are social costs in terms of dependency and crime and physical and mental health problems and social anomie and alienation.

The general point I am making here is that existing unemployment statistics don't tell us enough about the job needs and the income losses of millions of American workers and their families. It's much too easy to talk about "the unemployment problem" and forget about people. But unemployment statistics represent people--workers and their families, men and women and young people without jobs, without adequate income.

On the issue of discouraged workers, therefore, we are calling for inclusion of all discouraged workers, as currently defined, in the labor force and in the unemployment totals. This option has first preference.

In justification of this position, I think it is important to point out that econometric studies have indicated "hidden unemployment" going as high as 2 million at times when the official discouraged worker count ranged around 1 million. Also, the cyclical character of the discouraged worker count closely parallels the cyclical character of the existing unemployment total.

No doubt the "hidden unemployment" and/or discouraged worker categories contain a relatively high proportion of women and blacks and older people and particularly black youth. There may be some who would argue that these categories contain people who are "secondary income earners" in families with another income earner or other income earners. But this raises another issue, not the unemployment issue. If we want to know how many people want jobs, we should include discouraged workers in the regular unemployment count.

I recognize the value of the general principle of relying on objective criteria rather than on a subjective state of mind to determine unemployment and therefore I am open to discussion of the option of applying a test of labor market activity to those people who now fall in the discouraged worker category.

Thus, for example, one might include in the official unemployment count only those discouraged workers who worked or looked for work at least once during the previous 12 months.

On the other hand, I oppose the proposal to exclude from the official count those discouraged workers who believe personal characteristics such as age, race, sex, lack of education or lack of skills have kept them from getting a job--if they have worked or looked for work during the previous 12 months.

I want to raise a warning about the 12 month limitation insofar as it may wrongly excluded from the official unemployment count those discouraged workers in long depressed communities with substantial and persistent unemployment. Such conditions create and intensify discouragement and unwillingness to continue what seems to be perpetually unsuccessful job-seeking. It would be wrong to ignore such conditions and their impact on the discouraged worker count.

On the issue of part-time workers, I have already outlined a key concern of the AFL-CIO. We want half of the "involuntary part-time" workers added to the official unemployment count, along with the addition of discouraged workers.

We take this position because we believe that when people want full-time jobs with the earnings that come from full-time work it is important to know how far short we are in meeting the full-time job needs of the labor force. We recognize that there are some 12 million workers who voluntarily choose part-time work and we recognize their contribution to economic output and to flexibility of the labor force. But the unmet employment and earnings needs of the "involuntary part-time" workers represent an economic loss and a human loss -- and we believe the official unemployment count should include a measure of this loss.

We are recommending addition of only half of the "involuntary part-time" workers to the official unemployment count because average weekly work-hours for these workers are a little more than 20 hours, about half the normal 40-hour workweek. Thus, their full-time work equivalent is about half the actual number of "involuntary part-time" workers--and their full-time unemployment equivalent is about half the actual number of "involuntary part-time workers."

We believe it is appropriate and desirable to add this full-time equivalent unemployment to the official unemployment count, just as it is appropriate and desirable to add in the discouraged workers.

In computing the AFL-CIO unemployment rate, we divided our unemployment total by an adjusted labor force which includes discouraged workers as well as employed and unemployed workers.

I recognize that there is some similarity between our AFL-CIO unemployment measure and the Julius Shiskin U-7 measure of unemployment. His U-7 measure includes "full-time" jobseekers and plus one half part-time jobseekers plus one-half total on part-time for economic reasons plus discouraged workers as a percent of the civilian labor force plus discouraged workers less one half of the part-time labor force.

However, we believe our approach is simpler and better. We don't agree with the idea of subtracting out of measured unemployment any of those who are

looking for part-time jobs and we don't agree with the idea of subtracting from the total labor force those who are working part-time.

There are no simple or ideal solutions to the problems of part-time employment and the search for part-time employment in relation to full-time employment and unemployment. However, we believe the present "employed" criteria for one hour a week for pay or profit and 15 hours a week for unpaid family workers should be maintained. These criteria give us a measure of workers who are "economically active" in producing goods and services, one measure of labor force participation, without regard to full-time or part-time work status. Of course, this measure must be recorded in detail so that the "involuntary part-time" workers can be identified and half their number added to the "unemployed" count as we have proposed.

Workers on strike should continue to be counted as employed. Workers on strike have a job to which they will return when the labor-management dispute is resolved. The strike is generally a temporary interruption but not a break in employment. We see no need to change the present procedure of counting striking workers as employed.

Job vacancy statistics. The AFL-CIO has long opposed job vacancy statistics unless they reflect actual job orders for specific placement at the going wage level for specific occupations.

This means that standing job orders would be excluded, as well as any so-called vacancies at wages less than those prevailing for that type of occupation. The vacancy exists only if there are positive on-going attempts to try and fill the vacancy. A job must be immediately available, not available at some indefinite or even a specific distant time in the future.

For any job vacancy statistic to be of use, it must be tied to a specific job order by an employer for a specific job vacancy. If the employer is not willing to accept referrals to the job from the employment service, then it would seem to imply that it is not an immediate vacancy that needs to be

filled. If the wage rate is not one that prevails in that area for that occupation, it would not seem to be a realistic job opening. These job vacancy criteria have been emphasized repeatedly through the years in various discussions by economists in the labor movement. The failure to include these criteria in the BLS job vacancy series in the 1960's led to our opposition to that job vacancy series. Although that series of job vacancies was discontinued in 1974, Congress is now pressing for further work in this field. We have urged the U.S. Labor Department's Bureau of Labor Statistics to proceed very cautiously in the pilot projects on job vacancies.

Unfortunately, the Labor Department's Employment and Training Administration has started putting out a monthly release on "Occupations in Demand at Job Service Offices," a release which contributes to public confusion and misunderstanding and which may be misinterpreted and misused as a general economic indicator.

It is clear from the low average wage rates listed for clerical, sales, service, and benchwork occupations that a substantial part of the job openings listed, if they actually exist, are paying rates below the minimum wage. If not below the Federal minimum, it is obvious that many jobs are paying below local prevailing wages -- wages that are substandard.

The bulletin warns that "There is no guarantee that a suitable job is currently open in each occupation and location listed." This warning justifies our concern about the bulletin.

Furthermore, the occupation descriptions and the average pay information in the bulletin are so general and so uninformative as to be useless and misleading to jobseekers or employment counselors. We believe that many of the listings are not real job openings but only a listing by employers trying to build up a roster of jobseekers.

The ETA bulletin on "Occupations in Demand at Job Service Offices," looks very much to us like a kind of back-door "job vacancy" report which we

continue to believe is misleading and useless.

Since the Conference Board constructs an index of "Help Wanted" advertising in major newspapers across the country, I want to remind you of a report in August 1977 from the Long Island Consumer Action Organization (P.O. Box 504, Merrick, New York 11556) which found the 80 percent of "Help Wanted" ads in the classified sections of the New York Times, the New York Daily News, the New York Post, and Newsday were deceptive, misleading, or the jobs were not available.

Among the types of deception found were incorrect salaries, fee charges in spite of no-fee statements in the ads, misleading job titles, not available, or non-existent jobs, and come-on ads to lure people in for jobs different from those advertised. This suggests that users of the Conference Board index of "Help Wanted" advertising as a measure or proxy for job vacancies should approach it with considerable caution.

Employment and Earnings Inadequacy. I want to express a strongly held suspicion that union people have towards efforts to emphasize the role of women and teenagers in accounting for high unemployment. To us it appears that the new emphasis on labor force participation by women and teenagers is often an effort to minimize the seriousness of the unemployment situation rather than a neutral effort to describe, to explain, and to look, for solutions to persistent high unemployment.

Family status and age should not determine whether people are counted as employed or unemployed. We oppose implicit sex discrimination against women and implicit age discrimination against young job seekers--or elderly job seekers.

This is why we are suspicious of efforts to find out how many unemployed people have other members of their family working and earning income. And we have the same suspicion of a so-called "hardship index" that subtracts job-seeking pensioners and job-seeking teenagers living at home.

Of course, we recognize that Congress has asked the Commission to consider "the need for, and methods to obtain, data relating employment status

to obtain, data relating employment status and earnings, economic hardship, and family support obligations." Studies of "employment and earnings inadequacy" rightly demand us that substandard earnings and substandard family income are social problems along with unemployment. We need and we want information about people in poverty, about the working poor.

But there is a wide and important range of issues which such as "earnings and employment inadequacy" approach failus to deal with, for example, the safety and health of workers on the job and the physical and mental health of workers and their families who are affected by plant shutdowns and plant relocation specifically and by job loss generally. These are personal and social costs beyond so-called "employment and earnings inadequacy" and so-called "economic hardship."

We have support efforts to develop some kind of annual measure of employment and earnings inadequacy--and, indeed we welcome such efforts as a supplement to the present key role of unemployment statistics. But the search for a "hardship" measure must not undermine or undercut the measure of unemployment and it must be pursued with full awareness of the dangers of condemning some groups of the population to second-class status and the dangers of putting too much weight on feeble and inadequate data.

Specifically, we are very much concerned about proposals to subtract students aged 16 to 21 and persons aged 65 and over from the ranks of the unemployed; from the ranks of the discouraged workers; from the ranks of the full-time, full-year employed at less than poverty earnings; from the ranks of the intermittently employed at less than poverty earnings; and from the involuntary part-time employed at less than poverty earnings.

Furthermore, the exclusion of jobseeking wives of men employed at above-poverty wages--or the exclusion of a jobseeking husband of a women employed at above-poverty wages--involves arbitrary judgements about economic hardship. The members of this

Commission should not be making such judgements. In fact, there are other existing studies underway which are exploring "hardship"--specifically, the HEW Survey of Income and Program Participation and the Minimum Wage Commission set up by the 1977 Fair Labor Standards Act Amendments.

You need detailed information on family income and family structure, health, child-rearing responsibilities, and many other issues before you make arbitrary judgements on "hardship".

A number of other difficulties exist, among them the earnings data from the March and May Current Population Survey. We consider these earnings data considerably less than fully reliable in terms of response error and in terms of distributions and size of cells. The AFL-CIO has expressed its concerns of these data to the Bureau of Labor Statistics. There is a serious problem in putting together less than reliable point-in-time earnings data and less than reliable annual earnings data.

Perhaps more serious than these data problems--with which the Bureau of Labor Statistics has already been wrestling--is the existence of labor market related hardships and social loss and social breakdown which are essentially non-economic in nature. I am referring to occupational safety and health statistics and also to the kind of findings reported by Dr. Harvey Brenner of Johns Hopkins University in his study "Estimating the Social Costs of National Economic Policy: Implications for Mental and Physical Health, and Criminal Aggression," a report published in October 1976 by the Joint Economic Committee. Also, the University of Michigan Institute for Social Research has produced studies showing serious mental and physical results of plant closings and workers experiencing job loss as compared with control groups or workers in comparable settings who were in no danger of plant shutdown and job loss.

Unfortunately, the Commission's tentative report outline data March 31, 1978 indicates no more than a passing reference to measures relevant to analysis of social costs of unemployment. I suggest

that the door opened by Dr. Brenner and by the Michigan Institute and other such studies should be opened still further by the Commission's report and recommendations.

Occupational Safety and Health. I urge this Commission to give some attention to employment-unemployment related data needs in the field of occupational safety and health. We are in serious danger of choosing to measure what we know how to measure instead of getting the information that we need.

For example, we are getting fairly good information on accidents and injuries. But what about occupational diseases and ailments? These are much more difficult to identify in their early stages and they may show up only after years of exposure to precipitating toxic substances.

Even if there is no easy answer to this problem, the Commission would be seriously remiss and derelict in its duty if it fails to consider employment-unemployment-related data needs in the occupational safety-health area.

Illegal Alien Workers. We urge this Commission to give attention to the need for labor-market-related data on illegal aliens in the U.S.A. Unfortunately, there is almost no useful data on alien workers, although estimates of the total number of illegal aliens now in the U.S. range as high as 12 million.

The primary reason illegal aliens migrate to the United States is the lure of jobs and income opportunities. Many employers hire them because illegal aliens are willing to work hard for long hours and substandard pay. The result, of course, is serious undermining and undercutting of wages and working conditions for U.S. citizen workers and permanent residents. The aliens' need for work and their continuous liability to deportation if they don't behave and accept what is offered to them leaves them subject to intimidation by unscrupulous, exploiting employers who deliberately choose and often seek out or encourage importation of illegal alien workers.

A study conducted for the U.S. Department of Labor and released in November 1975 reported that illegal aliens are clustered in the secondary labor market, primarily employed in low-level jobs and consistently paid wages at the lowest range of the low-wage scale. The 1975 study also reported that illegal aliens compete with disadvantaged U.S. citizen workers. "Given the low-skill, low-pay work in which they are employed in this country, it is clear that the subgroup of the U.S. labor force with which most illegal are competing are the disadvantaged workers; i.e., comparatively low-skilled or low-paid workers: the young, the old, members of minority groups, women and the handicapped." The 1975 report concluded that cheap illegal alien workers have an impact varying with the relative concentration of illegal alien workers in a given labor market--the higher the concentration, the greater the impact in depressing low-level wages and working conditions.

In a preliminary report in December 1976, the Domestic Council Committee on Illegal Aliens noted that illegal workers are vulnerable to exploitation by unscrupulous employers and noted "horror stories" of employers who report illegal aliens to INS in order to avoid paying wages. This 1976 report noted that a study found 23 percent of illegal aliens interviewed were paid less than the minimum wage and 18 percent believed they were hired because they were illegal aliens.

On the basis of these reports, on the basis of common sense and reason, on the basis of the experience of unions and workers in the U.S., it is clear that the impact of illegal alien workers in U.S. labor markets causes loss of job opportunities for U.S. citizen workers and results in the undermining and undercutting of domestic wage and labor standards. Therefore, this Commission should examine carefully the data requirements and the opportunities for getting more and better data on illegal alien workers in U.S. labor markets.

Seasonal Adjustment. We have a continuous interest in seasonal adjustment processes and results and have examined the BLS Issue Paper on

"The Accuracy and Uniformity of Seasonal Adjustment" which was prepared for this Commission.

One key point I want to make is the need for credibility. We agree with the BLS that "the seasonal factors should be announced annually for the forthcoming 12 months to preclude suspicion of tampering, to promote public understanding of the current data, and to remove any doubt that the factors are subject to short-term economic change." We also agree with BLS that "the user should, with a fairly limited statistical background, be able to understand the general process."

To this end, we urge that the most recent table of "current seasonal adjustment factors for labor force components" of employment and unemployment be printed in every monthly issue of "Employment and Earnings" and in every issue of the "Monthly Labor Review." The seasonal adjustment factors for the twelve months of 1978 appear in a table on page 14 of the February 1978 issue of "Employment and Earnings."

We recognize that the monthly press release has an explanatory note on seasonal adjustment, that "Employment and Earnings" regularly carries an end-of-the-book note on seasonal adjustment plus an annual article on seasonal adjustment, and that the "Monthly Labor Review" regularly carries a brief note on seasonal adjustment.

But the most useful quick reference item is the table of current seasonal adjustment factors for labor force components and this table should be readily available to users of the employment and unemployment data in "Employment and Earnings" and in the "Monthly Labor Review."

Mr. Chairman, this has been a relatively brief survey of a limited number of the many issues before this Commission. I appreciate this opportunity to present some of the AFL-CIO concerns about employment and unemployment statistics. Thank you.

Well, I am open to any comments or questions that you would like to present.

CHAIRMAN LEVITAN: Mr. Oswald, I think you have some disagreements with that statement?

Employment and Earnings February 1978

Table 2. Current seasonal adjustment factors for labor force components

Procedure and series	Jan.	Feb.	Mar.	Apr.	May	June
Multiplicative Adjustment¹						
Agriculture employment:						
Males, 20 years and over	90.7	92.2	93.7	99.1	102.8	107.4
Females, 20 years and over	81.4	72.3	77.1	88.6	112.0	122.2
Males, 16-19 years	62.0	66.4	74.3	96.2	103.6	143.5
Females, 16-19 years	62.3	56.9	62.6	72.4	92.4	163.4
Nonagricultural employment:						
Males, 20 years and over	98.7	98.4	98.8	99.4	99.8	100.6
Females, 20 years and over	99.8	100.2	100.7	100.6	99.9	98.6
Unemployment:						
Males, 20 years and over	117.7	122.0	114.8	102.4	93.0	96.9
Females, 20 years and over	108.6	108.5	101.8	94.5	88.5	98.4
Additive Adjustment²						
Nonagricultural employment:						
Males, 16-19 years	-381	-383	-336	-210	-112	487
Females, 16-19 years	-265	-257	-224	-202	-151	224
Unemployment:						
Males, 16-19 years	55	19	-24	-111	-148	338
Females, 16-19 years	-15	-71	-39	-120	-119	336
	July	Aug.	Sept.	Oct.	Nov.	Dec.
Multiplicative Adjustment¹						
Agriculture employment:						
Males, 20 years and over	107.4	107.1	103.7	104.3	98.0	93.4
Females, 20 years and over	129.2	119.8	106.7	117.4	93.0	80.3
Males, 16-19 years	159.1	145.7	102.1	94.2	83.8	69.1
Females, 16-19 years	212.7	172.0	101.9	87.1	63.9	51.6
Nonagricultural employment:						
Males, 20 years and over	101.0	101.2	100.8	100.8	100.3	100.0
Females, 20 years and over	97.4	97.8	100.0	101.5	101.6	101.9
Unemployment:						
Males, 20 years and over	95.3	92.8	86.9	87.8	92.0	98.9
Females, 20 years and over	100.1	104.6	106.4	99.7	98.6	90.4
Additive Adjustment²						
Nonagricultural employment:						
Males, 16-19 years	936	751	-202	-129	-216	-204
Females, 16-19 years	640	465	-153	-60	-38	19
Unemployment:						
Males, 16-19 years	187	-20	-90	-109	-32	-67
Females, 16-19 years	157	34	23	-31	-49	-107

¹ Multiplicative procedure: To derive seasonally adjusted level, divide original value by factor and multiply by 100.

² Additive procedure: To derive seasonally adjusted level, subtract factor from original value.

MR. OSWALD: I'll pass on the questions.

CHAIRMAN LEVITAN: Mr. Anderson?

MR. ANDERSON: Mark, you call attention on page 12 to a Department of Labor study of the illegal alien question. Could you be a bit more specific about a criterion on that? I do not recall that study.

DR. ROBERTS: I can get an accurate reference for it, but I think it was a study done by Dave North--

MR. OSWALD: Or the Commission on Manpower Policy.

- (1) David S. North Immigrants and the American Labor Market", Manpower Research Monograph No. 31, U.S. Department of Labor, 1974.
- (2) Domestic Council Committee on Illegal Aliens, Preliminary Report, December, 1976.
- (3) National Council on Employment Policy, Illegal Aliens: An Assessment of the Issues, October, 1976.

MR. ANDERSON: Do you recall how the illegal aliens were identified in that study and on what basis was information collected that would have permitted the author to conclude that there was substantial competition between these workers and American workers for low income jobs?

DR. ROBERTS: I know that a study by David North used interviews with illegal aliens who had been apprehended and returned, and I think that is a source of it. Again, I would be happy to check back on that and see, but my recollection is that there was a fairly large scale interview of about 1200 or 1500 apprehended illegal aliens.

CHAIRMAN LEVITAN: That was a study a few years ago which David North presented to your council--the National Council on Employment Policy, and he presented that in the testimony.

MR. ANDERSON: I will have to look at that again. Forgive me.

CHAIRMAN LEVITAN: That was two or three years ago, before you presided over that council.

MR. OSWALD: That's recently been republished in more detail by the--

MR. ANDERSON: I will take a look at that.

CHAIRMAN LEVITAN: For a small price I will give you a copy.

MR. ANDERSON: I'd like to perhaps correspond with you on a number of the points that you raised in your paper. In the interest of time I won't pursue it, but there are at least two questions that you touch upon here that I think the Commission should have some further elaboration on. One is your recommendation that all the discouraged workers be counted, and the other is the recommendation that we not collect job vacancy statistics. I'd like to perhaps have you respond to that.

DR. ROBERTS: Well on the issue of the discouraged workers, I would like to point out that if you look at the labor force participation rate, say for adult black males, being so far below the labor force participation rate for adult white males, and this is particularly true at the upper age levels, say 55 to 64, it seems obvious that there is some discouragement operating there that we are not picking up, and I think the same thing operates with black teenagers. The labor force participation rate clearly indicates that there are a lot of discouraged black teenagers. And this is one of the reasons that I said in this that we should not take only economic factors, but also some of these personal

factors which account, or people give as their reasons for discouragement because a black teenager or a black adult male 60 years old might feel that there are jobs out there but that because of discrimination, that person would not get the job and therefore the person would not look for a job. And I think the same thing may operate to some degree with elderly people who want a job but don't look for a job because they think their hair is too white and they look too old, or something of that sort.

CHAIRMAN LEVITAN: Dr. Roberts, instead of asking a question, I would like to take my time to put a statement in the record which I have told you several times orally, but may be if I put it in the record you'll read it there and then we'll not have to fight about it again.

I don't know why your associate hardship or inadequacy index with some attempt to exclude youngsters who go to school or oldsters over 65. The point that we're discussing at the Commission in developing a hardship is a way of looking at the labor market which is now missing in BLS statistics that has nothing to do with any attempt of which you disapprove. I trust that you will join us, however, in developing a new way of looking at the labor market, and not associate it with previous attempts which obviously have not met with your approval.

DR. ROBERTS: Well, I would have been very much surprised if you had not clarified your views, and I appreciate the clarification.

CHAIRMAN LEVITAN: Thank you, Dr. Roberts. We'll now turn to Ms. Wills.

MS. WILLS: It's getting late. Two very quick ones. You speak about the SIPP survey. I have been told, but I have not yet studied it, so my ignorance will probably show, that what they're

talking about in terms of a definition or a concept of employment and unemployment is different than the CPS concept or the BLS. Do you think that poses a problem and do you think that if you're endorsing the utilization of SIPP that you should use the same concepts for employment?

DR. ROBERTS: I'm sorry. I don't know enough about what they're doing to give you a good answer.

MS. WILLS: One other issue; it is not clear to me, I'm quite familiar with your version of unemployment rate. Do you think that we should have only one unemployment rate? Do you think there's any value of U-1 through U-7, or do you think this Commission should have some responsibility to review those different kinds of rates and make some recommendations for the publication of different types of rates for different reasons and purposes?

DR. ROBERTS: Well, we're already getting a conglomeration, a family of rates, and I think it is possible for anyone of us to create some combination, and I think the merit of the U-1, U-7 approach is that it gives some sort of semi-official blessing to seven different rates. And I think one reason that BLS and Julius Shiskin came up with this approach was in part because the AFL-CIO was suggesting that the official rate did not give a fair, comprehensive indication of the total problems of unemployment.

So it seems to me that there is no need for calling for a family of rates when a family of rates is already available or can be put together very easily. I'm not saying that we need to stop using U-1, U-7, but that can be produced by both Labor Department people or by outside people with pencil and paper.

MS. WILLS: I was really thinking about use by Congress for different kinds of programs.

DR. ROBERTS: And you're asking if there is one single rate rather--is one single rate better than a family or collection of rates? Well, I think one single rate is going to be used as a general indicator because the people on the Hill and the public generally want to have one single rate. They don't want to have to deal with all these figures and when you are tying money to an unemployment rate, you do not want to have to go through sort of gyrations to figure out which one of the various official unemployment rates you are going to use. It seems to me that one unemployment rate simplifies life for the people who are not dealing with these figures all the time. But there are other figures that can and are used also.

CHAIRMAN LEVITAN: Dr. Cain, would you regard that as a suppression of your First Amendment rights if we closed the hearing right now, or do you feel a compulsion to ask a question? I would not want to stand in your way if you have a compulsion to ask that question.

MR. CAIN: Well, three minutes, maybe.

CHAIRMAN LEVITAN: You have unlimited time.

MR. CAIN: I might mention that I found your remarks about, you might say, the full cost of unemployment quite appropriate to have that emphasis given. I mean, there's been so much talk about transfer payments having alleviated unemployment, of the multiple-earner families having alleviated it and so on. There's a danger, I think, that we're starting to think that unemployment, like slavery under the works of Fogel and Engerman, is not all that bad. So I was impressed with the emphasis that you have.

On the other hand--and I am not sure I should say on the other hand--with respect to your emphasis on the mental health, aspect of it, or even physical health, do we have any evidence that

this dimension has grown more serious than it's always been? I mean, I would have thought that there is always been that psychic, physical cost in the health sense due to unemployment. Is there any evidence that it is more serious today than it was ten years ago, 20 years ago or 30 years ago?

DR. ROBERTS: I don't have any clear perception on that. I might speculate about fewer and fewer people being classified as self-employed, although there is a certain cyclical pattern to that two when self-employment seems to rise in times of high unemployment. But in general as fewer people have the option of saying to themselves I'm in business for myself, even if I'm not doing very well in my own self-employment, at least I have that degree for independence that a self-employed person thinks of.

My point here is that I think the dependency on the job for a kind of social status as well as for income, becomes more and more important as there is an increase in the percentage of people who are on payrolls or working for someone else or working for some employer, rather than being self-employed, but that's a kind of speculation that your question raises in my mind, and it's an idea I would like to conjure with further, but not on your time.

MR. CAIN: My last question, I wonder if you haven't in some ways demanded too much of the current population survey as our main instrument for measuring labor force status when you ask that it do more to establish the relationships between accidents, injuries--or not even accidents and injuries as much as it is occupational diseases and ailments. You can't expect, can you, that the CPS ask all sorts of personal health questions? The National Institutes of Health has their own health survey. Wouldn't that be the appropriate vehicle for trying to relate explicit health questions to labor force activities?

CHAIRMAN LEVITAN: Glen, did Dr. Roberts say that it should be in CPS? I did not read it that way.

DR. ROBERTS: Well, I was going to respond that I don't think this necessarily has to come out of the Current Population Survey. It seems to me that perhaps it might better be part of some annual measure. I think it would be rather difficult to do it on a monthly basis from the Household Survey, but I think some procedure, some technique could be used. The household survey has questions that come just one month out of the year, as it stands now, and it may be that it could be structured so that once a year some sort of information could be gathered from that.

Now I might say again that some very dramatic examples of this sort of thing I found in a Studs Terkel book, Working, where there are some interviews with people who just experiencing serious health problems that had emerged after a long period of working, and I cite that because at least that's something that's in books and in paper, and I think this Commission is not likely to go out and talk to people who have been exposed to toxic substances over a period of 20 years, and they may not even know that there are health problems that are related to their work.

CHAIRMAN LEVITAN: We wouldn't mind writing such bestsellers as Terkel's Working.

Dr. Roberts, I would like to join my colleague, Mr. Cain, in complimenting you on calling the Commission's attention to the total cost of unemployment, not just the way we usually count it, and calling attention to Dr. Brenner's surveys. I think that that was a point that was omitted in our previous hearings, and your concluding comments will fill a gap in the testimony that has been presented to our Commission.

Thank you very much, Dr. Roberts.

This concludes the public hearings of the Commission, at least this stage, unless the Commission decides to hold another set of hearings.

We'll keep the record open to revise the comments made by those who testified before the Commission, but only to revise, not to extend the remarks.

This concludes our hearings for tonight.

(Whereupon, at 6:55 p.m., the hearings was concluded.)

Appendix A

Additional Submission by James C. Simmons,
Associate Professor Economics
Florida State University

The following is in response to a request from the Commission that I elaborate on certain concepts in a supplement to my oral statement before the Commission. The request was that I prepare suggestions for criteria in defining "discouraged" workers.

Labor force status data must be sharply defined if they are to be unambiguous. I think there is no argument on this point. In accord with this "employment" is adequately defined though troublesome in some respects. (For instance, assuming a 40 hour week, a person working part-time involuntarily only one hour during the survey week is 95.5 percent unemployed.) The definitions for "unemployment" and "discouraged" workers does not yield clearly defined categories and leaves much to be desired.

I start with the basic assumption that with a given population the size of the labor force is determined by the count of those employed plus those unemployed. Those employed are involved in a marketable activity for remuneration--excepting the military and family members working without pay on a family farm or in a family business. The unemployed are those who state that they are, or have been looking for work during the past four weeks. Those who are not employed or unemployed, as now defined, are not counted as being in the labor force.

Where the labor force is concerned our interest should be in a count of the employed plus a count of people available and able to carry out marketable labor activity for remuneration. If they are not available and able we cannot conceivably consider them as currently potential workers. This is recognized by not counting full-time students who are not currently available for work although they say they are looking for work to start in the future. This same criteria is not applied generally

in defining the unemployed. Even though not a student others looking for work during the survey week may not have been available or able to work during the survey week. This is even more probable when a person had last looked for work during the third week prior to the survey week. In other words, some people are counted as unemployed who are not currently potential workers. This would tend to overstate the level of unemployment in terms of available and able workers. An available and able criterion would eliminate from the count of the unemployed those not currently part of the labor supply although looking for work. A "yes" answer to question 22E of the CPS would indicate that a person was unavailable for work. This is not an attempt to lower the count of the unemployed but rather to relate it more closely to a real labor supply. This brings us to a problem with the "discouraged" worker concept.

A discouraged worker is one who would like to work but has not looked for work during the past four weeks--the same four weeks used in determining whether a person is unemployed. These four weeks are unnecessarily arbitrary. A person who has not looked for work during the past four weeks is a discouraged worker although he states that he wants work. The person classified as unemployed was not asked if he or she currently wanted work, only if he or she had looked for work during the past four weeks. The person who has not looked for work for four weeks is certainly as unemployed as the person who has not looked for work for three weeks.

I think the four week criterion of looking for work should be discontinued along with "looking for work" criterion. The criteria for being unemployed should be "wanted to work", "available for work" and, able to work during the survey week. This is the current unemployed labor supply.

Currently, the discouraged worker criteria are such as to make it impossible to determine the actual labor supply that is included in that category. Anyone wanting work although not looking for work for whatever reason, wage, illness, school, family responsibilities, etc., including "other" is included although not available for work

or not able to work or both. Such people are not actually part of a current (survey week) labor supply and should not be counted as such. Statistics on such people are desirable but they should not be given labor force status. Only those who are part of the current labor supply should be given labor force status.

Briefly,

1. All persons not currently employed who are currently available and able for work should be counted as unemployed. Others should not be counted as in the labor force. This would include some people currently counted as discouraged workers and exclude some people now counted as unemployed.
2. "Looking for work" should not be a criterion for determining unemployment.
3. All labor force data should relate only to the survey week. No one suggests that a person not employed during the survey should be classified as employed because they had worked sometime during the past four weeks. Why should a different time period be used for determining unemployment?

How can it be determined that a person was available for and able to work during the survey week? Also, how is it determined that a person was looking for work or wanted work? It is determined by asking and although the response may not be true it must be accepted as no material evidence is likely to be available. Whether a person was available for and able to work must depend on the same evidence.

Question 24C of the CPS establishes the desire to work and question 24D is to determine why a person did not look for work. Although looking for work should not be a criterion for determining unemployment, it can serve to determine whether a person was available for and able to work. The question (24D) gives possible reasons for not looking for work. A person in one of the first four categories of the question is available for and able to work and such a person should be

classified as unemployed if having stated a desire to work. In addition, question 22E could also be asked of those not looking for work as well.

If for some overwhelming reason (which is not evident to me) it is necessary to retain the present definition of unemployed it would be desirable to clearly define a sub-labor force category of people who want work and are available for and able to work although not looking for work which is separate from those who simply show an interest in work but who cannot be considered part of the current labor supply.

Appendix B

Additional Submission by Kurt Mohay
Research Analyst,
National Association of Manufacturers

Dr. Sar Levitan
Chairman
National Commission on Employment
and Unemployment Statistics
2000 K Street, N.W.
Suite 550
Washington, D.C. 20006

Dear Mr. Chairman:

This letter will restate, and in some cases supplement, our views on some of the issues being considered by your Commission. If you care to make it part of the Commission's official record, we will be glad to have you do so.

1. Measures of Economic Hardship

A comprehensive program for measuring the economic hardship experienced by Americans, from whatever cause, would raise difficult and complex problems which might lead the Commission far afield from its primary assignment.

The statistical pitfalls involved in distinguishing individuals and families suffering hardship from those who are not, are nearly infinite and may be insuperable. Standards of income adequacy are inescapably subjective and hence subject to endless argument. Standards would have to vary by region, by type of location with region, by numerous family characteristics, etc. It is doubtful that such standards can ever fit individual cases at all appropriately. Unreported income is apparently a large and growing proportion of the true national income, and any statistical results would be suspect for that reason.

Rather than undertaking comprehensive measures of hardship, a more limited attempt to compare the well-being of those employed with the well-being of those without employment might be more fruitful. It is hard to deny that if, at the lower end of the skill spectrum, transfer payments have made the lot of those without jobs as attractive as the life of those with jobs, there will be little incentive to seek employment. If the Commissions can devise a practical statistical method of exploring this question, it will serve a useful purpose.

2. Job Vacancies

On the question of gathering job vacancy data, we feel that a job vacancy survey could be useful to employers and the unemployed. Information on the job opportunities that exist, where they exist, how long they have been available, and whether they are full or part-time could assist the unemployed in their job search and could help employers located qualified personnel. Such job vacancy data could help the skilled unemployed determine where their talents are in demand and it could prove helpful to the employer who cannot satisfy his labor requirements in the local labor market.

The development of job vacancy data, however, would not be without many difficulties. For example, if state employment agencies are to be responsible for compiling and editing the vacancy data they should not be permitted to use this data in their placement programs or the data would be biased. The development of job vacancy statistics might also encounter some problems with the employers who are reluctant to report job openings, for fear that the company would be burdened with

referrals from state placement agencies. Many companies have their own time tested means of filling vacancies and therefore, do not desire state referrals. If the data is not to be biased by non-reporting or incomplete reporting, it may be necessary to assure those employers who do not want referrals that they will not be burdened with them.

The Commission may also wish to address several design options of a job vacancy program. First, is the program to be a comprehensive compilation of job vacancies or a statistical survey. The choice between these options will impact on the expense and time requirements of the program. Second, the Commission may want to comment on whether the program should be designed so that the data can be matched with major elements of the employment and unemployment survey. A program that permits comparison of vacancies and unemployment would argument the Nation's understanding of the labor market and be valuable when designing public employment and job training programs. The Commission should also consider how detailed a geographical breakdown is necessary, i.e., is job vacancy data to be compiled only at the state level or is it to be available at the local level? Finally, the Commission should also consider the frequency of data collection. Will data that is collected annually satisfy the goals of the program or must the data be collected more frequently?

These are just some of the problems that will arise in the development of job vacancy data. However, the problems are not insurmountable and the Commission with its wisdom and expertise should be able to suggest reasonable solutions.

3. Seasonal Correction

The adjustment of employment and unemployment data for seasonal movements is a complex problem on which we are not qualified to offer technical advice. We do wish, however, to record our distress at finding, at the end of certain recent years, that revisions in the seasonal adjustment process revealed an entirely different pattern of movements in the adjusted unemployment rates than had been indicated by the monthly adjusted data published during the year. This has the potentiality of seriously misleading the makers of national economic policy on critical questions.

I have no specific recommendations for remedying this situation, but I hope that the Commission will explore the matter thoroughly. Its importance cannot be overstated.

I appreciate the opportunity to supplement our views on some of the issues being studied by your Commission. If you would like to discuss in further detail the views expressed in this letter or in our written testimony please don't hesitate to contact me.

Sincerely,

Kurt Mohay

Appendix C

Additional Submission by
Markley Roberts, Economists
Department of Research, AFL-CIO

Sar Levitan, Chairman
National Commission on Employment
and Unemployment Statistics
2020 K Street, N.W.
Washington, D.C. 20006

Dear Mr. Chairman:

I would like to supplement my July 26, 1978 statement to the Commission with the following comments.

U.S. exports and imports affect U.S. jobs. The need for detailed information on the job impact of these exports and imports is becoming more and more urgent. Unfortunately, current collection of export-import information does not relate directly and specifically to production and jobs. Promises of help for workers injured by trade are not now being adequately fulfilled because of the failure of the government to collect the necessary export and import job-impact information.

The AFL-CIO urges that such trade-related employment and unemployment information be collected--and also information about the job-impact of U.S. technology transfers to other countries, even when no trade flows are recorded. Technology transfers can displace U.S. job and job opportunities, creating unemployment, even though no imports or exports are immediately reported. Information is needed also on the job-impact of changing currency values and on the job-impact of policies of U.S. based multi-national corporations.

I respectfully request that these comments be brought to the attention to the other members of the Commission. Thank you.

Sincerely,

Markely Roberts, Economist
AFL-CIO Research Department

APPENDIX D
OUR MISLEADING MEASURES AND CONCEPTS
OF EMPLOYMENT AND UNEMPLOYMENT

Mack A. Moore
Professor of Economics
Georgia Institute of Technology

In the 1950s economists began to take note of a pattern of "prosperity unemployment," which referred to unemployment amidst a growing economy, as opposed to that of the stagnant economy of the 1930s.

I contend that prosperity and unemployment are both overstated by the misleading definitions and measuring concepts underlying the alleged extent and causes of unemployment. Accordingly, much of the unemployment is actually caused by the purported solutions.

Any discussion of labor force statistics is futile unless such statistics are seen as an integral part of the maize of complex relationships involving unemployment, employment, growth, productivity, inflation, and government spending (including expenditures on the major alledged cure for structural unemployment: education).

First of all, in order to be counted as unemployed, respondenets in the household survey must only say that they have made some "effort" to find a job. The list includes such nebulous efforts as "checked with friends or relatives." There is no verification of the alleged job search, nor is there any consideration of need. Most crucially, no question is raised as to the reasonableness of the respondent's asking wage or other expectations.

An additional category known as the "discouraged" worker has come on strong in recent years, referring to those people who have not made some "effort" to find a job (and hence are not counted

as unemployed) because they feel that no jobs are available. But no account is taken of the unemployment caused when employers go out of business because they have become discouraged in trying to hire workers. When a textile mill closed in in Atlanta in 1969, I was told that a major cause was the inability to hire help at pay rates which the firm's product market would permit it to pay; over 800 workers (who obviously were willing to accept the going rate for that type of work) became genuinely unemployed.

One major reason for the shortage of unskilled labor is the national obsession with education. The personnel manager for a small town textile mill once explained to me that "our problem is that all of the young people have been to school and since left for Atlanta or other cities in search of white-collar jobs. Our only hope is to 'automate out' the jobs which people refuse to do." (I shall return to the education-automation-unemployment complexity in due time).

Help Wanted signs have become standard fixtures in many restaurants and other retail establishments.

The standard explanation for the disappearance of unskilled workers is that textiles, food processing, and other competitive (and hence low wage) industries only provide "dead end" jobs. But from an economic standpoint, these jobs involve the production of our most vital consumer goods/services. From the standpoint of equity, the demand that government provide "good" jobs for the discouraged workers means that the millions who ARE working at those "dead end" jobs are expected to subsidize public "service" jobs for people who will only accept jobs under unrealistic conditions.

Thus, the problem is not as the stereotype "conservative" insists, that "no one wants to work any more." Rather, the problem is that people do not want to work for what they are worth. We cannot provide a custom job for everyone on his own terms, any more than we can provide every male with a beauty queen.

The common defense of the limitations in our definition of unemployment is that it is not intended to measure the desperation with which people look for jobs, but that it is a measure of human resource utilization. But just as our definition of unemployment assumes that those classified as unemployed are "willing, able, and seeking suitable work" (as per the traditional definition of unemployment) we assume that those classified as employed are producing something of useful, want-satisfying value to the ordinary consumer-citizen. We persist in such assumption, in spite of the fact that virtually every public proposal is valued in terms of the numbers of jobs it will create. Indeed, jobs have become the end product, so that we are in a state of empleomania.

The epitome of this contradiction is that the national obsession with investment spending emphasizes the number of jobs which the production of capital equipment will produce. Public utilities support requests for rate increases by pointing to the number of jobs which the construction of new facilities will generate.

And yet new equipment is virtually synonymous with automation, which was the very essence of the so-called Manover Revolution, in which automation was the main culprit in the disappearance of jobs. Thus, we are going to "solve" unemployment by subsidizing what was alledged to have been its major cause.

When combined with the fact that the manufacturing sector is currently operating at about 83% of capacity, the situation approaches the

bizarre. For it means that we are being told that we should subsidize the creation of more idle capacity.

This brings up the whole question of the measure of economic growth. The Gross National Product measures sales to private consumers, business firms, government, and foreign buyers. Accordingly, it does not measure consumer welfare, but measures vendor welfare. That is, again, much of investment spending and government spending are now openly and unabashedly designed to create jobs. To put it another way, such spending is intended to shore up prices and wages. And our measure of total economic activity (which is all the GNP is) would reflect economic welfare only if prices equaled values. The GNP does not measure the production of goods; it measures the production of money. It does not measure output; it measures resources chewed up as inputs.

To expand briefly on this (very crucial) topic, our national income statistics claim to eliminate "double counting" (by excluding all purchases except "final" goods/services, i.e. only end products are counted).

The fallacy of that assumption may be seen in agricultural statistics. There, as in other sectors, we measure productivity in terms of output per manhour, which considers one factor only: labor. The agricultural worker is highly productive because he uses expensive machinery and chemicals. According to the 1978 Economic Report of the President (p. 366) the index of farm labor input was 78, based on 100 for the year 1967. The index for chemical inputs was 146, and for machinery 114.

The most appropriate figure is output per unit of total input. Such figure is no longer published in the ERP, but the 1972 edition (p. 291) shows

the index for 1971 at 107 (again, with 1967=100). In fact, the index for total farm output was only 112, and for daily products it was only 101, which was not even enough to provide for the increase in population for those years.

The national obsession with productivity is, in my opinion, designed to promote the sale of capital goods, i.e., it is intended to enhance vendor welfare. It is no mystery that the concern over productivity invariably seems to come from those who stand to profit from increased sales of capital goods, including the financial institutions.

Moreover, one could argue--as many do--that capital expenditures are a result of profit, than a cause of profit, i.e., that prosperity leads to what may be called corporate empire-building.

By the same token, prosperity encourages spending on education, or what is loosely called "human capital investment." Only the most naive would fail to recognize that educational budgets are a function of the amount of public funds available. Such funds are automatically swelled by inflation, since they rely heavily on sales taxes, which are influenced directly and immediately by price increases.

Yet here is another measuring problem, in that education is measured by years of schooling, which in turn reflects the amount of budget consumed. And that, in turn, merely denotes sales to the education industry, which again measures vendor welfare. To illustrate this discrepancy, there is as much vendor return in providing one year of college to four students as there is in "selling" fours years to one student. Yet to the consumer, the benefit of one year of college is nil, since the reward is heavily concentrated in the terminal year.

Excessive emphasis on education causes inflation, since (like excessive capital expenditures) it diverts resources from consumer goods production. Furthermore, it imposes equal aspirations upon people with unequal abilities and hence reduces the effective supply of labor,

although educational expenditures increase aggregate demand.

Contrary to an assumption implied in the Phillips Curve thesis, inflation actually causes unemployment, in at least two ways. First, it drives more housewives into the labor market. Second, employers who face competitive product markets cannot pass the higher labor and other factor costs onto their customers and hence are forced out of business (like the Atlanta textile mill cited earlier).

Whether it be for education or otherwise, government spending is not seen as a burden, but as a "contribution", ignoring the fact that government can only give to some what it takes from others. Yet Atlanta's Mayor Maynard Jackson told the Commission during hearings held there that certain proposed changes in unemployment statistics would "cost" the city \$14 million in lost CETA funds.

Once more, the assumption is that prices values; that is, it is assumed that every worker employed on these public "service" jobs is producing worthwhile services, and that his wage measures the value of his contribution. And that, in turn, makes the assumption that inflation-ridden citizens would opt for those "services" if given the choice.

The treatment of government spending as an independent source of wealth saw its zenith in the Negative Income Tax proposal. The rationale was that many people would claim no tax deductions because they had insufficient income; therefore, we should utilize those "unused deductions."

In short, the undeniable truth is that a great deal of prosperity unemployment is just that: a luxury which is inherent in our artificial affluence.

First of all, prosperity, even of the bogus variety, has produced a strange kind of technological "unemployment" as we officially define it. Home appliances and convenience foods have reduced the time and the human energy required for housework.

Yet prosperity also means higher incomes for heads of households, which permits more selectivity once a housewife begins to "look" for a job. Hence, I would propose discretionary unemployment in referring to that group.

Even among primary breadwinners the urgency of the job search is eased today by the presence of a working spouse or a savings account, both of which are more prevalent in prosperous times. Hence, with the chances that both spouses in a household will be unemployed so small, a form of whipsawing is in effect.

Older workers, who constitute an increasing portion of the labor force and who traditionally experience longer spells of unemployment, can often afford to be choosy in seeking work because they tend to have more assets (such as a mortgage-free house) and fewer liabilities (most notably the absence of children to raise) than younger people.

Prosperity has also meant liberalization of UI benefits as well as eligibility rules, such as allowing millionaire athletes to "draw" during offseason. And it is essential to understand that the "household" unemployment rate includes people who have voluntarily quit, or have been fired for incompetence, dishonesty, misconduct, or that disease known as alcoholism. All of these delinquencies increase with affluence.

Prosperity increases strikes, and although workers actually on strike do not officially count as unemployed, workers who are laid off by customers or suppliers of struck firms do count.

Prosperity enables more parents to send their children to college. Unable to find "suitable" work, and without any pressure to accept available work, young "educated" people join the ranks of the "unemployed." With an increasing number of parents wanting their children to become professional workers, we have a reverse Malthusian principle at work: the economy's ability to supply professional people increase geometrically, while demand only increases arithmetically.

Recommendations

As part of some needed public orientation, we should view government by the value of the services it renders, rather than by the amount of money it "contributes." Indeed, the fallacy of the much heralded cost-benefit concept is the implied assumption that those who bear the cost and those who share the benefit are one and the same: society at large. Yet we know that one man's cost is another man's benefit.

We should make a determined effort to measure the real extent of government (in order to pursue the goal stated above). Official statistics indicate that roughly one-fourth of our total labor force works for government or government suppliers. Since the wages of those workers are determined by political force rather than by economic forces, then their total purchasing power is disproportionately large. Therefore, each such worker consumes the output of more than one worker in the purely private sector. Thus by my calculations half or more of our total economic output is consumed by government and its direct and indirect suppliers.

Like government expenditures, capital expenditures are counted as contributions rather than as overhead. The public should be made aware of the fact that both categories of spending represent consumption. Indeed, the very essence of Keynesian "economics" is that aggregate consumption (no matter how useless or even destructive it may be) is the statistical foundation of our "national income." Accordingly, consumption has become the slave of production.

As for productivity, it has, like other national crisis, become a growth industry in its own right, with the various commissions, centers, research grants, and so on, which are devoted to that topic. Insofar as its measures has any (real) value at all, it should be measured in terms of output per unit of total input.

In fact, the GNP could be abandoned in favor of some key measures of physical production. We do have some such measures, but they are often misleading. For example our statistics on "housing

starts" count mobile homes and large mansions as "single-family dwellings."

Our most immediate attention should be to the measure of unemployment. We have a more reliable measure (than the Household rate) in the Insured rate in that in order to be eligible for Unemployment Insurance (UI), applicants must register for "suitable work." But even that term is misleading in that suitable work has really come to mean suitable pay. For example, take the worker who worked in a textile mill for 20 years at \$2 an hour. He resigns and takes a job in a defense plant doing the same work at \$4 an hour. After 20 weeks he is laid off. Suitable work would be a job paying \$4 an hour (or reasonably close to it.)

Thus we should change the term suitable work to available work, which would be any job paying as much as the worker is eligible to draw in UI. Such recommendation will be met with adamant protest, on the grounds that the worker has "earned" his UI, based on his last rate of pay. But the truth is that the UI "tax" is passed onto the buying public at large. Hence, in the example cited above, the worker who is working at the lower wage is forced to subsidize the worker who now finds that "suitable" work is a job in which the wage is determined by political force. That is, workers in the productive sector must pay taxes to support the makework projects, plus a hidden tax in the form of the inflation which non-productive (and often counter-productive) spending induces.

In summary, our measure of unemployment is similar to a "sick index" in which those with common colds and those with terminal cancer are counted as equally sick, and our measure of total economic production as a measure of economic welfare is like injecting animals with a tumor virus and then rejoicing as they gain weight.

Appendix E

REPRESENTATIVE CORRESPONDENCE RECEIVED
BY THE NATIONAL COMMISSION ON EMPLOYMENT AND
UNEMPLOYMENT STATISTICS

(339)

SEATTLE-FIRST NATIONAL BANK

ECONOMIC RESEARCH

MINER H. BAKER
Vice President and Economist

May 22, 1978

Mr. Sar A. Levitan, Chairman
National Commission on Employment
and Unemployment Statistics
2000 K Street N.W., Suite 550
Washington, D.C. 20006

Dear Sar:

It was flattering to hear from you, and I wish only that I could justify your confidence by providing some constructive suggestions on the subject of your inquiry. I am afraid that what I can offer is rather negative, but at least it may reinforce your own critique of local employment and unemployment statistics.

1. There is much to be said for a standard methodology in national and state and local employment and unemployment statistics, particularly when the comparisons are tied to distribution of federal funds. It is difficult to have confidence, however, in the numbers generated either by the CPS survey or the monthly state and local estimates when they contradict each other so dramatically. For this state last year, the CPS rebenchmarking lowered the total employment figure by 24,000 on average, giving a 3.3 percent rather than a 5.0 percent increase for the year. The unemployment rate was shifted from 7.0 percent to 8.8 percent. This utterly destroys credibility.
2. There should be -- somehow -- a better way to make allowance for workers who -- influenced in part by unemployment compensation -- are available only for limited employment. One small example: in Skagit County of this state, the unemployment rate typically is in the double digit area even when the labor market is very tight. The reason is that a very large number of women work only in the summer in the area canneries, and are not available during the rest of the year for any other work. This is not an isolated case, and when dollars are associated with the jobless figures, there should be some better measure of distress.
3. Much of the history on employment and unemployment at the state level has been lost with the recent mandate in favor of the CPS figures. Comparable back data for this state is available only from 1970, with no thought of providing more.

SEATTLE FIRST NATIONAL BANK

Mr. Sar A. Levitan
May 22, 1978
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4. The recent trend has been toward reporting less rather than more local area employment data -- probably in recognition of its poor quality. In many cases, however, employment is virtually the only economic series available for area analysis, leaving the user with no tools.
5. As with the CPS and locally developed figures, there is also a lack of coordination between wage and salary employment and the dictated total employment-unemployment series. Again relating to 1977, and acknowledging that there was a drought impacting some of agriculture, it is difficult to reconcile a 3.3 percent increase in total employment for this state with a 5.7 percent increase in wage and salary employment. (Place of residence is not that much of a factor.)

You emphasized in our conversation the importance of employment and unemployment data in the allocation of federal monies. It is not just that these data are being used more which focuses attention on them, however. Those of us who have been using them all along, for a variety of purposes, find that their quality has visibly deteriorated. Why, I am not sure. One suggestion I would make of a constructive nature is greater emphasis on employment as opposed to unemployment. Thus the participation rate (employment) may be more significant than the unemployment rate, since the size of the labor force itself is so variable. One difficulty -- the employment figures are pretty poor, too.

Sar, I doubt whether I have added a single thing to your knowledge of this subject. At least I have belatedly given you a reply. It was a sincere pleasure meeting you in Spokane, and I wish you and your commission the greatest success in your very difficult task.

Sincerely,



MHB/ds

Bureau of Social Science Research, Inc.
1990 M Street, N.W., Washington, D.C. 20036
(202) 223-4300

Albert D. Biderman, Research Associate
Assistant Director

November 18, 1977

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:

With all due regard for your intelligent remarks about the inevitable compromises, trade-offs and the constraints of politics and economics, I am nonetheless looking forward to great advances resulting from the work of your committee.

I enjoyed hugely your remarks at FSUC and will comment only on where I would have wished to see other things mentioned or stressed than you happened to touch upon.

The crux of the problem has always resided in the attempt to have one set of numbers serve incompatible conceptual and practical purposes. The most obvious solution therefore seems to me to have different numbers with different names for different purposes. In addition, some purposes have suffered from great neglect, because too little if any weight is put on them in the conceptual orientation of current series. In your talk, you reflected quite exclusively the emphasis on an Indicator which would reflect such economic hardship individuals experience as arises from their inability to achieve earnings from work. It would seem that this objective would be pursued best by indicators of the economic means, and lack of them, of the population by the sources of those means. "Unemployment" becomes definable as an empty or low-value cell in the category "From Current Earnings" in the matrix of economic means by source for those cases where the sum of all means is low. "Uncompensated Unemployment Hardship" would subtract from that unemployment compensation, welfare, sick pay, etc. I don't see an isolated unemployment series as being able to serve as a good hardship indicator. These days, we also need a good summary indicator of the claims on various transfer payment systems that arise from such payments serving as an alternative to "adequate" earnings from work.

Quite distinct from any of your emphases is that of national utilization of manpower resources--the extent to which the national economy enlists

its population in productive roles of various kinds. This calls for quite a different form of indicator than that for access to income from work.

The nation's manpower statistics are also deficient in that they do not provide us with good data during intercensal intervals of the distribution of the population by major sociological and economic status (role) categories, of which "active job-seeker," alone or in combination with other roles, is one. The incidence rates for movements between those statuses, and the durations of stays in statuses, are neglected relative to prevalence rates for statuses, such as "unemployed." Longitudinal panel surveys seem much needed.

Your remarks at FSUC also gave particular weight to data uses for administrative purposes and for distributions of payments according to politically set formulas, as contrasted with the uses of data for understandings of the state and workings of the society. There is considerable incompatibility between the last type of use and the others. The sample survey method, for example, is excellently suited to the objectives of generalized knowledge, but for the many reasons you gave, it cannot serve economically the fine purposes of administration or transfer-payment and programmatic politics. On the other hand, a system geared to the latter purposes and responsive to the highly unrealistic premises and highly selective normative orientations on which they rest, cannot be scientifically sound bases for understanding the workings of the economy and the society.

The different types of purposes are badly enough confounded (and interfere with one another) in our current unemployment measures and I worry about changes that would worsen rather than lessen this confounding.

When you were talking about the importance of having data for Dry Gulch, for example, the extent to which data and policies must be out of tune with important economic realities to be in tune with political ones occurred to me. Dry Gulch, for example, can be a place where people sleep, vote, and receive mailed state unemployment checks, and yet be a place where nobody has ever, or will ever, work. For both policy and understanding, we need data organized by employment areas, rather than bedroom areas.

Politics also requires introduction of moral judgment considerations in devising indicators that lose-up their scientific clarity and objectivity. This is true in our current definition of "unemployment," despite the claim of its being a purely objective measure. The "looked-for-work" criterion is not there as a serious or useful source of data about the social and economic processes of labor markets, but rather as an (objective) indicator of the subjective state of person--as a measurement of the earnestness of desire to have work. It's a poor index of a fuzzy concept of motives. It would be nice to have good data for sound social-psychological concepts of work-seeking and work-attachment, but that again is something to be approached directly. On the other hand, for many of the indicator purposes I have touched on earlier, these subjective and

motivational dimensions are fortunately irrelevancies, and truly objective concepts and indicators will suffice.

With the above, I feel I have fulfilled the spirit of duty on which you called in your appeal for comment on Wednesday.

With my very best wishes for the success of your effort,

Sincerely,

A handwritten signature in cursive script, appearing to read "Al Biderman". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

cc: Kruskal

ADB/nc

FEDERAL RESERVE BANK
OF ATLANTA
ATLANTA, GEORGIA 30303

OFFICE OF
VICE PRESIDENT AND
DIRECTOR OF RESEARCH

August 16, 1978

Mr. Sar A. Levitan
Chairman
National Commission on Employment
and Unemployment Statistics
2000 K Street, N.W.
Suite 550
Washington, D. C. 20006

Dear Mr. Levitan:

I am pleased to respond, at President Kimbrel's suggestion, to your request for views concerning procedures, methods, and concepts used in measuring labor force activity. Although the employment statistics currently collected are very useful, some areas deserve attention.

First, and perhaps foremost, are the seasonal factors. The monthly variations of the unemployment rate make these very suspect. Furthermore, the recent monthly swings give us even more concern, especially the unemployment rates for teenagers.

Second, recognizing the difficulties of obtaining more detailed state and local labor market data, we think the benefits will far outweigh the cost. The extension of the Household Survey to the ten most populated states at the beginning of this year was helpful, but more detailed race-sex-age statistics for less populated states will be useful.

Third, the prevalence of discouraged workers affects the usefulness of both local and national labor market statistics. Since labor force participation varies directly with cyclical swings in the economy, the dominance of the discouraged worker effect suggests that the conventionally measured unemployment rate does not measure accurately either slackness or tightness in labor markets.

Fourth, the disparity between employment statistics measured by the Household Survey and employment measured by the Establishment Survey is very large, volatile, and suspect. Reporting the difference and a break-out will be useful.

Fifth, moonlighting results in duplication in the Establishment Survey. Efforts should be made to eliminate this possible upward bias.

FEDERAL RESERVE BANK OF ATLANTA

Mr. Sar A. Levitan

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August 16, 1978

Finally, and as you are surely aware, more detailed data are needed on employment (age, sex, and race), hours, and wages in the nonmanufacturing industries at the state and local levels. The need for such data will increase as the proportion of the work force in the services sector increases.

Concerning your "hardship index," we view it as a good step in the right direction. Including in it discouraged workers, the number of working poor who are heads of households and excluding part-time, unemployed students are elements that have been suggested for years.

In summary, while we are heavy users of Department of Labor statistics on employment and unemployment and recognize their usefulness, the above consideration should be taken into account when revisions in procedures, methods, and concepts on labor market activity are considered.

Sincerely,



Harry Brandt

Vice President and Director of Research

University of Illinois at Urbana-Champaign

INSTITUTE OF LABOR AND INDUSTRIAL RELATIONS · 504 EAST ARMORY AVENUE · CHAMPAIGN, ILLINOIS 61820 · (217) 333-1482
Library

December 5, 1977

Sar Levitan, Chairperson
National Commission on Employment
and Unemployment Statistics
2000 K Street, N.W. Suite 454
Washington, D.C. 20006

Dear Mr. Levitan,

In spite of the fact that groups such as yours never seem to think of asking for advice from the library community, even though librarians are among the first to be contacted by both researchers and practitioners when they are seeking statistics, I have decided to write you my thoughts on the problems of employment and unemployment statistics, based on ten years of reference work in the field for academics and practitioners.

My suggestions for improvement fall into three areas: first, less aggregation of data series presently collected; second, data presentation; and third, intellectual access. They mainly are concerned with BLS data, which is what I work with the most.

In my experience most of the people who fail to find the statistics they want fail because the present data are too aggregated or are not cross-classified in enough ways. For example, one library user wanted unemployment figures for accountants in specific cities. A city planner wanted unemployment data for various parts of one city. Frequently users want data cross-classified in three or more ways; for example, by occupation by sex by city, or by specific occupation by industry by race. Sometimes they want breakdowns that are not available at present; one patron asked for data on the number of unemployed United Auto Workers members. For most of the users I come into contact with, the ideal situation would be to present the data as raw as possible, compatible with cost and confidentiality, and let the users aggregate it to suit themselves.

I'm sure the request for data to be compatible across agencies is familiar to you. BLS data on minority employment should be compatible with EEOC data, and BLS unemployment data with ETA unemployment data.

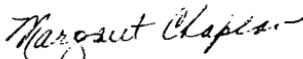
Data presentation, at least for BLS data, presents some problems. First, employment and unemployment statistics of various kinds are published in three different publications--the Bulletins, the Reports, and the Special Labor Force Reports. Second, Bulletins 1312 and 1370 do not cumulate the

household data from the monthly Employment and Earnings, so a researcher who wants time series data on unemployment has to hunt through individual monthly issues or, for area data, through the annual Report on area employment and unemployment. Finally, it would be convenient if BLS data on computer tapes were available in tape centers like Census tapes. Right now each tape request must be treated as a special case; whereas, canned data tapes for heavily used series could be placed at regional offices.

I assume that your commission is interested in making statistics not only more usable but also more accessible. Part of the access problem is physical access; the other part is intellectual access--learning what data is available, where to find it, and how to use it. I have the following suggestions in this area. First, the semi-annual BLS catalog of publications is too far behind, and it should not be published as part of the Report series. It gets buried there. Second, it would be useful if, perhaps in the BLS Handbook of Methods, or in some totally separate publication, someone would explain for users what compatibilities or incompatibilities exist among Census, BLS and ETA employment and unemployment data, why they are that way, and what limits this puts on their use. Third, in order to help librarians to help users, I would suggest that the BLS institute a series of seminars on accessing BLS data for librarians and researchers such as the Data User Services Division of the Bureau of the Census has established. A representative from the BLS gives a brief presentation at the Census seminars, but that is just intended as a general introduction. I am sure one could easily spend four days on BLS data just as one does on Census data.

I hope that the Commission will be able to make real progress in the improvement of statistics gathering, publication, and dissemination.

Sincerely,



Margaret Chaplan
Librarian

MC:by

FEDERAL RESERVE BANK OF PHILADELPHIA

PHILADELPHIA, PENNSYLVANIA 19105

OFFICE OF THE
PRESIDENT

August 11, 1978

Mr. Sar A. Levitan
Chairman
National Commission on
Employment and Unemployment Statistics
2000 K Street, N.W., Suite 550
Washington, DC 20006

Dear Mr. Levitan:

Before addressing your specific questions, I think it would be helpful to outline the two roles which I perceive for employment statistics with respect to public policy decisions. The first purpose is to gauge the economy's strength. With the possible exception of GNP, the nation's employment statistics are the single most important indicator of economic strength. Hence, it is important to have a reliable, consistent series which measures the level of productive employment. This is even more important at the regional level since there are no good estimates of regional output to supplement the employment figures.

The second purpose of employment statistics is to get a handle on "social welfare." The employment and unemployment figures are important inputs to policymakers trying to judge the extent of economic hardship. Again, this is especially true at the regional level, particularly when we consider the Federal funds allocated on this basis.

From this perspective, I find that the employment figures do give a reasonably reliable picture of the strength of the economy; but even a sophisticated policymaker will be forced to spend much time sifting through the current statistics to get an estimate of what they mean in terms of hardship. This latter point is especially true at the regional level. I am sure that most people would agree that an unemployment rate of 7 percent caused by an influx of job seekers into a growing region does not represent the same amount of hardship as a 7 percent unemployment rate caused by reduced job opportunities in a declining city.

With this as background, I will now turn to your specific questions. I think it is unquestionably the case that we need better local labor force data. The current numbers have too many weaknesses, both conceptually and statistically, to carry the burdens of signalling relative economic strength and the distribution of hardship which have been placed on them. The resources going into their collection should reflect the importance of the decisions made on the basis of the information released.

FEDERAL RESERVE BANK OF PHILADELPHIA

PAGE NO. 2 TO Mr. Sar A. Levitan

A hardship index would be ideal from the regional perspective, and it would also give national policymakers a better perspective on how effective aggregate policies can be in reducing hardship over the various phases of the business cycle. However, my understanding of the statistical and conceptual problems involved in generating such an index lead me to believe that it may be impractical as a policy tool at this time. Instead, I favor putting more emphasis on including discouraged workers in the unemployment count.

Many people argue that a discouraged worker may not be important to count simply because many are not the primary source of income for a family and, hence, do not represent the same degree of hardship that an unemployed primary worker does. In many cases this is likely to be true; but it is also true that many primary workers are well cushioned against the effects of unemployment because of unemployment compensation. In addition, I think the social loss can be quite large when, for example, a teenager gives up looking for a job because he thinks none are available. On net, I think that including discouraged workers in the unemployment rate would make it an improved hardship indicator; and I urge the commission to incorporate some measure of discouraged workers in the revised unemployment figures.

I have no particular comments on how best to display and disseminate labor force data except that I think emphasis should be placed on the employment ratio (employment divided by working age population) as a measure of the national economic activity.

In summary, I think that the primary emphasis for reform in labor statistics should be on improving local data. I favor a hardship index in theory, but I believe that as a practical matter, including discouraged workers in the unemployment rate would yield an improved measure of economic hardship. Enclosed are several articles that represent the views of staff economists on this issue.

Sincerely,



David P. Eastburn
President

gr

Enclosures

HARVARD UNIVERSITY
DEPARTMENT OF ECONOMICSOTTO ECKSTEIN
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CAMBRIDGE, MASSACHUSETTS 02138

March 27, 1978

Mr. Sar A. Levitan
Chairman
National Commission on Employment and Unemployment Statistics
2000 K Street, N.W.
Suite 550
Washington, D.C. 20006

Dear Sar:

I was delighted to see that the Congress has established the National Commission and that you are its Chairman. Our nation's employment and unemployment statistics are an outstanding body of data which allows our society to pursue its employment goals and to track our progress in considerable detail. No other nation has a system approaching our own in quality or comprehensiveness, and so whatever comments I offer should be viewed in that context.

There are matters which bother me about our employment and unemployment statistics and they do not relate to the definitions. There will always be quarrels about the proper degree of inclusiveness of unemployment data. Conservatives will inevitably wish to downgrade the significance of unemployment among various "secondary" potential workers, and liberals will wish to find unemployment of various sorts not yet measured. On these issues, I think the only valid principle is not to let the continuity of the historical record be destroyed. There is nothing really fundamentally wrong with our basic national unemployment concept and I think we should be very slow to change it.

The part of the problem that gives me the most concern is the short-term sampling characteristic. There are just too many surprising monthly unemployment numbers and apparently the problem does not mainly lie in seasonals. Persistence of unemployment in much of 1976, and again during much of 1977, was not consistent with numerous other measures of economic activity. On the other hand, the dramatic improvement in the data beginning in December is also not quite believable. I recognize that the sampling aspects of the household survey were reviewed by the Gordon committee and generally received much praise. But I just cannot believe that the area sampling technique now being used is really doing the job.

Perhaps it is also time to begin to deemphasize the monthly results. Of course, the figure should be published every month, and I am leery of having the accompanying releases get very interpretive. But some warning should be conveyed to the

media: the figures really should be averaged; the 12-month changes of unadjusted data should be cited; and several different estimates—including the payroll employment and insured unemployment results—should also be considered pertinent in assessing the overall situation.

Some of the breakdowns of unemployment as measured in the household survey must be based on samples that are too small. Occasionally, the results move so erratically that they cannot reflect genuine changes in the economy. For example, white teenage unemployment fell two points in December and rose 2.1 points in the next two months. The employment gain from October to December was 1,222,600, without real strength in the economy. There is a continuity in human affairs.

The area data need a major overhaul. The short-run changes in area unemployment as well as the cross-section data obviously contain much error. Yet these data are being used to distribute federal money. The government should either put enough resources to get a suitable measurement system going or stop producing these data and mis-distributing money on the basis of them. What is now going on is really irresponsible.

Finally, there seem to be some measurement problems in the wage data. I do not know if they also fall under your jurisdiction. But the disparity between the data reported in Current Wage Developments on unionized versus nonunionized and average hourly earnings data is too great. There is also the question whether the collective bargaining wage and benefit data can be reconciled with average hourly earnings.

These are just a few observations based on my experience as a user of these data. The Commission has a big job ahead and I wish you the very best of success.

Sincerely yours,



B. LONGLEY
Governor

SETH V. THORNTON
Temporary Deputy Commissioner

State of Maine
Department of Manpower Affairs



Post Office Box 309
20 Union Street
Augusta, Maine 04330
July 25, 1978

Joan Wills
Director of Manpower Programs
National Governors' Association
444 North Capitol, NW 202
Washington, D.C. 20001

Dear Ms. Wills:

In view of the fact that the local area unemployment estimate is assuming added importance because of its increased use in Federal funding allocation formulas and in the determination of eligibility of areas for Federal funding assistance, we recognize the need for, and endorse efforts to improve the reliability of state and local estimates. While there are different approaches to achieving better area estimates, we believe that the most feasible and practical one, and the one that we recommend, involves an improvement in the existing system.

To elaborate, we recommend: (1) The U. S. Bureau of the Census' Current Population Survey be expanded even further so as to yield more accurate state estimates to which sub-state areas are benchmarked. (2) Some of the ratios or factors incorporated into the handbook estimating procedures be updated on the basis of more current studies. The ratios we are talking about, for example, include those used to derive unemployment estimates for noncovered groups of workers, and those used to derive estimates of unemployed delayed filers and never filers, of unemployed exhaustees, and of unemployed disqualified. The ratios used to derive the estimates for these components were based on studies conducted in the 1950's and 1960's. The relationships upon which these ratios were based may have changed over time. (3) The deliverables under the Unemployment Insurance Data Base Contract be completed. This will provide unemployment insurance data on a place-of-residence basis in finer geographic detail than anything we have had in the past. It will provide a more complete count of the totally unemployed filing claims for unemployment insurance benefits. It will also ensure a more uniform system of data collection from state to state.

We believe this overall approach takes into consideration the costs involved in a further expansion of the Current Population Survey within parameters that are realistic. It also takes into consideration the efficiencies that would be realized in improving upon a system already in place, rather than

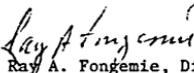
Joan Wills
Page 2
July 25, 1978

going into a wholly new estimating procedure with its attendant uncertainties. Finally, it takes into account the current state of the art of statistics which cannot provide any alternative probability sampling or regression analysis technique that would yield reasonably reliable data for the many hundreds, and even thousands of areas for which estimates are required under the various legislative acts.

One other point should be made. The current Federal-State arrangement of developing official State and area unemployment estimates draws upon the considerable expertise of state analysts who have been involved in the operation of the unemployment estimating program over the years. These analysts have considerable knowledge of local labor market areas and of developments which impact upon unemployment. This knowledge frequently has to be brought into play when reviewing unemployment estimates for reasonableness, etc. in light of what is happening in the local economies. This is certainly another factor that we have considered in the recommendation that we are making.

Should you have any questions with regard to any points that we have made, please do not hesitate to contact our office.

Very truly yours,



Ray A. Fongemie, Director
Manpower Research Division

RAF/sd

cc: ICESA LMI Committee

CONSERVATION OF HUMAN RESOURCES
COLUMBIA UNIVERSITY
NEW YORK, N.Y. 10027

ELI GINZBERG, DIRECTOR

May 4, 1978

Professor Sar A. Levitan
Center for Social Policy Studies
George Washington University
Suite 454
2000 K Street, N.W.
Washington, D.C. 20006

Dear Professor Levitan:

I recall making grumbling noises to you some time ago about problems in various data bases as they impinge on several of the mandates of your Commission with respect to occupational information. Let me try to outline some of the issues as I see them.

BLS in particular has gone to great lengths to try to meet the requirements of local planners. The most ambitious undertaking is the Occupational Employment Statistics Program in cooperation with the states. This actually has two parts-- the survey of industries and occupations on a three-year cycle and the Occupation/Industry Matrix system, which is used for occupational projections. There is a stated intent to improve the latter by including data from the survey, but that has not yet happened. Meanwhile, the Office of Education gathers data on the output of various kinds and levels of schools and training programs.

On the classification side, BLS uses a modified version of the 1970 census codes for the matrix operation, an expanded list of occupations (about 2000) that amplifies census categories with the DOT for the Occupational Employment Survey, and various other schemes for such series as the Industry Wage Surveys. OE uses two completely separate coding schemes, one for vocational education and one for higher education (HEGIS).

Into this already complicated scene there has now arrived the Standard Occupational Classification. SOC is a four-level aggregation of DOT titles, where the levels are increasingly fine distinctions of function, not of skill. Furthermore, each individual occupation (some 20,000 of them)

has an industry designation taken, not from the Standard Industrial Classification, but from the 4th edition of the DOT. At no level of aggregation can skill level, educational requirements, or any institutional data (like licensure) be distilled. My understanding is that the SOC will be used for the 1980 census and, in time for the OES. The Statistical Reporter recently spoke of a forthcoming order for further mandated uses.

Meanwhile, the National Occupational Information Coordinating Committee seems not to have much direction-- I would guess there is more interest in getting vocational education and manpower types together than anything else, but that is the least of the problems. At the state level, the Committees are just barely getting started. Our man in New York State tells me that the SOC is impossible to use for projection purposes on the demand side and that he has not yet investigated the supply side.

While I believe in order as much as the next one, I am beginning to think that the passion for avoiding duplication and neatening things up is doomed. 1) If, in fact, one needs time series to do projections, the SOC will obviate the possibility because I cannot imagine how it can be cross-referenced with 1970 census codes. 2) The Occupational Outlook people themselves (cf. Dixie Sommers in BLS Bulletin 1816) know how hard it is to provide quantitative data on the supply side, quite apart from complications of coding schemes. 3) On the local level, quantitative precision is impossible, although the possibilities for qualitative data are much better than at the national level.

I hope that the Commission will address these issues because the quality of data depends in part on how the problems of classification are resolved.

Best regards,



Marcia Freedman
Senior Research Associate

MF/jk

OFFICE OF THE GOVERNOR
STATE COMMISSION ON MANPOWER AND FULL EMPLOYMENT
 STATE ADVISORY COUNCIL ON VOCATIONAL EDUCATION

George R. Ariyoshi
 Governor



William C. Kea
 Commission Chairman
 George K. Ikeda
 Executive Secretary

April 10, 1978

Mr. Sar A. Levitan
 Chairman
 National Commission on Employment
 and Unemployment Statistics
 2000 K Street, N.W.
 Suite 500
 Washington, D.C. 20006

Dear Mr. Levitan:

Thank you for giving us the opportunity to inform you of the special concerns which the Hawaii State Commission on Manpower and Full Employment (CMFE) has developed about labor force statistics through analyses which focus on the needs of the State of Hawaii. In a sense, all of your Commission's work will be relevant to our Commission's deliberations and any improvements in the data will assist our evaluations and planning because of the nature of the mandate for our work. The original State legislation which constituted the CMFE assigned it, among others, the following duties:

- Identify and describe the impact of technological and economic change on...employment, including new job requirements and the major types of worker displacement, both technological and economic, which are likely to occur during the next ten years; the specific industries, occupations, and geographic areas which are most likely to be involved; and the social and economic effects of these developments on the State's economy, manpower, communities, families, social structure and human values;
- Recommend...steps which...should be taken by the State government...to promote occupational training and skill development programs appropriate to the State's needs and resources...facilitate occupational adjustment and geographical mobility, and insure full employment.

1164 Bishop St., Suite 614 • Honolulu, Hawaii • 96813 • (808) 548-2630

Mr. Sar A. Levitan
April 10, 1978
Page 2

Subsequently, the CMFE has been designated as the body which serves as the State Advisory Council on Vocational Education, currently governed by P.L. 94-482, and has been given administrative responsibility for the Hawaii State Immigrant Services Center (a coordinative agency).

We would like to be informed of the public hearing schedule although it is unlikely that we will be able to participate in them. Our comments are attached.

Please do not hesitate to contact us for further information.

Sincerely,


George Ikeda
Executive Secretary

Enclosure

Overall State Employment and Unemployment Data

Although the Hawaii Commission finds it valuable to have national studies, recurring reports and trends as a basis of comparison for Hawaii data, our primary concern is with data for this State and local areas within it. During the decade of the 1970's when there have been rapid economic, demographic and social changes in the State, national prescriptions for data collection and revision have not adequately provided consistent and timely data in a reliable benchmarked form to facilitate comparisons and trend analysis.

Benchmarking to CPS for calendar year 1975 was particularly unsatisfactory since data for Hawaii (a largely urban State) was benchmarked to a national residual representing an average of 23 small and primarily rural states. The release of the data came after completion of our major recurring and special reports for the year. Our subsequent analysis of the benchmarked data showed them to be inconsistent with changes in related economic and social data for the State. A further revision of 1975 data for Hawaii after 1976 State-specific CPS benchmarks became available a year later was never widely distributed nor utilized in the State. Although, in our judgement, they appear to represent an improvement, they have not been incorporated into the computer-based State economic model or other economic forecasting done by banks and private businesses. The timing of revisions problem has caused considerable local criticism of the data system. The recently instituted use of monthly moving-average benchmarks during the year should improve data which are available at appropriate times for our use and those of other State agencies which make plans for education and training.

The use of current monthly State and local data as a determinant of allocations of Federal assistance puts great pressures on State and local as well as national statistical agencies. It may be desirable to urge Congressional consideration of a greater time lag in the interest of initial development of more reliable data.

Effects of Migration on the Labor Force

There is very rapid in- and out-migration of military families and other short-term residents of Hawaii. For the decade of the 1960's total migrations were estimated to be 9.6 times the net population increase of the State. Manpower planning is handicapped by the lack of a methodology to assess the occupational skills of those who come and go. Periodic analyses need to be made. Administrative records of the Social Security or Unemployment Insurance systems may provide a base for such studies. There may need to be improvement in data storage of the records to be able to distinguish in-migrants from new-entrants to the labor force or out-migrants from retirees.

Hawaii is a gateway State which receives more than four times as many foreign immigrants per population per year as the U.S. average. It would assist State planning if the Immigration and Naturalization Service's administrative records showing occupation, sex and age were aggregated for new entrants and alien residents by state. Although it has been recognized by the U.S. DOL that the greatest disruptions of the labor market due to immigration are in small states without broad diversified economies, the most comprehensive national study of the effects of immigration on the labor market only included data from nine of the largest states. (See "Immigrants and the American Labor Market," Manpower Research Monograph #31, U.S. DOL, Manpower Administration, 1974.)

U.S. nationals form a substantial disadvantaged group in Hawaii for whom no satisfactory population or labor force data exist. A majority of Hawaii's present resident nationals are from American Samoa. It is expected that political changes in the Trust Territory of the Pacific Islands may soon have an even greater impact on Hawaii's labor force. Data on migration, educational levels and occupational characteristics are needed on U.S. nationals.

Without more complete information on the effects of migration on the labor market, the development of data on projected occupational needs and outputs of education and training is of limited value for State planning.

Other Concerns

1. Effects of noncomparable unemployment insurance provisions on the handbook method of estimating unemployment: The BLS describes this as a major source of noncomparability between state unemployment estimates. A major change in Hawaii law effective July 1976 terminated payments of U.I. to persons who had quit jobs or been terminated for cause. National assistance may be needed in analyzing the effects of the change of the law on the State time series which is substantially based on the records.
2. Disadvantaged Ethnic Groups: In Hawaii's a-typical multiethnic population, the national categories (white, black, American Indian, Spanish descent, other) aggregate together some very advantaged groups with some very disadvantaged groups. There is a need for a system based on local economic and social realities..
3. Comparable Time Series: Since many types of public and private agencies will continue to use employment and unemployment data in time series to determine social and economic trends, a continuation is needed of data which are as nearly comparable in definition and methodology as possible to those of the past. However, it may be desirable to develop other data which more fully reflect the economic or personal needs of individuals.

OFFICE OF THE GOVERNOR
STATE COMMISSION ON MANPOWER AND FULL EMPLOYMENT
 STATE ADVISORY COUNCIL ON VOCATIONAL EDUCATION

George R. Ariyoshi
 Governor



VerlieAnn Malina-Wright
 Commission Chairperson

George K. Ikeda
 Executive Secretary

June 28, 1978

Mr. Sar A. Levitan
 Chairman
 National Commission on Employment and
 Unemployment Statistics
 2000 K Street, N.W.
 Suite 550
 Washington, D.C. 20006

Dear Mr. Levitan:

Thank you for offering our Commission the opportunity to bring concerns related to data for Hawaii to the attention of the National Commission on Employment and Unemployment Statistics. The meeting with your staff economist, Mr. Hight, on June 21 in Honolulu helped members of our staff and other Hawaii Vocational Education and Labor Department technicians to clarify the issues upon which your Commission will be deliberating. Any follow-up comments from other agencies will be sent directly to you. The following represent additions to the concerns which we submitted to you earlier.

1. It would facilitate planning for manpower and vocational education if the universe of need could be based on a "hardship index" in addition to "unemployment rates" as they have been defined. Ideally, such data would be collected at regular intervals, at least quinquennially, in a form which provides subclassifications according to educational characteristics and other aspects of social well-being.¹

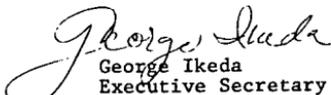
¹For a proposal for an integrated system of social statistics related to the mid-decade census and designed to serve as a framework for other "nested" surveys, see: J. W. Duncan, "Developing 'A Framework for Planning U.S. Federal Statistics, 1978-1989'," American Statistical Association, The American Statistician, V. 31, No. 3 (Aug. 1977).

Mr. Sar A. Levitan
June 28, 1978
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2. Data on the number of persons under the poverty level should be based on poverty income thresholds which are used to determine eligibility for manpower and education programs (those of Alaska and Hawaii being higher than those of the U.S. Mainland). Previous population data collected by the Census Bureau (1970 Decennial Census and 1976 Survey of Income and Education) represent aggregates of persons under poverty which are unrealistic estimates of the incidence of economic need in these states.

If we can be of further assistance to your Commission's work, please do not hesitate to contact us.

Sincerely,


George Ikeda
Executive Secretary

cc: Mr. Joseph E. Hight
Staff Economist

FEDERAL RESERVE BANK OF SAN FRANCISCO

SAN FRANCISCO, CALIFORNIA 94120

August 21, 1978

Mr. Sar A. Levitan
National Commission of Employment and
Unemployment Statistics
2000 K Street, N. W. - Suite 550
Washington, D. C. 20006

Dear Mr. Levitan:

As an agency engaged in setting monetary policy, we care very much about the quality, scope and timeliness of the employment statistics. Our general feeling is that the Bureau of Labor Statistics takes itself as seriously as we take its numbers, and so were pleased to receive your request for our views on the need for improved labor force data.

Your study of the value of these numbers will prove useful if it sheds light on the issues listed below. Any funds you have would be well spent on improvement of these basics, rather than on the peripheral issues which take up a good deal of the space in your project outline. Most of the papers there seem to be arguments for expansion of the household survey, which would seem to be of little value without an address to the fundamentals.

1. Why do the household and establishment surveys differ so much so often? While the sampling process must render the household survey open to error and the establishment survey must be incomplete, there is no reason why BLS should tolerate totally conflicting signals. A good example of this arose in the July surveys when establishment employment rose 265,000 while non-farm household employment fell by over 300,000. None of the press releases attempted to reconcile this conflict, though some such effort must have been made at BLS.
2. Why are the initial seasonal calculations in the household survey so bad? Almost all of the fall in the initially-published unemployment rate for 1976 and 1977 came in the first half of the year, and a similar problem was visible in 1975. This problem has the effect of making the employment data very hard to use for short-period policy analysis, even though BLS' integrity means that the survey produces the best underlying data to come out of Washington. Thus, in a comment prior to the Federal Reserve's January policy meeting, our staff noted that "a good candidate for least reliable economic indicator in the months just ahead is ... the unemployment rate." Given the sharp movements of recent months, this comment has turned out to be good, if not very helpful, advice.

Mr. Sar A. Levitan

August 21, 1978

- 2 -

3. Finally, a comment on a matter which is not directly relevant to national policy but which matters greatly to businessmen and other community leaders. Something should be done to improve the quality of local employment statistics. We recognize that the national household survey is too small to provide accurate data on smaller metropolitan areas, but it should be possible to provide more accurate and timely benchmarks for large areas. To cite a specific instance from this Federal Reserve District, BLS routinely updates the list of cities for which its household sample is large enough to provide reliable employment data. Seattle had passed into that category by, at the latest, the time of the 1970 Census. The geographic distribution of the survey was not revised for several years thereafter, thereby leaving the city with inaccurate unemployment estimates based largely on the establishment data. Seattle was passing through a period of severe unemployment at the time, and local business' loud complaints about BLS timeliness reached the Federal Reserve.

I look forward to receiving a copy of your draft report next January.

Sincerely,



Michael W. Keran
Director of Research

U.S. DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
WASHINGTON, D.C. 20213



SEP 01 1978

Mr. Sar Levitan
Chairman
National Commission on Employment
and Unemployment Statistics
Suite 550
2000 K Street, N.W.
Washington, D.C. 20006

Dear Mr. Levitan:

Our attention has just been called to recent testimony before your commission by Mr. Markley Roberts of the AFL-CIO (as reported in BNA's "Daily Labor Report" of 7/27/78). In his testimony, Mr. Roberts had occasion to mention one of our publications, "Occupations In Demand At Job Service Offices" (OID) in a most unfair and unfavorable light. We would like to take this opportunity to answer some of his specific allegations and "set the record straight" concerning both the OID bulletin and its current function as a job information and career guidance tool.

To begin with, Mr. Roberts has been saying much the same thing about the OID bulletin since it was first proposed in the fall of 1975. This is despite the fact that we have made numerous changes in the bulletin over this period, often in response to his specific suggestions. In response to his initial criticism, we adopted certain formats and wordings for the OID which he personally strongly recommended at that time but apparently now does not support. For example, he states that "The bulletin warns that 'there is no guarantee that a suitable job is currently open in each occupation and location listed.' This warning justifies our concern about the bulletin." It should be here noted that the above "warning" from the OID bulletin was included at the specific request of Mr. Roberts, as outlined in a December 18, 1975 letter to me (copy attached) which states:

"If and/or when you start publishing a monthly JBOS press release it is vitally important that each monthly release contain the kind of warnings that you included in your "prototype" release for September 1975, specifically the warning that "Such jobs may or may not be available as of any given day in any listed area" and that "public employment service information may not be fully representative of the total job market situation in areas and occupations." Thus Mr. Roberts is now saying that the "warning" which he considered so "vitally important" in December of 1975 now "justifies our concern" about the Occupations in Demand bulletin and/or its accompanying monthly press release.

Another criticism Mr. Roberts voiced about the OID bulletin was that "it is clear from the low average wage rates listed for clerical, sales, and bench work occupations that substantial part of the job openings listed, if they actually exist, are paying rates below the minimum wage." While it is true that in certain instances job orders are entered in local Job Banks that do pay below the federal minimum wage (because they are exempt for one reason or another), these jobs do not find their way into any national Job Bank openings publications or data which are used in the compilation of the OID. Our computer programs "drop" all job orders that do not conform to the present minimum of \$2.65 per hour (\$5,512 per year for an average full-time work year of 2,080 hours). Furthermore, we have never published information which included data for any job orders that did not meet the then-current federal minimum wage.

Mr. Roberts also states that "if not below the federal minimum, it is obvious that many jobs are paying below local prevailing wages--wages that are substandard." This statement may be true only if the standard for locally prevailing wage rates is defined as the union scale. As you may know, however, our local State Job Service (or Employment Service) offices do not have the authority to reject any valid job order unless such job order offers less than the State or Federal minimum wage (whichever is applicable), is discriminatory, or fails to meet any number of local or State regulations concerning the offering of employment opportunities. Newly employed persons are often hired at starting wages which may be below the average normally offered in the industry or even the employed in the area involved. In any event, the Federal-State Employment Service system can not dictate the wage rate an

employer chooses to pay workers if such wage meets the applicable minimum requirements.

Mr. Roberts goes on to say that "the occupation descriptions and the average pay information in the bulletin are so general and so uninformative as to be useless and misleading to job-seekers or employment counselors." To a degree this is correct, but only because the OID is a national publication which is rather limited (between 8-12 pages) in space and therefore has to be somewhat limited in scope. The occupations listed are not individual job opportunities, but a summary of job orders grouped by 6-digit third edition Dictionary of Occupational Titles codes. Each entry in the OID represents a minimum of twenty job orders in any local Job Bank listed and a minimum of 450 total available openings nationwide. Any one of the individual job orders comprising that local or nationwide total would be similar to but not necessarily identical with the job title listed in the OID bulletin.

So far as the "average pay information" in the bulletin is concerned, the low and high ends of the scale represent the "average" of the lowest 20 percent of wages offered and the "average" of the highest 20 percent of wages offered for any given job. This formula was arrived at in consultation with Howard Young of the United Auto Workers and represents a more realistic picture of the spectrum of wage offers than does a single-figure "average" of all wages offered for a given job. Insofar as the occupational titles and wage information being "useless and misleading to jobseekers or employment counselors," that appears to us to be a value judgment which remains unsupported by any accompanying data. Publishing such information on wages, however, was considered as essential by Mr. Roberts in December of 1975 in the previously-cited letter to Mr. Lewis, when he wrote:

"...we very strongly urge that wage and industry data relating to job openings be included in all your JBOS reports. Wage information is vitally important for jobseekers as well as for employment counselors and labor market analysts. Without such essential information, the JBOS monthly report should not be published." (emphasis ours)

In Mr. Roberts statement that "we believe that many of the listings are not real job openings but only a listing by employers trying to build up a roster of jobseekers," we fail to understand the logic of this statement. While it's true

that some "standing orders" are included in our monthly totals, an in-depth investigation of a few of these orders indicates that they are usually placed by large corporations or companies that experience a large labor turnover, generally in entry-level occupations, and that a significant amount of referral activity is conducted on these orders. We must therefore conclude that they do represent valid job opportunities, although not at all times under all circumstances. We would suggest that Mr. Roberts be asked to explain what he means by employers trying to "build up a roster of jobseekers" or how this would be of any advantage to the employers, given the time and effort involved in placing the order, interviewing the applicants referred, processing applications, etc. Even though the OID bulletin suggests that the Employment Service may have 600,000 permanent full-time job openings in a given month, this is an insignificant figure when compared to the 6-7 million unemployed in any given month. In reality, a "roster" of jobseekers already exists, if one considers only those who are registered as unemployed under the unemployment insurance system.

In spite of Mr. Roberts' opinions of the value of this material, however, the fact remains that the Occupations In Demand bulletin has grown in monthly circulation from 55,000 in June of 1977 to over 137,000 for August's edition. By a conservative estimate, over 6,000 requests have been received (and are still being received) from high school, college, and business school counselors requesting that they be added to the mailing list to receive the OID monthly. To date, less than two dozen have, after receiving the bulletin, requested that their names be taken off the mailing list. Thus the bulletin appears to be filling a void in the career planning of many groups and/or individuals. Incidentally, the AFL-CIO Human Resources Development Institute requested 7,000 OID, Extra Editions, for its Youth Seminar Program conducted jointly with the National Alliance of Businessmen.

These figures tend to speak for themselves. While we admit that there are imperfections in the publication and that it could and will be improved, such blanket condemnation as Mr. Roberts expounded in his testimony before your Commission is neither constructive nor accurate, and should be discounted in an evaluation of the subject document.

In regard to the misinterpretation and misuse of the OID bulletin as an economic indicator, we have never officially offered it as such and nowhere refer even to the possibility

that it could be used in that capacity. We have said, however, that Job Bank Openings Data (when viewed in combination with other data from the Dept. of Commerce, Census, BLS etc.) could be used to get a better or more complete economic picture of any Job Bank District. This is a far cry from equating monthly Job Bank Openings Data with the unemployment rate, the Consumer Price Index or the prime lending rate. In fact, our data are not as yet adjusted for seasonality, and this fact in itself would seem to eliminate any consideration as a basic economic indicator in its present form.

In short, what we have just stated are some of the "facts" concerning the "Occupations In Demand" bulletin, in contrast to Mr. Roberts' attack of the document. While we continue to state that the OID may not be perfect, at least it's being put out in the field as a useful job search tool for the job-seeking and counseling public to use and evaluate as they will.

Incidentally, we are currently conducting a thorough evaluation of the OID and its reception by those in the field who receive and use it. It is our hope in the near future to arrive at recommendations for improvement for the provision of possible alternative forms of data either in place of or in conjunction with the OID. When these recommendations are finalized, they will come by and large from the public, the "front line" individuals who desperately need this kind of information in counseling or in a job-search effort. In the meanwhile, we believe we are performing a useful public service to present these data on Employment Service job openings to the American people in a way that is honest, meaningful, and meets the needs of the broadest possible spectrum of the public-- employer, counselor, and jobseeker alike. We hope for the continued support of people like yourself in making this material as useful as possible in job search and career guidance activities.

Sincerely,

William B. Lewis
EFL

WILLIAM B. LEWIS
Administrator
U.S. Employment Service

Enclosure



APAE

ASIAN AND PACIFIC AMERICAN FEDERAL EMPLOYEE COUNCIL

P.O. Box 23125 L'Enfant Plaza Station Washington, D.C. 20024

April 24, 1978

Mr. Sar A. Levitan
 Chairperson
 National Commission on Employment
 & Unemployment Statistics
 2000 K Street, N.W., Suite 550
 Washington, D.C. 20006

Dear Mr. Levitan:

Thank you for your invitation to advise the National Commission on its plans to examine and improve current procedures, concepts and methodology involved in national employment and unemployment statistics. The need for such a commission is long overdue and vital to equitable and effective use of human resources. I would like to raise several concerns of critical importance to the accurate portrayal of a particular set of human resources, the Pacific and Asian American communities.

Foremost among these concerns is the issue of underemployment. The omission of underemployment in the commission's title is a very grave error with respect to Pacific and Asian Americans. Underemployment affects all socio-economic levels of this population. While national data bases (e.g., Bureau of Labor Statistics and Bureau of the Census) indicate that Pacific and Asian Americans are employed, they fail to capture the fact that Pacific and Asian Americans are either employed in low-wage occupations, such as bus boys and garment workers, paying less than the minimum wage, or, if they are in higher-paying positions, their salaries are not commensurate with their level of education. In fact, a substantial number of Pacific and Asian Americans earn salaries comparable to non-Pacific and Asian Americans with lesser educational training. Ironically, there is a young, able-bodied segment of Pacific and Asian Americans who, unable to find employment, seek to continue their education through graduate school in the hopes that higher education will ensure better employment opportunities. Emphasis on employment and unemployment without underemployment fails to account for the pervasive underemployment of the Pacific and Asian American population.

A second issue gravely affecting the accurate portrayal of Pacific and Asian American employment is the traditional emphasis of labor force data analysis on labor force participation and family income as indicators of socio-economic well-being. Labor force participation for both Pacific and Asian American males and

females is extremely high. The labor force participation of Pacific and Asian American women in particular, at 50%, is 10% higher than the labor force participation of the general female population. The Pacific and Asian American family income is a result of multiple earners making underemployment salaries. For Pacific and Asian Americans', high labor force participation and family income are not necessarily indicators of socio-economic well-being but rather, suggest that Pacific and Asian Americans' need to work more to achieve comparable income with non-Pacific and Asian Americans working less.

A third issue significantly affecting Pacific and Asian American labor force participation is immigration. With the heavy influx of new immigrants and refugees in the last ten years, the socio-economic resources of Pacific and Asian American communities have been severely strained. Without adequate Federal support, current Pacific and Asian American underemployment will not only be aggravated (with new immigrants competing with citizens for jobs to support their families) but will be replaced by mass unemployment and ensuing economic and social depression among Pacific and Asian American communities. Current employment and unemployment measures which rarely account for immigration factors, are unable to predict potential employment and unemployment trends for Pacific and Asian Americans.

I trust that this brief introduction to major issues concerning the Pacific and Asian Americans--underemployment, immigration and inadequacy of labor force participation and family income as indicators of socio-economic well-being--leads you to believe, as we in APAFEC, that the employment profile and concerns of Pacific and Asian Americans have yet to be adequately addressed at the national policy level.

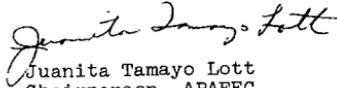
While I appreciate the opportunity to offer our advice to the Commission in various ways, including correspondence and hearings, a more-than-cursory treatment of Pacific and Asian American employment concerns by the Commission requires more work and attention.

I strongly urge that the Commission appropriate staff and resources to undertake an in-depth analysis of current Pacific and Asian American employment, underemployment and unemployment issues and to project labor force patterns in the next two decades of this dynamically diverse and ever-growing population. Experts on Pacific and Asian American employment and economic issues should be convened to advise, monitor and evaluate such an analysis as well as to review and comment on the final report from such an analysis. APAFEC is prepared to offer suggestions of such experts. Under separate cover, I am sending you a recent report on the socio-economic status of Asian American

families in several major SMSA's which may be useful to your work.

I appreciate your prompt response to these recommendations. We in APAFEC look forward to the progress of the Commission's efforts, particularly with respect to more accurate data on Pacific and Asian American employment concerns.

Sincerely,



Juanita Tamayo Lott
Chairperson, APAFEC
Ph. 202-254-8127(Office)

cc: Honorable Carl D. Perkins, Chairman
Committee on Education and Labor

Honorable Augustus F. Hawkins, Chairman
Subcommittee on Employment Opportunities



Massachusetts Institute of Technology
 Alfred P. Sloan School of Management
 50 Memorial Drive
 Cambridge, Massachusetts, 02139

ncio Modigliani
 titute Professor

March 28, 1978

Sar A. Levitan
 Chairman, National Commission on
 Employment and Unemployment Statistics
 2000 K Street, N.W.
 Suite 550
 Washington, D.C. 20006

Dear Chairman Levitan:

This will acknowledge your letter of March 15 asking for advice and suggestions in connection with the work of your Commission.

While I appreciate your turning to me in this connection, I would like to stress that I am by no means an expert with respect to the measurement and related issues in this area. I am an avid consumer of the national labor force, employment/unemployment statistics, and in this connection I have come to conclude that in recent years the seasonal adjustment, especially for the unemployment data, has been abominable. What is even worse, I feel that the poor seasonal adjustment has been responsible for serious misconceptions concerning the state and trends of the economy, contributing to some errors in policy.

In addition to being unhappy about the seasonal adjustment, I have been even more unhappy about the fact that the releases of the BLS and the comments by Julius Shiskin have never adequately pointed out possible, and indeed most likely, shortcomings in the seasonal adjustment, and hence the need to use the latest monthly data with extreme caution. My impression is that Shiskin has consistently tried to rationalize every wiggle of the seasonally adjusted data with explanations other than a possible faulty seasonal. I have talked with Shiskin on this point on many occasions with little results, and I am delighted that your Commission will be paying serious attention to this important and sensitive issue.

Please accept my best wishes for the work of your Commission, and feel free to count on me in the unlikely event that I can be of some help.

Sincerely yours,

Franco Modigliani

FM:jm

FEDERAL RESERVE BANK
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September 11, 1978

Mr. Sar A. Levitan
Chairman
National Commission on Employment
and Unemployment Statistics
2000 K Street, N.W.
Suite 550
Washington, D.C. 20006

Dear Mr. Levitan:

Thank you for the opportunity to contribute to your review of labor force and employment statistics. Our own research on such statistics has taken two forms: we have assessed the reliability of aggregate measures of labor market tightness at the national level, and have examined the accuracy of state and local labor force statistics. Consequently my comments will focus primarily on these aspects of the problem.

One of the points that emerged most clearly from our Bank's recent Conference on "Inflation and Unemployment" is our inability to estimate the "natural" rate of employment from existing aggregate data. This Bank is very proud to have been, along with George Perry, a pioneer in adjusting the unemployment rate for changes in the age-sex composition of the labor force. Although this was an important first step, it would be valuable if these adjustments could also be made for the characteristics that economic theory suggests are important in the production process (e.g. skills, ability, or experience). Measurement of these characteristics is admittedly a difficult task, but well worthwhile in view of policymakers' need to have a better estimate of tightness of labor markets.

The question of how well one state or region is performing relative to the rest of the country is an important concern both to the states themselves and to the federal government. The most timely, and therefore the most frequently used, data on state and local economic activity are the unemployment and employment statistics. Increasingly, distribution formulas for federal grants in aid are taking into account unemployment rates. Thus it is important that these statistics be comparable among states and labor market areas. A major step forward was

Mr. Sar A. Levitan
September 11, 1978
Page Two

made with the development of annual Current Population Survey unemployment rates for all states. However, with the increasing use being made of unemployment rates, more work in this direction is necessary.

It would also be useful to have more information at the state, and possibly local, level about who is unemployed. The proportion of the labor force accounted for by women, teenagers, and minorities varies from one part of the country to another. To the extent that these groups have persistently higher than average unemployment rates, regional variations in labor force composition mean that overall unemployment rates can give distorted pictures of relative economic performance. I understand that some information on unemployment by labor force group has been collected by the cooperating state employment agencies but this is not made generally available. I would be especially interested in a state unemployment series for primary earners. I would also like to see a series at both the national and state levels in which those seeking part-time employment receive partial weight.

In recent years revisions to unemployment rates in New England have been very substantial. As a result we at the Bank have increasingly used changes in nonagricultural payroll employment to evaluate the region's economic progress. We have, however, become concerned that this too may not be altogether satisfactory. Specifically, in several New England states the benchmark revisions have lately been quite marked, and the general pattern of employment growth indicated by the series has not been consistent with that shown by the total employment figures generated by the Current Population Survey. I would therefore like to see more attention to reconciling differences between the establishment and CPS employment series, as well as some change in the procedures used to collect employment data from establishments in those sectors, largely nonmanufacturing, where revisions are greatest.

Finally, with regard to a hardship index and the inclusion of discouraged workers in the unemployment count, I believe the Commission should investigate the feasibility of developing a companion set of indicators on important social issues while at the same time being careful to distinguish them from the established, relatively objective measures of economic performance. Although they pertain to matters of great concern, measures of economic well-being must be based on subjective, somewhat arbitrary judgments which most of our existing series can more successfully avoid. (The seasonal adjustment problem is an exception which, as you are aware, also presents formidable difficulties to us in the Federal Reserve System in our collection and dissemination of financial data.)

Mr. Sar A. Levitan
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In conclusion, I am generally satisfied with how labor force information is disseminated. I would, however, like to see more information at the state level on the nature and extent of revisions and more analysis explaining unusual changes.

Again, thank you for involving the Federal Reserve Bank of Boston in your efforts. I hope these brief comments have been helpful.

Sincerely yours,



Frank E. Morris



STATE OF FLORIDA DEPARTMENT OF COMMERCE

Division of Employment Security
Caldwell Building, Tallahassee 32304

August 17, 1978

Dr. Sar Levitan, Chairman
National Commission on
Employment and Unemployment Statistics
2000 "K" Street, Northwest
Suite 500
Washington, D.C. 20006

Dear Sir:

We had hoped to testify before the National Commission on Employment and Unemployment Statistics at its public hearing in Atlanta held on July 11. Unfortunately, our representative was not placed on the agenda. As the agency responsible for the development of monthly Local Area Unemployment Statistics (LAUS) for the State of Florida, we naturally have a strong interest in the deliberations of the National Commission. Therefore, we have chosen to offer, in writing, a few concerns regarding problems in the present system of generating labor force statistics.

It is our understanding that the Commission's mandate is fairly broad, extending beyond methodological considerations to such issues as whether present statistics provide a valid measure of economic hardship. Nevertheless, this discussion will be limited to a treatment of the problems we have experienced with the Current Population Survey, the Handbook method and the use of labor force statistics in federal fund allocation.

As the members of the National Commission are undoubtedly aware, Florida is one of the ten states for which the monthly labor force statistics are derived directly from the Current Population Survey (CPS). At the outset, the proposed change from annual revision to the CPS to monthly, direct use of the CPS was welcomed by Florida officials. It promised not only the creation of estimates having measurable statistical error, but also an end to the large annual revisions in the estimates. Unusually large annual benchmark revisions in recent years had damaged the credibility of our labor force statistics. For example, yearly revisions decreased our 1975 annual unemployment rate by 0.7 percentage point, decreased our 1976 rate by 1.1 percentage points and increased our 1977 rate by 1.2 percentage points.

Dr. Sar Levitan, Chairman

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The hope for a better data series was shattered, however, when the monthly CPS series for 1970 through 1977 was made available. Two serious problems were noticed in the series: 1) large, inexplicable fluctuations in monthly estimates of employment and unemployment and 2) a seasonal employment pattern which contradicted that shown in other, more reliable employment series.

The large month-to-month fluctuations have been evident in both the employment and the unemployment estimates. From May to June of this year, the estimate of Florida employment jumped by 120,000 persons (3.5 percent) without plausible reason. Unexplained vacillations in the unemployment levels have been even more pronounced. From January to February of this year, the estimated number of unemployed Florida residents fell by 49,000 (18.0 percent); from May to June, the estimate rose by 33,800 (15.0 percent).

Even more disturbing has been the fact that the seasonal trend in the monthly CPS estimates of employment has run counter to the well-recognized seasonal pattern of Florida employment. Historically, Florida has experienced a dramatic increase in employment during the winter and early spring. During this period, tourism and agriculture, Florida's primary economic activities, are at their peaks. Conversely, the state's employment normally decreases during the summer months when tourism declines and agricultural harvesting almost ceases. This particular seasonal pattern has been borne out year after year in the nonagricultural wage and salary employment data series generated by the BLS-790 survey program (See enclosed Figure A). Data from this program are benchmarked annually to the ES-202 covered employment files, which in turn are derived from mandatory reports from employers covered by the Florida Unemployment Compensation Law. The ES-202 files contain data from approximately 87 percent of the state's employers and are considered very reliable in determining the level of salaried employment in the state. This same seasonal pattern is evidenced in the historical series of "Handbook" employment estimates, a series which, in addition to nonagricultural wage and salary employment, incorporates estimates of agricultural employment, domestic workers in private households, unpaid family workers, and the self-employed. (See enclosed Figure B).

Despite the overwhelming evidence to the contrary, the monthly CPS employment series shows a seasonal trend which peaks during the summer months and troughs during the winter. The extreme deviations of the CPS employment trend from both the nonagricultural wage and salary employment seasonal trend and the Handbook employment trend are readily apparent in the enclosed Figures C and D.

The problems with the CPS labor force statistics for Florida have made the task of analyzing short-term trends in employment and unemployment impossible. There is no longer a consistent relationship

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between the trend in nonagricultural establishment employment and the trend in CPS employment. Nor is there a consistent relationship between the trend in Unemployment Compensation data and that in CPS unemployment estimates. Thus, economic analysts have been denied the use of two of the major data sources used to explain the trends in the state's labor force statistics. Particularly affected have been those firms and agencies with econometric forecasting models. Florida's Department of Administration and Barnett Banks of Florida, Inc., both have informed us of the significant complications in their econometric forecasting programs caused by the problems with the monthly CPS data.

The problems have necessitated a change in the way in which monthly employment data are released and analyzed by the Florida Department of Commerce. The department no longer issues a monthly press release concerning the official CPS labor force statistics. Rather, an alternative set of statistics is released monthly, a set of statistics designed to serve the function of valid economic indicators. This release includes data concerning total nonagricultural wage and salary employment in each of the metropolitan areas of the state and statewide nonagriculture employment by industry. The official CPS labor force statistics are reported in the agency's publications but identified as useful for federal funding purposes only. Nonagricultural wage and salary employment estimates, Unemployment Compensation claims data and twelve-month averages of the CPS figures are now the subjects of analysis in agency labor market information publications. While avoiding the pitfalls inherent in the analysis of the monthly CPS data, this approach has not been completely satisfactory for obvious reasons. Insured unemployment data and nonagricultural employment data do not cover the universes of the unemployed and the employed, respectively. Twelve-month averages of CPS data can reflect neither current labor market conditions nor seasonal trends.

Through our own efforts, with some assistance from the Bureau of Labor Statistics, we have developed a number of possible explanations of the problems with the monthly CPS data. While we believe that these problems may stem largely from certain unusual features of Florida's population and economy, we have been informed that other states, and the nation as a whole, are experiencing similar problems in varying degrees.

The large monthly fluctuations are probably due to sampling error. Officially, the confidence limits of the CPS data for a geographic area are described in the following manner. "With a six percent unemployment rate, the unemployment estimates for that area must have a relative error (standard error divided by sample estimate) of 10 percent or less at one standard error. If repeated samples using identical procedures were drawn in that area, the true unemployment level would be contained in a 10 percent interval around the sample estimate 68 percent of the time." We understand that an increase in sample size aimed at narrowing

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the confidence interval would be quite expensive. However, we wonder whether an interval this broad is adequate in developing statistics used to allocate billions of dollars annually.

The reasons behind the aberrant seasonal trend in the monthly CPS employment figures are less clear. We believe that the use of independent population controls constitutes one major problem area. These population controls are used in the process of expanding sample levels to the appropriate universe levels. Official monthly population figures do not exist for most states. The Bureau of the Census obtains state population estimates for July 1 of each year through a federal/state cooperative program. Monthly historical figures then are derived using a straight-line interpolation between the yearly July 1 estimates. Current monthly population estimates are projected using the average population growth rate from 1970 to 1977. It is our understanding that population controls are applied to sample estimates in the manner shown in the following example:

Monthly independent
population estimates x CPS sample employment = total employment
 Monthly CPS sample population

The straight line interpolation procedure used to develop monthly population estimates assumes that population growth is linear and that a state's labor force participation rate is constant year round. Neither assumption is valid for Florida. Both population and the labor force participation feature strong seasonal trends. When considered with the above population control equation, the seasonal nature of Florida population growth offers a partial explanation of the aberrant seasonal trend in CPS employment. The straight-line interpolated monthly population estimate (numerator) continues its linear growth during the summer while CPS sample population (denominator) declines. This increases the control ratio, resulting in higher component figures and a seasonal trend opposite to that which actually exists. The opposite situation occurs during the winter months. This feature of the CPS method does not explain totally the contradictory seasonal trend. However, it appears to contribute to the problem. A special analysis by the Bureau of Labor Statistics revealed that removal of the population controls increased the correlation between the nonagricultural wage and salary employment estimates and the CPS employment estimates.

The fact that the contradictory seasonal employment trend remains even when the independent population controls are removed suggests that some problem exists in the CPS survey itself. One possible source of difficulty in this regard is the manner in which "place of residence" is

Dr. Sar Levitan, Chairman
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handled in the survey. We understand that a person's residence is defined as that place where s/he lives at least fifty percent of the time. This conceptualization has serious ramifications for Florida since a substantial proportion of our nonvacationing, working population have two places of residence. For example, an individual may have a house in Michigan where s/he lives seven months out of the year and one in Florida where s/he resides for the remaining five months. According to the residence definition outlined above, such a person is a Michigan resident and is counted in Michigan's employment or unemployment estimates year round, despite the fact that s/he resides and perhaps works in Florida during the winter months. This may partially explain the unseasonably low CPS employment in Florida during the winter. Conversely, many of Florida's residents move to the North for the summer and hold jobs outside the state. If these people are counted in Florida's summer employment statistics, the state's estimates are inflated artificially at that time.

We also are concerned about certain aspects of the "70 Step" or Handbook methodology, the means by which CPS levels of statewide employment and unemployment are disaggregated to the substate areas (SMSA's and counties).

The first area of concern is the heavy reliance on Unemployment Compensation claims data in the Handbook methodology. We are afraid that this reliance may result in a serious underestimation of rural unemployment. Under the CPS-Handbook system of estimating labor force statistics, a substate area's share of statewide unemployment is determined, in great part, by that area's share of statewide Unemployment Compensation claims. Due to several factors, a smaller proportion of jobless rural residents may file unemployment insurance claims than is the case for urban residents. A conservative political philosophy may make rural residents hesitant to claim benefits. In addition, because a disproportionately large number of rural residents work in agriculture, many are not covered by Unemployment Compensation. Even with the extensions of coverage enacted in 1976, a significant number of agricultural workers remain uncovered by unemployment insurance. The fact that Unemployment Compensation claims offices are not so conveniently located for the rural residents as they are for the urban residents may be the most important factor, however. Most rural counties are served by itinerant claims offices, open only a limited number of hours each month. Five rural Florida counties even lack itinerant offices. Residents of these counties must travel to neighboring counties to file claims.

A second problem area is the questionable validity of local area agricultural employment estimates. As in other states, the estimate of agricultural employment of Florida residents is benchmarked in April of

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each year, using an agricultural employment figure developed for the state by the U. S. Department of Agriculture. However, because the seasonal pattern of Florida farm employment deviates from the national pattern, the standard BLS procedure for producing monthly agricultural employment estimates could not be used in Florida. The Florida Division of Employment Security devised and the BLS approved an "atypical" procedure for developing monthly estimates. This procedure involves using the bi-weekly "In-Season Farm Labor Report" (ES-223) to determine month-to-month changes in agricultural employment in the state's eighteen agricultural reporting areas and using 1970 Census shares of farm employment to disaggregate reporting area employment to the component counties. Even though this atypical procedure results in estimates having more plausible seasonal trends, the method is not without its flaws. It is difficult for the Rural Manpower Representatives who submit the ES-223's to develop consistent and reliable estimates of the numbers of farm-workers in all the counties of their area each month. The use of Census figures from eight years ago ignores the state's rapid population growth as well as the increasing urbanization of certain formerly rural counties. In summary, even though steps have been taken to improve the validity of seasonal trends in Florida farm employment, the method used to estimate employment in this important sector still is quite inadequate.

The imposition of national seasonal trends upon certain components of state employment and unemployment estimates constitutes a third area of difficulty with the Handbook methodology. Two such instances can be cited: the estimate of "all other" nonagricultural employment and the estimate of agricultural unemployment.

Included in the estimate of "all other" nonagricultural employment are: domestic workers in private households, unpaid family workers and self-employed persons. The "all other" category of employment is significant in Florida; in 1977, it averaged 389,300 persons, roughly 12 percent of total employment. A national "all other" factor is used in combination with local nonagricultural wage and salary employment estimates to derive the monthly estimates of "all other" nonagricultural employment. The seasonal pattern of this national factor is contrary to the seasonal trend of economic activity in the state. (See Figure E). In addition, Census data are used to disaggregate total "all other" employment into two groups: 1) domestic workers and 2) self-employed persons and unpaid family workers. Again, in a rapidly growing state, estimates produced by such a technique are of doubtful validity.

The use of the agricultural unemployment seasonal multiplier (W) in estimating agricultural unemployment is a second example of the utilization of inappropriate national factors. The seasonal trend in the multiplier itself, portrayed in Figure F, tends to result in unusually

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high estimates of farm unemployment in the winter--exactly the time during which agricultural employment reaches its yearly high in the state.

A final shortcoming in the Handbook procedure is the recent exclusion of forestry and fishery employment from the estimating methodology. Last year, employment in those industries was removed from the BLS-790 estimates of nonagricultural wage and salary employment; however, no corresponding adjustment was made in the Handbook methodology. As a result, counties having forestry and/or fishery operations are being deprived their proper shares of statewide CPS employment.

Having discussed certain reservations we have about the CPS-Handbook methodology, we believe it is appropriate to offer certain comments about the use of the labor force statistics in allocating federal funds.

Often money is allocated to subcounty areas on the basis of their unemployment rates. The CPS-Handbook procedure was not designed to provide subcounty estimates. The only method available to generate such statistics requires the use of a Census share procedure. The population of Florida increased by an estimated 28.4 percent from 1970 to 1977. The population in six Florida counties increased by over 70 percent during the same period. Yet, 57 of the 135 areas for which Local Area Unemployment Statistics (LAUS) are developed monthly are subcounty areas. We strongly recommend that, if unemployment estimates continue to be used as a basis for fund allocations, their use be restricted to the county level and above.

The contradictory seasonal employment trend appearing in the CPS figures results in a second problem in using such data for fund allocation. Because this seasonal pattern is not a valid reflection of employment trends in the state, any funding base period of less than twelve months is likely to produce biased distributions. The Public Works Employment Act of 1976 utilized such a base period.

Summarizing then, our primary concerns are: 1) the manner in which the conversion to monthly, direct use of CPS estimates has destroyed the validity of Florida's labor force statistics as indicators of short-term economic trends, 2) certain technical deficiencies in the Handbook methodology, and 3) the inappropriate use of labor force statistics as fund allocators. We believe that many problems could be eased or eliminated if the following recommendations were adopted:

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1. Congress and the BLS should recognize the importance of labor force statistics as tools of economic analysis and economic forecasting at the state and local levels as well as the national. Methodological changes introduced to increase interarea comparability should be carefully examined as to their impact on the validity of data as economic indicators.
2. The BLS should be more receptive to methodological input from state and local officials and research staff.
3. The practice of "trial periods" of methodological changes should be instituted prior to the final adoption of such changes. Such trial periods should provide ample time for comment by state and local officials.
4. Better coordination must be established between the BLS and the Bureau of the Census regarding the CPS. In investigating the problems Florida is experiencing with the CPS estimates, the BLS has refused to go beyond asking the Bureau of the Census if there were any problems with the Florida survey. Given that the BLS is responsible for the official estimates, it should be able and willing to extend its investigation of such problems into the CPS itself.
5. Data which might provide alternatives or supplements to Unemployment Compensation claims data should be sought for incorporation into the Handbook procedure.
6. Alternatives to the use of Census data in the Handbook method should be sought. The continued use of Census-790 Survey ratios in converting employment data from a jobs-by-location basis to a persons-by-residence basis is an example of an area for improvement. A second example is the utilization of Census sharing as the means of disaggregating "all other" nonagricultural employment into its components.
7. States should be encouraged to develop local seasonal factors to replace those national factors used in the Handbook procedure.
8. The use of unemployment statistics as federal fund allocators should be limited to those geographic areas for which CPS-Handbook estimates are possible. Statistics developed by applying Census shares to CPS-Handbook estimates should not be used for this purpose. Generally, this means that funding should not be based on estimates of subcounty unemployment.

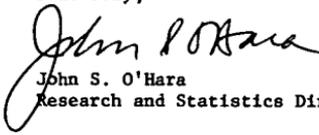
Dr. Sar Levitan, Chairman

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August 17, 1978

We hope these comments prove helpful to the Commission. If the members of the Commission have further questions, we would be happy to respond.

Sincerely,

A handwritten signature in cursive script, appearing to read "John S. O'Hara".

John S. O'Hara
Research and Statistics Director

DWH/ms

Enclosures

cc: Mr. Donald M. Cruse, Regional Commissioner of Bureau of Labor Statistics

FIGURE A1:
 FLORIDA NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT: 1975-1977

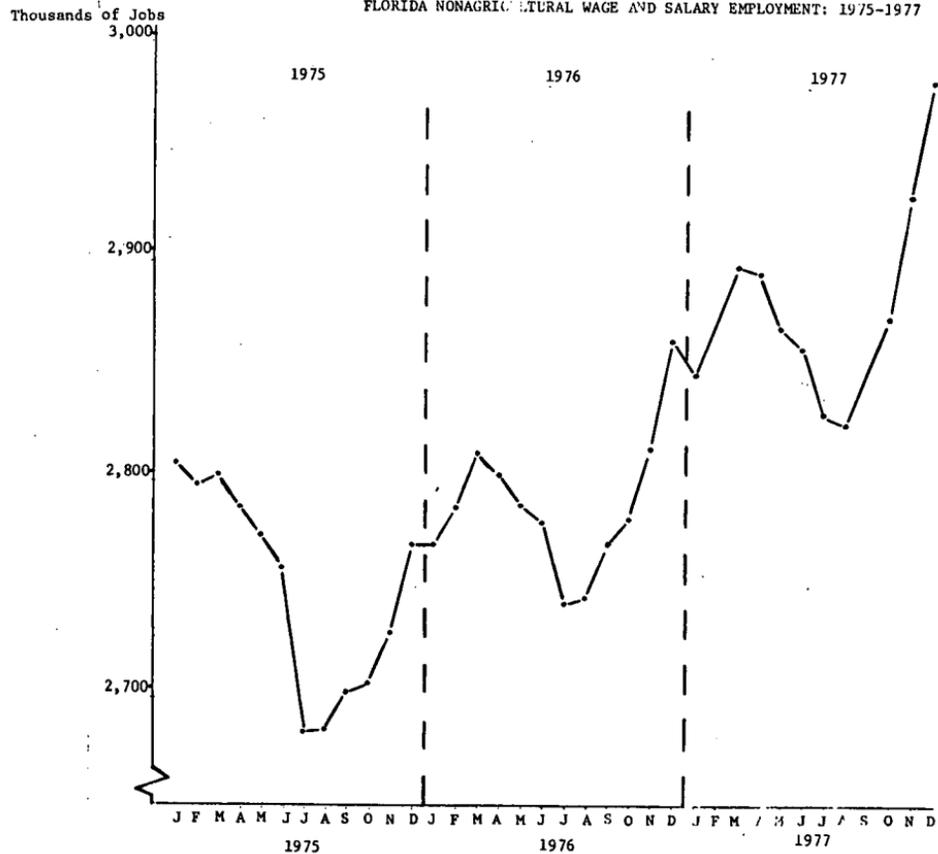


FIGURE D1
"HANDBOOK" EMPLOYMENT: 1975-1977

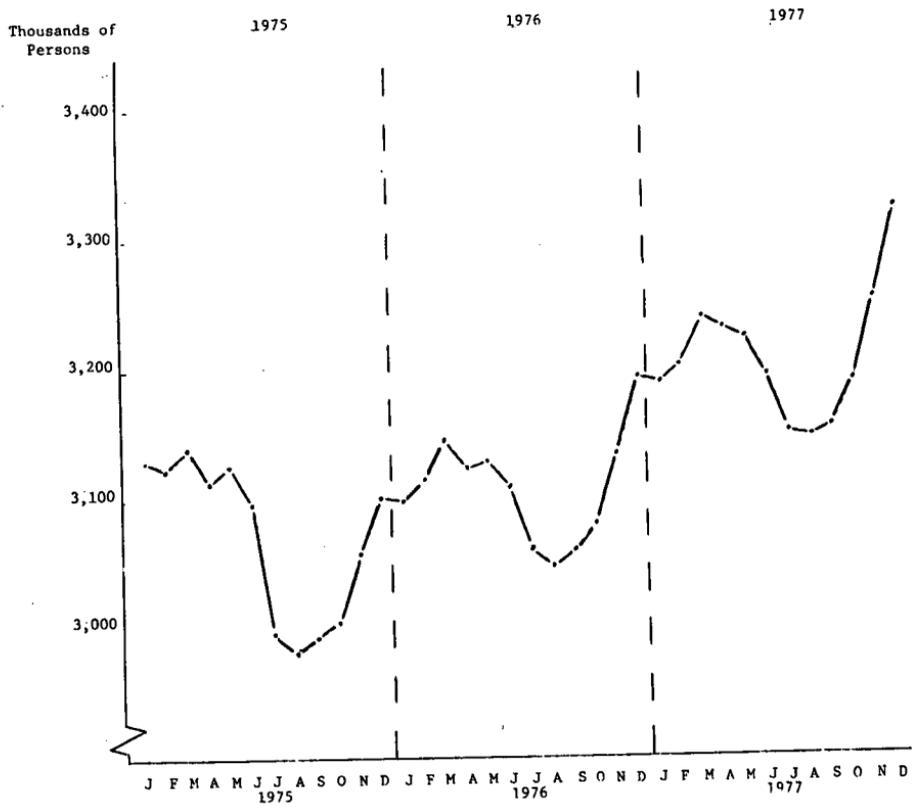


FIGURE C:
 FLORIDA NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT VERSUS
 FLORIDA CPS EMPLOYMENT: 1975-1977

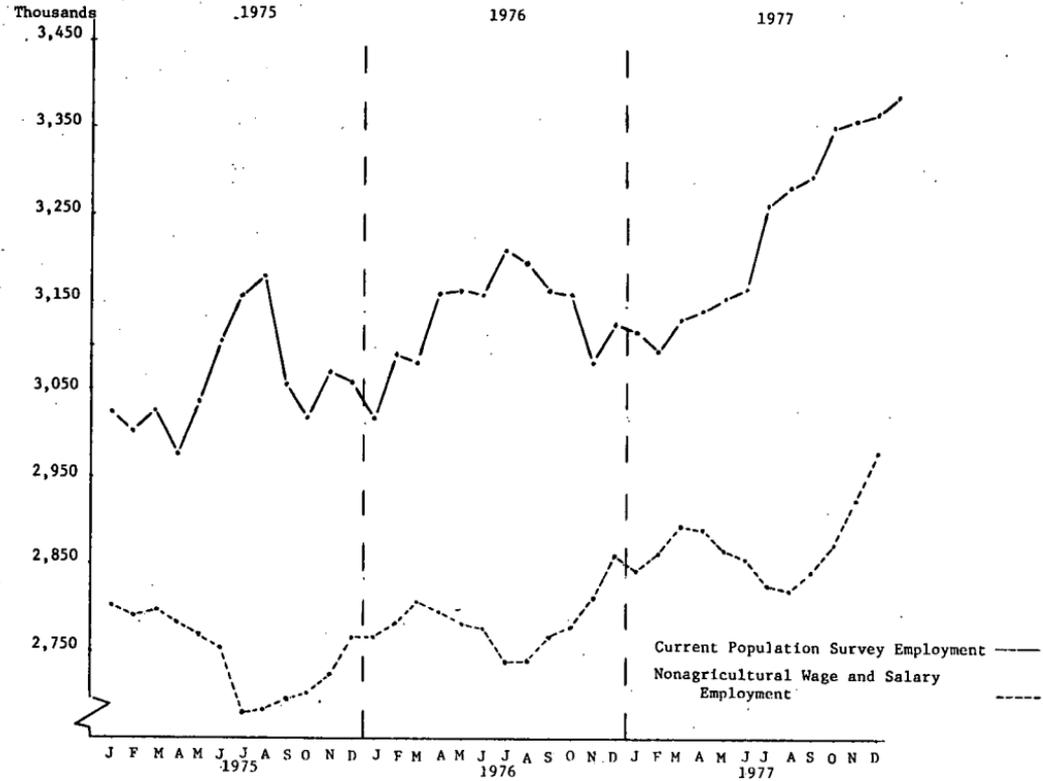


FIGURE D:
FLORIDA "HANDBOOK" EMPLOYMENT VERSUS FLORIDA CPS EMPLOYMENT: 1975-1977

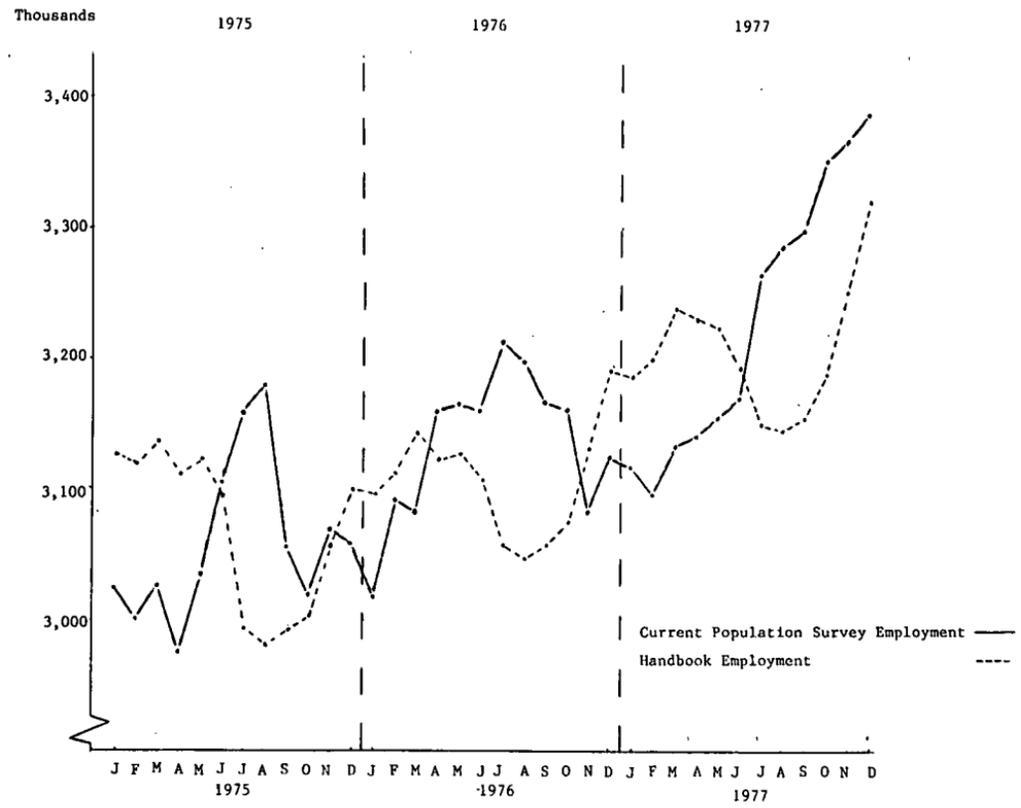


FIGURE E:
NATIONAL "ALL OTHER" EMPLOYMENT RATIO: 1975-1977

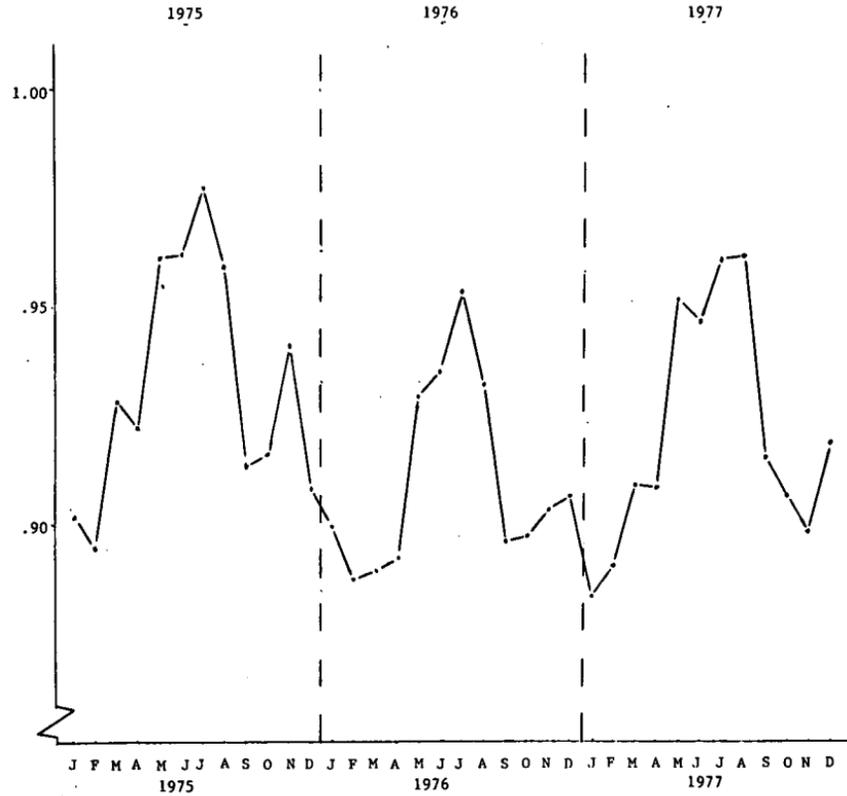
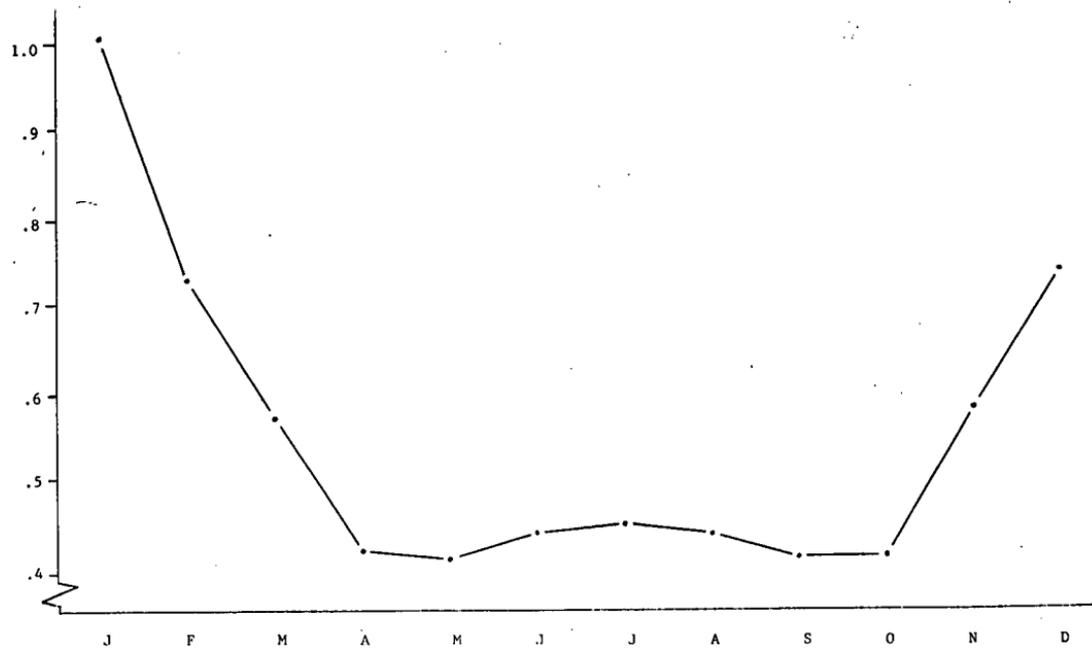


FIGURE F:
NATIONAL AGRICULTURAL UNEMPLOYMENT SEASONAL MULTIPLIER (W)



STATE OF ALASKA

DEPARTMENT OF LABOR

JAY S. HAMMOND, GOVERNOR

BOX 1149 - JUNEAU 99811

February 6, 1978

National Commission on Employment
and Unemployment Statistics
2000 "K" Street, N.W.
Suite 550
Washington, D.C. 20006

Gentlemen:

My department produces Alaska's labor force statistics in cooperation with the Bureau of Labor Statistics. I am writing you to express concern that area labor force data as currently defined and estimated has weaknesses that are amplified by the economic, geographic, and climatic extremes common in Alaska. Recently there has been considerable debate about the validity of Alaskan labor force data.

Employment and unemployment have always been topics of great public concern and interest in Alaska. Perhaps our high cost of living makes jobs even more important to Alaskans than to other Americans since it is difficult to stay very long in Alaska without either work or skills in subsistence hunting.

Since the adjustment of our labor force estimates to the current population survey, (CPS), a year ago, there has been a consensus opinion of concerned Alaskan's that the data is unrealistic, and that the concepts are inappropriate for Alaska. Our CPS adjusted labor force has been consistently less than our nonagricultural wage and salary employment, a substantial contradiction of concepts.

I have asked my Research and Analysis Unit to point out possible reasons for the apparently low estimates of both employment and unemployment. Their summary follows:

- (1) Inter-censal population estimating techniques depend on indirect demographic variables (such as school enrollments, births, deaths, etc.) that did not trend upward as sharply as total population during the oil pipeline construction. Most pipeline workers, who migrated from other states, were young males who either did not have or failed to bring dependents. The resulting underestimates of population are used as magnitude controls on the CPS, causing estimates of both employment and unemployment to be also underestimated.

- (2) Many people reside in Alaska only during the warmer months. These seasonal workers make up a large portion of our state's employment, especially in the fish processing, logging, mining, and fishing industries. Furthermore, they comprise a disproportionate share of Alaska's unemployment for several months each year. Population estimates, at the state and local level, are not designed to capture these seasonal workers; therefore the population controls do not swell adequately in the summer to account for this influx. Additionally, there has been hearsay that the CPS sample questionnaires taken from Alaska's seasonal workers are not included in our estimates, because those workers are considered non-residents.

CPS estimates can not be expected to follow a realistic seasonal trend until all questionnaires are tallied and the monthly population controls reflect migration flows. Perhaps the definitions of residency need to be reviewed.

- (3) Concepts in use for employment and unemployment were designed to maximize objectivity. While this is a worthwhile goal, it has resulted in an understatement of the severity of joblessness in Alaska.

Most communities in Alaska are isolated, especially in the winter months. Travel between communities is often relatively expensive, time consuming, and even dangerous during severe weather. If the local industry closes for the long Alaskan winter, often no other work exists in the community and travel to other communities is impractical. These Alaskans are then considered to be out of the labor force, if they don't seek work where none exists.

Furthermore, our severe weather causes frequent temporary shutdowns in which the jobless workers are considered to be employed by existing CPS concepts.

The consequences of the shortcomings listed above are obvious. We are deprived of adequate measurements of our states economic health. Federal funding based on both the unemployment rates and population will be inequitably low.

It has been proposed that CPS samples be doubled or tripled in order to more equitably allocate federal funds. This would enable us to have more representation of bush communities in the CPS estimates. The problems of your population controls and concepts which ignore the discouraged or weather caused unemployment would not be automatically washed away with an increased CPS sample.

I propose that the additional CPS sample be utilized to better measure the discouraged unemployed; and that a rate of unemployment severity be developed for states and areas for federal allocation purposes that includes both the discouraged unemployed and weather related unemployed. Also, I propose that a persons place of residence be universally accepted to be wherever that individuals household is during each months survey week, and that efforts be made to have these migrations reflected in the monthly population controls.

I would now like to address another matter that concerns us: employer sampling. For many years we have cooperated with the Bureau of Labor Statistics (BLS) in two monthly employer samples; the BLS-790 and the Labor Turnover or DL-1219 samples. More recently we have also made solicitations of employers for their cooperation in occupational (OES) and accident related (OSH) surveys. In a small state, the penetration rate necessary to achieve good statistics places a burden on the employers because many of them need to be contacted for all of the surveys.

This situation has caused many Alaskan businesses to refuse to fill out any government form that is not specifically required by law. Small firms are especially uncooperative as they realize little benefit from participating in surveys and only see the time and cost of filling out survey forms.

Relatively poor response from small firms may bias surveys toward the activities of larger firms. States whose economies are primarily composed of small firms, like Alaska, are affected the most.

To encourage all businesses to participate in voluntary surveys, legislation could be drafted to offset the costs incurred by firms in completing survey forms. Perhaps the Office of Management and Budget could study the costs, and federal tax credits could be granted. Indirect costs of sampling could then be measured and compared to the benefits of the various statistical programs. Also employer participation in federal and federal-state cooperative surveys should increase if: (1) the surveys are no longer a financial burden; and (2) if surveys with high costs to benefits are eliminated, reducing the overall reporting burden on employers.

Considering the relative value of the data received compared to the amount of employer impact, I feel that the labor turnover program should be terminated and the funding for that program be expended to improve the BLS-790 program. Results from the expanded CPS sample could be used to replace the data lost by eliminating the labor turnover program.

The additional funding made available to the BLS-790 survey could be put to good use in improving state and area estimates of employment, hours, and earnings. Funding levels for the BLS-790 survey have not kept pace with the increased demands for that data in recent years.

In summary I would like your commission to consider the following questions:

- (1) Can population estimates be improved in areas that have high migration rates and few children?
- (2) Are current monthly population estimates adequate to control the CPS samples in states that experience significant seasonal

February 6, 1978

migration flows. Additionally, are the CPS questionnaires tallied for these seasonal migrants in the state in which they work?

- (3) Will a single concept of unemployment be sufficient for the different needs of objectivity, economic planning, and equity of federal allocations?
- (4) Should the indirect costs of statistical surveys be studied, and perhaps subsidized? Shall some surveys be terminated to strengthen others?
- (5) Is the concept of residency consistent throughout all Federal and Federal-State cooperative statistical programs?

If you wish further information or have any questions, please contact this agency.

Sincerely,



Edmund N. Orbeck
Comissioner

cc: Suzanne Sadowsky, BLS Region



JAMES A. RHODES
Governor

OHIO BUREAU OF EMPLOYMENT SERVICES
145 SOUTH FRONT STREET P.O. BOX 1618
COLUMBUS, OHIO 43216

JOB
SERVICE
OF OHIO

ALBERT G. GILES
Administrator

July 24, 1978

Professor Sar A. Levitan
National Commission on Employment
and Unemployment Statistics
2000 K Street, N.W.
Washington, D.C. 20006

Dear Sar:

Let me record some of the pros and cons of federal versus state research and statistics units concerned primarily with labor statistics.

First, let me emphasize that a federally-administered state unit, to be effective, must be part of a prestigious, non-partisan, federal organization, headed by top-flight and respected professionals, with relatively little turnover at the top. This immediately rules out E.T.A., but not necessarily B.L.S. or Census.

Second, the federally-administered state units, must be similarly-staffed, headed by creative professionals, limited only by national policy considerations and needs for comparability of state and local data.

Advantages of such a federally-administered state RS unit would include:

1. A federal pay-scale and federal fringe benefits which could attract and retain first-rate professional, technical, and clerical staff.
2. The prestige earned by the federal parent body, which would have to be maintained by the state unit.
3. Its own computer installation, assuming it would process not only employment, hours, and earnings data, but also turnover data and perhaps other data as well for B.L.S. and possibly the Bureau of the Census (including C.P.S. data). In times of high unemployment, incidentally, statistical data processed by state employment security agencies' computers have low priority, making it difficult to meet national deadlines.
4. It would have its own duplicating facilities and mailing lists.
5. It could serve as a state distribution center not only for its own state data, but also for national data of the parent organization.

Disadvantages of such a federally-administered state RS unit would include:

1. Costs, as compared with state RS units in the state employment security agencies, would increase very sharply. More personnel would be needed not only for professional tasks but also for computer staff, and clerical staff. Office space, and computers and other equipment would increase costs. The average salary alone, in states like Ohio, would jump at least \$5,000 per year.
2. Access to basic data represented by covered employment and payrolls could be limited to statistical summaries processed by state employees. Individual firm data and direct control over processing of ES-202 data would be lost, as would be such control over claims, benefits, and other valuable data.
3. Availability of large-scale computer and duplicating facilities, as provided by employment security agencies, would be lost.
4. Personnel drain from state employment security agencies would further hazard the quality of their data. Substantially higher pay, better fringes, and possibly a more prestigious organization could pull away the best of the states' professional, technical, and clerical RS staff.

Advantages of a state-administered RS unit in a state employment security agency include:

1. A higher degree of independence, and opportunity for exercise of creative talents exists potentially in the state unit. There's only the Administrator between me and the Governor. I have enjoyed almost unlimited "academic freedom."
2. Opportunity to develop data and research in which there may be little or no federal interest, or even federal opposition. As far back as 1940, for example, we were compiling data on unemployment benefit recipients by sex and by race, which we continued despite federal pressures at that time to "cease and desist!" The pressures were later reversed, in other states. Similarly, we have compiled and analyzed extensive data by level of formal education of beneficiaries, on primary and secondary workers, on benefit fraud, labor market attachment, prior earnings and so on. Such data are unavailable for other states.
3. The opportunity for personal and professional recognition is limited only by the ability, aspirations, and energy of the RS chief.

Prof. Sar A. Levitan

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July 24, 1978

4. Access to a large-scale computer installation, large-scale duplicating and mailing list facilities.
5. Access to individual firm data, in Ohio covering nearly 200,000 employer reporting units.

Disadvantages of a state-administered RS unit in a state employment security agency include:

1. Turnover at the top of the agency, as administrations change. In Ohio we've had eleven different administrators since 1939, with varying degrees of interest in and appreciation for research and statistics. We're fortunate in that the incumbent is a very able man with a high regard for our work.
2. Relatively low state salary scales contribute to high turnover and make the task of the RS chief very difficult.
3. Both E.T.A. and B.L.S. are endeavoring to exert line control over state RS chiefs, each with demands often impossible to meet. When they succeed at least one more RS chief will leave. Roughly a third of my state counterparts have left since January 1976.

Sincerely,



William Papier, Director
Division of Research and Statistics

P.S. The enclosures are related.

cc: Van Adams



OHIO BUREAU OF EMPLOYMENT SERVICES

145 SOUTH FRONT STREET
P. O. BOX 1618
COLUMBUS, OHIO 43216

JAMES A. RHODES
Governor

ALBERT G. GILES
Administrator

WILLIAM PAPIER
Director, Research and Statistics

August 2, 1978

Professor Sar A. Levitan
National Commission on Employment
and Unemployment Statistics
2000 K Street, N.W., 5th Floor
Washington, D.C. 20006

Dear Sar:

Perhaps this doesn't come within the purview of your Commission's interest. It does, however, involve an important policy issue affecting the collection of employment, payroll, and related data.

Several years ago responsibility for validating and summarizing state ES-202 data (employment and payrolls subject to state unemployment compensation laws) was shifted from E.T.A. to B.L.S.. Insofar as quality controls are concerned, B.L.S. instituted a number of improvements. Insofar as timeliness of national summaries with breakdowns by state are concerned, B.L.S. is no better than E.T.A., whose record was poor.

B.L.S., however, is going beyond E.T.A., in what they require of the states. The purpose of the quarterly tax report submitted by employers subject to the state laws is to provide data necessary to collect the tax and administer the laws. It was never intended by the legislatures to be used to collect statistical data not necessary for the administration of the state laws. And it was not intended to be used as a medium to collect statistics on federal programs.

B.L.S. wants to require us to collect data by establishment through our state tax reports. Thus A&P, which may have a score or more retail supermarkets in Franklin County, would be required to provide data on each individually. We do not require such data since we have no administrative need for it. We now get a single, one-line entry for all A&P retail supermarkets in Franklin County.

B.L.S. now requires the states to secure monthly data on employment, with respect to CETA Public Service Workers and the quarterly wages involved

Professor Sar A. Levitan

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August 2, 1978

(see state payroll report form, enclosed). This information is not necessary to administer the Ohio Unemployment Compensation Law.

As an economist I am sympathetic to the interests of those who desire establishment and PSE data. As a matter of federal policy affecting states, however, I have serious misgivings. The state legislatures are unaware of the fact that forms necessary to administer state statutes are being used to collect statistics for federal agencies, statistics which are not necessary to administer the statutes they enacted.

Furthermore, to the extent that federal agencies can require state agencies to create forms to provide data desired only by federal agencies, they are circumventing O.M.B., and probably violating the Federal Reports Act of 1942. Needless to note, perhaps, we don't want to be party either to circumvention or violation.

Sincerely,



William Papier, Director
Division of Research and Statistics

cc: Dr. Arvil V. Adams



Minnesota Department of Employment Services

390 NORTH ROBERT STREET • SAINT PAUL, MINNESOTA 55101

February 1978

Dear Colleague:

There seems to be an increasing proclivity among some of our brethren in government to argue that some data is always better than none. I think this is the worst kind of nonsense that can be visited upon data users and it raises a serious question whether those who promote it should occupy responsible positions in government. Assuredly, if a private business consciously purveyed statistics or data of known poor quality such as we are requested (even required) to do, they would be subjected to prosecution by either the United States or States' Attorneys General for willful misrepresentation of given conditions. Likely, they would be fined and the case heralded as an example of why government regulation of industry is essential. But I beg of you, who regulates the government, and what regulation can we cite and use as a basis for legal action against the proselytizers in government who, through full knowledge, engage in misrepresentation?

Increasingly, the myriad demands placed on us to satisfy every data request that can be conjured up by the unknowing and the unscrupulous has reached the point where the development and use of poor data has reached epidemic proportions. To paraphrase Gresham's law, we see bad statistics driving good statistics out of circulation, while promoters of an already adulterated product call for more. It has, indeed, become profitable to do so: Ask yourself, "when was the last time someone said anything is better than nothing, even gerrymandered data, so long as it generates more Federal dollars?" This, in spite of what should be common knowledge, by now, that there is no such thing as a free lunch!

What, my friends, has happened to our sensibilities? Have we become so enamored with the printed statistic that we have elevated it to the holy writ of "wordfact"? George Orwell gave us the world of 1984. Will we create our own 1984 by worshipping at the altar of an assembly line of statistics in which the economies of scale for a valueless product are heralded as a break through for the new man of letters? Or will we, in the style of Pogo, have found the enemy and he is us? Henry the VIII had

his moral quandary and we have ours. In our case, we have a professional conscience that calls for rationality and perspicacity on the one side, while on the other our insatiable egos drive us to producing an endless stream of data, much of it questionable and lacking in redeeming value. Do I jest? Hardly!

Permit me to cite, if you will, the case of the Affirmative Action data packets which we so nobly proffer for a presumably virtuous cause. I ask you, is the need so great and the results so manifest that we must resort to all sorts of questionable methods to fabricate the dimension of an undefined condition? The exercise often reminds me of the blindfolded who were asked to describe an elephant on the basis of touch and feel. But, you say, we must do something! Agreed, but is it necessary to fabricate to the point of deception? Another case in point is the effort to conjure up a profile of unemployed veterans using a method financed and sanctioned by the Federal establishment through an unnamed State agency. For us to use the methodology would involve the most heroic of assumptions and prove once again that we are capable of the most gross of hyperbole. Many more examples could be cited, but I am sure you know the condition.

What is to be done? For beginners, we can all decide to rid ourselves of the inherent inclination to believe that anything or something is better than nothing. Even advanced decision theory provides us with a perfectly legitimate and acceptable alternative by way of a "do nothing" strategy. Furthermore, contrary to popular belief, postulating such a strategy for some decision problems need not be regarded as a sign of weakness or lack of decisiveness. Nor is it a manifestation of an unimaginative mind. In fact, the opposite is often true since it calls for a truly imaginative mind to use the limited tools and resources at hand rather than scurrying about seeking more resources and more data to be massaged for a mindless purpose.

My second observation is that we can begin to rationalize our data information system by formulating and examining the questions that really need to be answered in the context of the policies and problems that they are expected to address. This exercise alone indicates that the same questions and answers often serve multiple purposes and that additional questions and data merely confound the issues and the analysis. Also, the exercise helps to narrow the data requirements down to manageable portions and enables one to deal only with that which is relevant and of known quality. This latter observation is so important that I beg your indulgence with the following example.

In 1973, the Minnesota Legislature made funds available for a State Summer Youth Employment Program which our Agency was to administer. Since no provision (except for some generalized statement of need) had been made as to how to allocate the funds, I was asked to develop a scheme which could be used to satisfy the legislative intent. In addressing this problem, I developed a simple formula which used only three variables;

namely, youth population, summer months unemployment rates, and the percentage of families below the poverty level, as a basis for allocating funds to every county. A suballocation from these county allocations was made to municipalities of 2,500 or more inhabitants. Over the past five years, this simple formula has been the subject of extensive examination and critique by members of the Legislature, CETA prime sponsors, and various other manpower specialists in and out of government. In spite of all this, the formula has not been changed and has wider acceptance today than in 1973. Why? Because it is simple, understandable, it does the job, and is not cluttered with all sorts of variables for which questionable data is available. Also, the variables in the formula already serve as a proxy for many of the variables that others might consider relevant. This experience, and a few others, have convinced me that a lot of questions or problems can be addressed with a relatively small arsenal of data, provided that the data is a reasonable representation of a given condition and understandable to all. It is obvious that no amount of poor and adulterated data can be made to answer even the simplest of questions. It is not so obvious, however, that rarely will good data be of use to answer questions that are basically subjective in nature. In short, anything or something is not necessarily better than nothing, and the rationalization of the data system is essential if the right questions are to be answered with the right data.

My third observation is an extension of my second. It is that as data gatherers and users we often cultivate the vineyards of uncertain stock. In this respect, I am mindful of the OES data collection program. While I do not wish to denigrate the gathering of occupational employment statistics, it seems imperative that we recognize the serious limitations of the OES program to produce the type of data that we really need. For example, the OES survey secures occupational staffing data from industry for a reference period which not only varies from industry to industry, but even for the same industry over time. Secondly, these reference periods are such that they make it impossible to determine average annual staffing patterns, thus making the data of no use for the projections program. Furthermore, we have sizeable gaps in industry and area coverage which prevents development of any form of consistent data base for analysis and interpretation. In 1969, when the OES program was being discussed and planned, I took exception to the zealous promotion of the program without first addressing the questions that needed to be answered. However, as always, these cautions were brushed aside on the grounds that we needed to get the program implemented and that there was a dire need for the data. Also, it was argued, corrective measures could always be introduced later. It is now almost eight years since the program was initiated and we not only find that the concerns which I expressed in 1969 have still not been addressed, but that the basic shortcomings noted above continue to plague the use of the data. Consequently, we find it difficult to justify the program in its present form.

My last observation is that we seem to suffer from a reluctance to part with something which, in our first blush of innocence, we welcomed, but now find enfeebling. Please understand that I am not suggesting that we scuttle the ship and man the life boats. However, it does seem fruitless to carry cargo of no value when the ship is listing at sea and land is

nowhere in sight. I say this because, in spite of our attempts to persuade our general and particular audiences with the value of some of our data, we, nor they, have been able to establish a documented use for it. Aside of the vague and ambiguous pronouncements that pass for justification and which are often self-serving, I find it most difficult to justify the production of reams of statistical tables that are transported about the land, presumably to fetch a market or buyer. If we could reverse the trend for quantity for one of quality, I am sure that the value of research would be better promoted. Given the already minimal time and resources for analysis, I fear that unless we exercise our professional prerogatives, the parade of computer print-outs and stacks of unread publications will soon leave us in the position of the proverbial March hare, totally incapable of answering the simplest of questions. In that case, we'll all end up reciting Kant's categorical imperative to each information request, leaving the field to the unknowing and unscrupulous.

Having made a few of my concerns known, I would like to close with a short bit of Master-Soldier dialogue which I have conjured up in place of my usual poetry.

Master "What, brave soldier, have you brought me in yonder box?"
Soldier "Master, I have caught the dragon that has caused our people much fear and consternation".
Master "And, brave soldier, whence did you capture this despicable beast?"
Soldier "Sir, he was laying on the beach, completely oblivious to my presence".
Master "And you slew him with your mighty sword?"
Soldier "No sir, there was no need, he had already expired".
Master "Expired? But how?"
Soldier "Master, it seems he'd been reading computer print-outs and, like John Henry, totally expended himself trying to keep up."

Yours sincerely,



R. Pinola
 Director, Research and Planning

FEDERAL RESERVE BANK OF RICHMOND

RICHMOND, VIRGINIA 23261

Research Department

August 11, 1978

Mr. Sar A. Levitan, Chairman
National Commission on Employment and
Unemployment Statistics
Washington, D. C. 20006

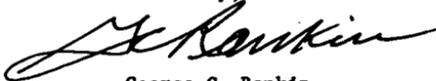
Dear Mr. Levitan:

Thank you for soliciting our comments on the employment and unemployment statistics. We are interested in helping in any way that we can, for accurate and timely labor force data are most important to our appraisal of the state of the economy and, therefore, to our monetary policy deliberations.

I asked a member of our economic staff, William Cullison, who has done a good deal of work in the labor statistics field, to respond in detail to your questions and give you his suggestions on any technical improvements that might be made.

He has included some charts showing his employment pressure index, which he developed here at the Bank, plotted in comparison to the unemployment rate. A technical description of this index, which we at the Bank find to be quite useful, is published in the February 1975 issue of the Review of Economics and Statistics.

Sincerely,



George C. Rankin
First Vice President

Office Correspondence

To Mr. George C. Rankin
First Vice President

Date August 11, 1978

From William Cullison

Subject Commentary on Employment
and Unemployment Data

I shall put my suggestions in outline form to respond to specific questions.

1. The usefulness of a Hardship index. Whether I would favor such an index depends upon its specific design. Hardship, in a general sense, might best be measured through family income studies, not through employment and unemployment statistics. The hardship that is associated with being unemployed, which can be a different thing, could be measured via employment and unemployment data. Hardship associated with unemployment varies with, among other things:

1. duration of unemployment
2. alternative employment opportunities
3. alternative sources of income
4. the worker's liquidity position

Since 2, 3, and 4 would be impractical to measure, a less comprehensive proxy for "hardship," such as an unemployment rate weighted by duration of unemployment might be useful.

2. Should discouraged workers be included in the unemployment count? The current definition of unemployment--that the worker must be unemployed and have made specific efforts to find a job in the last four weeks, etc.--seems preferable to one that would include "discouraged" workers. The inclusion of discouraged workers would lower the quality of the data, because one could be classified as "discouraged" and therefore in the labor force as a result of an attitude rather than a specific action.

3. State and local data. These data have improved lately. For Federal Reserve purposes, the chief remaining shortcoming of the state and local data is related to its timeliness, since we in the regional banks like to monitor local developments for early warning signals about economic events that may have national significance.

4. How best to display and disseminate Labor Force data. The unemployment rate occupies a singular position in the mind of many economists and others as the one most important cyclical indicator released by the Bureau of Labor Statistics. This attitude, which is perhaps inadvertently fostered by the BLS' Press releases, is incorrect in my opinion, and I would like to see the public educated to the use of alternative measures, in particular, those that are associated with employment, not unemployment. Since this recommendation contradicts the conclusion of the commissioned paper by Glen Cain, "Labor Force Concepts and Definitions in View of Their Purposes," it requires considerable justification.

Cain concluded that the unemployment rate fulfilled its purpose as a cyclical indicator better than did its major competitor, the employment/population ratio. He noted that secular trend accounted for Geoffrey Moore's conclusion

"that 1975 was the second best [post-war recession trough] year by the E/P criterion, rather than the worst year, by the unemployment rate criterion,"¹ but he failed to point out that trend adjustments are relatively easy to make and are readily understandable to the users of the data. This difficulty seems minor, indeed, when one examines the shortcomings of the unemployment rate.

Measures of labor market conditions based upon employment are superior to those based on unemployment, to my mind, because they are more directly related to the level of real economic growth. The unemployment rate's response pattern to the rate of real GNP growth, on the other hand, varies with the rate of growth of the labor force. This point, which is largely ignored by Cain, is especially important to one's evaluation of the recent recovery. One variation of Okun's Law,² regressing the percentage change in real GNP³ on the change in the unemployment rate, allows the researcher to estimate the "natural" rate of growth of the economy from the constant term in the regression, since the constant measures the amount by which GNP would have to grow in order to keep the unemployment rate from rising. This variation involves a few practical difficulties, most of them centering around the biases that cyclical changes in labor force participation rates impart to the relationship. The technique is useful, however, in comparing the output-unemployment rate relationship in the current recovery to that of past recoveries. The "natural" rate of growth so calculated, using quarterly data from post-war recovery periods, is 3.9%. Calculated over the recent recovery, from 1975-II to 1977-IV, it was 5.1%. Such a change in the output-unemployment rate relationship could, in theory, stem either from (1) a change in labor productivity or (2) a change in labor force participation, but in this instance the change was solely attributable to an increased rate of growth of the labor force. A simple calculation of the relationship between the percent change in real GNP and the percent change in employment confirms this assertion.³ For all recoveries between 1955-I and 1973-IV, a one percent increase in real GNP was associated with a 1.5 percent increase in civilian employment. From 1975-II to 1977-IV, a one percent increase in real GNP was associated with a 1.9 percent increase in civilian employment. In other words, employment has recently been more responsive than usual to the rate of growth of real output in the current recovery, so the stickiness of the unemployment rate is wholly attributable to increased labor force participation. Since one gets an entirely different picture of the current recovery from the employment data than from the unemployment data, and since I think that the employment figures are more descriptive of the cyclical process, I fail to see how one can conclude that the unemployment rate is presently an adequate cyclical indicator.

The enclosed charts comparing the employment pressure index⁴ to the unemployment rate illustrate the current dilemma even more clearly. The

¹Cain, Glen G. "Labor Force Concepts and Definitions in View of Their Purposes," prepared for National Commission on Employment and Unemployment Statistics, March 1978, p. 50.

²Thirlwall, A.P. "Okun's Law and the Natural Rate of Growth." Southern Economic Journal, July 1969.

³The percentage change in real GNP was regressed on the percentage change in earlier employment, $C = a + bE$.

⁴See Cullison, W.E. "An Employment Pressure Index as an Alternative Measure of Labor Market Conditions." Review of Economics and Statistics, February 1975, for a technical explanation of the index.

employment pressure index, which is essentially actual employment divided by long-run trend, is similar to the employment/population ratio except that it is de-trended and that its peak to trough variation has in the past been more closely aligned to that of the unemployment rate. The charts, which are plotted using monthly data from January, 1955 to June, 1978, show that the two series moved roughly in tandem until 1972. Since that time, the two series have diverged and that divergence has begun to widen markedly since 1975. The EPI now shows, in fact, that if the labor force had grown at its historical rate in this recent recovery, the unemployment rate would have dropped below 3% by June 1978. It seems to me that information such as this is just as important, both in analyzing hardship and in analyzing the cyclical process, as is the unemployment rate.

Finally, it seems to me that Cain's other major criticism of the E/P ratio is not valid. He states:

"A serious conceptual problem with E/P as an index of the cyclical performance of the economy . . . is that employment is an ambiguous indicator of well-being, . . . Unemployment, in contrast, is much more unambiguous. . . ."⁵

It is true that E/P ratios should be trend-adjusted to remove the effects of long-run changes in work/leisure preferences. Given that adjustment, however, any number of analysts argue, contrary to Cain, that the E/P ratio is less ambiguous than the unemployment rate. First of all, there are the well-known cyclical biases imparted to the unemployment rate by the "discouraged" and "additional" worker effects that are not imparted by the E/P ratio. Secondly, upon reflection it becomes clear that the criticism, used by Cain to show the ambiguity of the E/P measure, that "employment signifies both the good of opportunities fulfilled . . . and the "bad" of the need to work by those for whom nonwork activities are more desirable, if the financial pressures were absent," applies to any labor force data. The effects of this ambiguity affect the unemployment rate as well as the E/P ratio.

⁵Cain, p. 52.



CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20519

Alice M. Rivlin
Director

May 4, 1978

Dr. Sar A. Levitan
Chairman
National Commission on Employment
and Unemployment Statistics
Suite 550
2000 K Street, N.W.
Washington, D.C. 20006

Dear Sar:

Thank you for your letter of March 15, 1978. Because labor force data are widely used for evaluating the performance of fiscal policy and the economy and are used to establish priorities in the federal budget, the Congressional Budget Office is very interested in the task before the Commission. We are particularly interested in the use of labor force data to construct measures of labor market slack and economic hardship. We hope that the Commission can recommend improvements in the Current Population Survey (CPS) that will enhance our ability to measure both concepts, while preserving the historical continuity of the data series.

The use of the official unemployment rate has been recently criticized from several perspectives. Consequently, we think it would be helpful if the Commission could address the following questions:

- o With respect to the widespread use of weighted unemployment rates as measures of labor market slack, (1) How have changes in sampling, survey, and aggregation methods altered the unemployment and participation rates for important demographic groups? (2) Are there better weighting schemes than demographic characteristics (age-sex), such as weighting by full- or part-time employment, work experience, and reason for unemployment?
- o Is it appropriate to calculate an employment/population ratio that is defined as the ratio of civilian employment to total population including the armed forces as is done by the Bureau of Labor Statistics or would it be better to exclude the armed forces from the population figure as well?

Dr. Sar A. Levitan

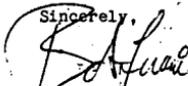
2.

- o Should a new measure be constructed that would fill the gap left by the elimination of the unemployment rate for household heads in the published BLS data? Would a "family unemployment rate"--the percent of all families with at least one member in the labor force but having no member employed--be useful?
- o Can the seasonal adjustment methods used by BLS be improved? Would a procedure that discounts sharp cyclical movements, as is used by the Federal Reserve in calculating seasonal factors, enhance the accuracy of the seasonally adjusted data?
- o Could unemployment duration and turnover data be improved? Are more data needed on completed spells of unemployment, particularly over time and for specific demographic groups?
- o Considering that many programs use unemployment data for small areas to allocate funds, could local area unemployment statistics be improved so as to provide more accurate allocations to jurisdictions? What are the benefits and costs of possible improvements?
- o Is there a reliable method to estimate the number of persons unemployed and suffering economic hardship on, say, a quarterly basis? This could be helpful in the analysis of income assistance and employment options in the federal budget.
- o How do the work registration requirements of various programs such as Food Stamps and the Work Incentive Program affect measured unemployment?

The above list does not exhaust or fully elaborate our concerns. Hence, we would welcome the opportunity to discuss these important questions in more detail during your hearings.

With best wishes,

Sincerely,


 Alice M. Rivlin
 Director



CENTER FOR MANPOWER STUDIES

**The University of Mississippi
and Memphis State University**

April 4, 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 Dr. Levitan:

Enclosed are a few published and nonpublished items that you and your staff may find of interest in the process of drafting legislation. All studies basically deal with the inadequacy of unemployment statistics, with specific reference to rural areas.

Regardless of whether or not current Congressional interest favors urban areas, we feel that the South and rural areas have always been short-changed in the distribution of federal funds.

We would be more than willing to assist you in anyway that we can.

Sincerely,

A handwritten signature in dark ink, appearing to read 'B. Runcling'. The signature is fluid and cursive, with a large initial 'B'.

BRIAN RUNCLING, Director and
Associate Professor of Economics

BR/rgw

Enclosures

Discussion Paper

PROVISIONAL ESTIMATES OF
SUBEMPLOYMENT IN
MISSISSIPPI COUNTIES

Prepared for the
State Manpower Planning Council
State of Mississippi

by the Staff

Center for Manpower Studies
University of Mississippi

December 1973

For a number of years the concept of subemployment has been mentioned many times and has just as often been discarded or ignored. Subemployment was first developed in 1966 under the auspices of former Secretary of Labor, Willard Wirtz. Under President Lyndon B. Johnson, Wirtz undertook to examine the ". . . employment and unemployment situation in the city slums [and to find out] who the people are that are still without work and why they aren't employed . . ." ¹ Although the index was unveiled in the 1967 Manpower Report of the President, and modified in the 1968 Manpower Report of the President, the data suffered from a lack of a systematic analysis. Furthermore serious technical flaws were discovered and the index was faulted, particularly for exaggerating the extent of the need. ²

Nevertheless, the ". . . concept of subemployment was designed to provide a necessary measure of the total problem of unemployment and low earnings, its effect on disadvantaged groups, and its effect on preventing workers and their families from sharing in the nation's economic prosperity." ³ The concept of subemployment is, in essence, an attempt to devise a more sensitive measure of social need than unemployment by taking both employment and earnings into consideration.

¹U.S. Senate, Hearings Before the Subcommittee on Employment, Manpower and poverty, 92nd Congress, 2nd Session.

²Sar A. Levitan and Robert Taggart, "Combining Employment and Earnings Measurements," Micrograph, The George Washington University's Center for Manpower Policy Studies, 1973.

³U.S. Department of Labor, 1968 Manpower Report of the President, p. 34.

All statistical concepts take time to become accepted in general use and a great deal of judgement goes into their development. Other relevant concepts that have gone through this process of evolution are the "gainful worker" and "labor force" concepts. The "gainful worker" concept, which treated a person as gainfully employed if he assisted in the production of marketable goods, came into use in 1870 and was used until 1930. The "labor force" concept, which classified potential workers as employed, unemployed and not in the labor force, was adopted in the 1940's. The measurement of unemployment was the primary reason for the adoption of such a classification.

Subemployment, however, is not an attempt to substitute a new index for the unemployment rate but is a tool that could be adopted and used to simplify the task of equitably distributing federal funds by combining employment and earnings needs. Current usage of population and employment data, including unemployment, are not a satisfactory basis for the distribution of manpower or social service funds made available by revenue sharing.⁴ Poverty data has, of course, been a recent welcome input for policy making decisions.

Computation of Subemployment Index

Subemployment is still a relatively new concept, consequently, differences of opinion exist as to the "proper" method of calculation. Several methods have been proposed by various academicians and by

⁴Levitan and Taggart, op. cit., p. 4.

government agencies.⁵ Most proposed methods would require the collection of data not currently available for counties in Mississippi.

The method presented below can be calculated from data which is currently available by county from various sources on a yearly basis or which can be easily estimated with reasonable accuracy from existing data. The method also has the advantage of allowing an adjusted unemployment rate to be calculated as a by-product. Information used in the illustration below was derived from the 1970 Census of Population for Mississippi. The necessary information is as follows:

<u>Adams County</u>	<u>Male</u>	<u>Female</u>
a. Civilian Labor Force	7906	4909
b. Unemployed	329	385
c. Unemployment Rate	4.2%	7.8%
d. Proportion of Nonparticipants Under 65 who are Employable*	440	546
e. Working Poor Family Heads**	764	476

* For males, the proportion used is 50 percent of nonschool, noninstitutionalized, nonparticipants; for females the proportion is 10 percent. The calculated amount is added to the civilian Labor Force and the unemployed to arrive at the adjusted figures.

** The number of working poor family heads is arrived at by subtracting the number of unemployed poverty status family heads from the total poverty status heads. The remaining heads are then multiplied by the labor force participation rate for nonmetropolitan areas. The labor force participation rate is 73.6% for males and 47.3% for females. Lack of necessary data made it necessary to make two assumptions. 1) The unemployment rate for poverty status heads is the same as for the county as a whole. 2) Because the no. of female heads less than 65 was unavailable total female heads was used.

⁵An example of the procedure suggested by former Secretary of Labor Willard Wirtz can be obtained from the Senate Subcommittee on Employment, Manpower, and Poverty. This method suffers from two major disadvantages with respect to potential use in Mississippi. First, it requires special Census data not currently available, and second, it was designed for use in urban poverty areas.

Calculations for Adams County

	<u>Male</u>	<u>Female</u>
1. Civilian Labor Force (a)	7906	4909
+Employable Non-participants (d)	440	546
<u>Potential Labor Force</u>	<u>8346</u>	<u>5455</u>
2. Unemployed (b)	329	385
+Employable Non-participants (d)	440	546
<u>Unemployed-Adjusted</u>	<u>769</u>	<u>931</u>
3. Unemployed-Adjusted (2)	769	931
+Working Poor Family Heads (e)	764	476
<u>Subemployed</u>	<u>1533</u>	<u>1407</u>
Unemployment Rate (standard)	4.2	7.8
Adjusted Unemployment Rate	9.2	17.1
<u>Adjusted Unemployed (2)</u>		
<u>Potential Labor Force (1)</u>		
Subemployment Index	18.4	25.8
<u>Subemployed (3)</u>		
<u>Potential Labor Force (1)</u>		

UNEMPLOYMENT AND SUBEMPLOYMENT RATES BY SEX
IN MISSISSIPPI COUNTIES - 1970

County	Male			Female		
	Un- Employment	Adjusted Un- Employment	Sub- Employment	Un- Employment	Adjusted Un- Employment	Sub- Employment
Adams	4.2	9.2	18.4	7.8	17.1	25.8
Alcorn	6.5	13.2	21.2	7.9	15.9	19.2
Amite	5.5	13.1	31.3	10.2	20.4	26.6
Attala	4.6	11.9	25.7	7.8	16.5	23.1
Benton	7.4	17.3	34.0	5.0	13.8	17.8
Bolivar	8.3	15.4	30.9	10.8	17.7	26.0
Calhoun	4.9	11.8	25.3	6.3	15.3	20.0
Carroll	3.6	10.6	27.7	10.0	19.7	26.9
Chickasaw	4.4	11.8	23.5	7.7	14.4	19.2
Choctaw	5.9	14.7	28.2	8.4	17.9	23.9
Claiborne	6.0	15.0	27.9	9.8	17.2	25.6
Clarke	3.8	11.3	23.2	8.1	15.8	21.0
Clay	4.6	10.2	18.5	8.3	15.4	20.7
Coahoma	6.0	12.7	28.5	10.2	18.7	29.4
Copiah	3.9	11.5	23.7	8.6	17.0	23.8
Covington	3.5	11.4	25.2	4.2	13.8	18.6
De Soto	3.3	8.3	18.2	6.1	16.7	20.6

County	Male			Female		
	Un- Employment	Adjusted Un- Employment	Sub- Employment	Un- Employment	Adjusted Un- Employment	Sub- Employment
Forrest	3.0	8.3	16.8	3.7	11.0	15.8
Franklin	6.2	13.5	26.3	7.1	17.9	25.4
George	3.7	12.0	20.8	4.1	18.5	22.5
Greene	4.0	13.1	28.5	9.7	21.2	28.3
Grenada	4.4	10.5	19.0	6.5	13.1	18.9
Hancock	5.4	13.4	21.6	5.9	17.5	21.5
Harrison	3.1	8.5	15.6	5.9	16.7	20.8
Hinds	2.8	6.8	13.1	4.3	10.5	15.2
Holmes	5.6	15.6	36.0	9.4	18.6	30.7
Humphreys	5.0	12.7	36.2	4.0	15.0	26.1
Issaquena	2.9	11.1	26.1	10.5	24.7	32.8
Itawamba	4.7	11.6	21.2	4.8	11.6	14.8
Jackson	3.4	7.0	11.1	7.0	18.3	21.5
Jasper	3.8	12.7	29.3	4.9	16.4	25.6
Jefferson	10.5	18.7	42.1	14.0	25.5	39.5
Jeff. Davis	4.6	14.3	29.9	6.9	18.5	27.0
Jones	2.6	8.7	16.9	4.5	14.4	19.6
Kemper	5.0	15.7	35.3	15.2	26.0	32.5
Lafayette	3.0	8.0	20.1	3.1	9.2	13.2
Lamar	5.2	12.5	24.2	7.6	18.9	23.4
Lauderdale	3.1	8.7	17.1	6.1	14.0	19.1
Lawrence	7.4	18.9	33.5	5.9	17.2	23.1
Leake	3.7	12.9	29.9	4.6	14.9	21.1
Lee	2.2	6.6	13.5	2.7	9.1	12.5

County	Male			Female		
	Un- Employment	Adjusted Un- Employment	Sub- Employment	Un- Employment	Adjusted Un- Employment	Sub- Employment
Leflore	4.3	10.1	24.1	8.8	15.6	22.7
Lincoln	2.9	9.5	20.3	5.6	14.7	21.0
Lowndes	3.6	7.9	15.6	5.5	11.8	17.1
Madison	2.6	9.3	25.4	5.1	14.1	22.4
Marion	5.2	14.9	31.6	5.0	14.9	21.1
Marshall	4.5	12.2	30.2	10.5	20.8	29.1
Monroe	3.8	9.5	18.0	4.5	10.4	14.5
Montgomery	3.8	9.5	23.6	7.6	15.4	21.9
Neshoba	4.9	11.8	24.2	4.9	12.7	17.1
Newton	2.9	10.2	22.5	3.3	11.4	15.8
Noxubee	8.7	17.9	35.2	11.4	22.1	31.1
Oktibbeha	5.2	9.9	20.5	6.2	12.7	17.7
Panola	6.1	12.7	28.3	9.0	16.6	22.4
Pearl River	4.9	11.5	21.3	8.1	19.3	24.0
Perry	3.1	11.8	24.5	5.4	14.3	20.2
Pike	2.6	10.1	22.0	6.0	14.6	21.5
Pontotoc	4.3	14.9	27.1	4.7	12.2	15.9
Prentiss	5.0	12.1	21.5	5.3	10.8	13.9
Quitman	7.8	17.1	38.0	10.3	19.5	28.6
Rankin	2.6	15.5	13.6	4.1	11.0	13.7
Scott	2.0	11.0	25.2	4.2	13.7	18.4
Sharkey	7.9	13.9	33.2	19.0	26.4	33.5
Simpson	2.5	11.8	25.2	1.6	11.0	14.5

County	Male			Female		
	Un- Employment	Adjusted Un- Employment	Sub- Employment	Un- Employment	Adjusted Un- Employment	Sub- Employment
Smith	2.3	12.5	27.6	3.9	12.8	17.2
Stone	1.8	8.2	16.3	1.4	11.5	16.4
Sunflower	6.2	15.3	35.5	10.2	17.5	25.2
Tallahatchie	5.5	17.1	39.5	7.0	16.9	26.6
Tate	3.7	8.4	21.5	7.8	16.7	22.0
Tippah	2.1	9.4	24.1	5.0	11.9	15.0
Tishomingo	8.2	17.0	25.9	11.5	18.9	21.7
Tunica	11.9	21.4	45.2	7.8	18.4	26.0
Union	2.9	10.2	21.0	5.1	13.5	18.1
Walthall	3.7	13.1	28.8	4.2	14.4	19.2
Warren	3.2	8.8	15.6	6.0	13.5	19.6
Washington	6.3	11.9	23.3	9.4	16.8	24.6
Wayne	3.8	11.7	24.4	6.1	17.0	23.8
Webster	3.2	11.3	26.6	6.8	16.7	20.9
Wilkinson	10.4	17.8	35.6	15.9	25.1	32.7
Winston	5.0	15.0	29.0	6.6	16.5	21.4
Yalobusha	2.4	10.2	24.8	5.2	11.9	18.5
Yazoo	2.6	9.0	25.0	6.9	16.6	26.2
Mississippi	4.1	10.5	21.5	6.3	14.6	20.3

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City of Cleveland

RALPH J. PERK, MAYOR



DEPARTMENT OF HUMAN RESOURCES
AND ECONOMIC DEVELOPMENT
DR. VLADIMIR J. RUS
DIRECTOR

August 25, 1977

BULKLEY BUILDING, 1801 EUCLID AVE.
CLEVELAND, OHIO 44115
(216)694-2400

Dr. Sar Levitan, Chairman
National Commission on Employment Statistics
Rm. 660 - 1819 "H" St. NW
Washington, D.C.

Dear Sar,

Enclosed is a brief report on the results of an un-employment survey of the City of Cleveland we have conducted over the past several months. In a few weeks we will have prepared our own analysis of the findings and will submit them to you.

Of course, we hope to convince federal agencies to consider our findings in the allocation of federal funds. Any comments and recommendations you may have will be greatly appreciated.

Sincerely,

Vladimir J. Rus, Director
Department of Human Resources and
Economic Development

VJR/mbn
encl.

SURVEYING UNEMPLOYMENT

IN THE

CITY OF CLEVELAND

(A BRIEF REPORT)

by

James G. Pesek
Labor Market Analyst

August 23, 1977

Department of Human Resources
and Economic Development, City of Cleveland

Dr. Vladimir J. Rus, Director

Office of Research and Evaluation
Mr. Laurence G. Mackie, Director

The City of Cleveland, Department of Human Resources and Economic Development (HRED), has completed a three month labor force survey in the City of Cleveland. On the average, 800 households were interviewed each month (May through July) during the week which contained the 19th day of the month. Procedures developed and used by the Bureau of the Census in their Current Population Survey (CPS) were followed as closely as possible in this independent survey. Even the initial training of the interviewers employed by the department was conducted by an ex-census bureau employee with more than twenty years of experience in field interviewing.

Perhaps the biggest difference between the city's survey and the monthly CPS was the number of households interviewed. At the present time, a sampling ratio of about 1 in 1,490 households is being used in the CPS. Thus, the City of Cleveland would be represented in the national sample by approximately 170 households. Although the Department of Labor, Bureau of Labor Statistics, does not publish monthly labor force estimates for the City, the data obtained from the CPS is used to develop annual average labor force data for the City of Cleveland. A sample of only 170 households in a city the size of Cleveland (1970 population = 750,879) is rather inappropriate from which to draw definitive conclusions regarding the labor force. Consequently, a sample (approximately 800 households) that was more than four times larger than the CPS was selected.

The results of the HRED Survey are as Follows:

	<u>CIV/NI POP 16+</u>	<u>LF PART. RATE</u>	<u>CIVILIAN LABOR FORCE</u>	<u>EMPLOYED</u>	<u>UNEMPLOYED NO.</u>	<u>RATE</u>	<u>DISCOURAGE WORKERS</u>
<u>1977</u>							
May	1570	55.3	868	731	137	15.8	30
June	1850	56.2	1039	852	187	18.0	33
July	1698	55.3	939	802	137	14.6	25
3-MO. Ave.	1706	55.6	949	795	154	16.2	29

As evidenced by the above table, unemployment has ranged from a high of 18.0% in June to a low of 14.6% in July. The three-month average unemployment rate was computed to be 16.2%. If discouraged workers (hidden unemployment) are added to the total labor force, the three-month rate of unemployment increases to 18.7%.

It should be noted that this data has not been seasonally adjusted. Therefore, the results are directly affected by seasonal variations, such as in June when an increased number of students on summer vacation or freshly graduated from high school or college enter the labor market in search of temporary or permanent jobs.

Although it was previously stated that monthly labor force estimates are not published for the City by the Bureau of Labor Statistics, monthly estimates can be developed through the use of census-share methodology. Since monthly labor force estimates are made by the Ohio Bureau of Employment Services (OBES), Division of Research and Statistics, for the Cleveland Standard Metropolitan Statistical Area (SMSA), the City's 1976 annual average shares of SMSA employment and unemployment can be applied to the OBES monthly SMSA estimates to develop monthly City of Cleveland labor force data. The results from this procedure are presented below:

Monthly Census-Share Estimates
For the City of Cleveland*

	<u>CIVILIAN LABOR FORCE</u>	<u>EMPLOYED</u>	<u>UNEMPLOYED</u>	
			<u>NO.</u>	<u>RATE</u>
<u>1977</u>				
May	280,000	259,000	21,000	7.5
June	283,000	261,000	22,000	7.9
July	280,000	259,000	21,000	7.5
3-MO. Ave.	281,000	260,000	21,000	7.5

It is obvious that the City's rate of unemployment developed through this procedure is considerably lower than the results obtained through the HRED Survey. This may, in part, be due to the fact that the official 1976 annual average unemployment rate for the City of Cleveland, which was 9.5%, did not accurately portray the state of unemployment in the city.

A more extensive and detailed report on the HRED Survey is now being prepared with a scheduled release in September, 1977.



August 28, 1978

Honorable Sar A. Levitan
Chairman
National Commission on Employment
and Unemployment Statistics
Suite 454, 2000 K Street, N.W.
Washington, D. C. 20006

Dear Sar:

In response to your earlier request to Dr. Robert C. Holland, President of the Committee for Economic Development, I am setting forth below a number of issues in the area of employment and unemployment statistics that are of special concern to CED's Research and Policy Committee. We know, of course, that you are already aware of many of these concerns because of your frequent contact with our organization and your distinguished service as an adviser to CED in connection with the preparation of our January 1978 policy statement "Jobs for the Hard-to-Employ: New Directions for a Public-Private Partnership."

1. Job Vacancy Statistics. CED has long felt that an adequate assessment of labor market conditions calls for more careful collection and analysis of statistics on job vacancies, in addition to statistics on unemployment. Thus, our January 1969 policy statement on "Fiscal and Monetary Policies for Steady Economic Growth" held that "a primary requirement of our high employment policies is the compilation and utilization of data on unfilled job vacancies by location and skill together with unemployment data by similar categories." We are aware that collection and analysis of vacancy data poses difficult technical problems, but continue to feel a much more intensive effort is required to determine how and to what extent these problems can be overcome. This position was strongly reiterated in the January 1978 CED policy statement on "Jobs for the Hard-to-Employ", as follows:

"Adequate job-vacancy statistics that would make it possible to measure progress toward high employment as defined in this statement are not now available. We urge that more intensive efforts be devoted to exploring the feasibility and specific means of developing adequate data in this area and that the newly appointed National Commission on Employment and Unemployment Statistics include this matter as a priority item on its agenda."

- continued -

2. Data on the characteristics and location of the unemployed.

A central theme of our recent policy statement on "Jobs for the Hard-to-Employ" was the need for a far more active effort to cope with the problem of structural unemployment. In this connection, we called for greatly increased stress on public and private employment and training programs targeted specifically to the particular groups and local areas which experience the most serious structural unemployment problems. We also emphasized that remedial policies need to be more finely tailored to the needs of the individual groups and subgroups involved. Thus, different policy solutions tend to be required for working youths in school; for those out of school; for older workers seeking second careers; for minority group members in the inner city; etc. Implementation of such an approach clearly calls for substantially broadened and improved statistical information on the characteristics of the different groups involved and, perhaps most importantly, for more extensive, detailed and reliable labor market information for local areas.

3. Educational and skill characteristics of the labor force.

Another theme of our recent policy statement was the need for substantially greater emphasis on training and upgrading of the labor force. This is particularly important with respect to the hardest-to-employ. We also called for a variety of approaches designed to overcome the growing problems that arise from imbalances between the educational and skill qualification of job seekers and the qualifications actually required for available jobs. Our Committee feels that expedited action in these areas is particularly urgent because of the very real risk that significant skill shortages may emerge in the medium-term future that could hamper sound economic development and have serious inflationary consequences. Effective action by public and private policy makers to cope with these problems calls for substantially improved information on the current and prospective educational and skill characteristics of the labor force.

4. Unemployment and hardship. In devising rational public policies for dealing with unemployment, major attention needs to be paid to the degree of hardship with which such unemployment is associated. Yet, as was stressed in our recent policy statement on "Jobs for the Hard-to-Employ", no regularly issued official index currently exists that provides this type of information. A helpful step in this direction, as noted in our policy statement, was the construction of the experimental Employment and Earnings Adequacy Index by yourself and Robert Taggart. Considerable further effort should, however, be devoted to exploring the possibilities for developing and utilizing regularly published information on the relation between earnings adequacy or inadequacy and labor market performance.

5. Our policy statement also placed considerable stress on the need for more flexible work schedules and job design, including particularly the creation of increased opportunities for part-time work. A trend in the direction of such increased flexibility is

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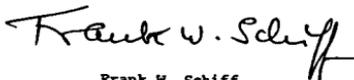
already emerging. Current labor market statistics, however, do not permit adequate recognition of the nature of these trends and their meaning for the concept of unemployment. Thus, a person is counted as unemployed if he or she is looking for only one hour's work a week, and equal weight in the unemployment statistics is given to in-school youngsters who seek a few hours' outside work and to adults looking for full time employment. The compilation and presentation of the statistics should be more adequately designed to take account of the increased variety in work time patterns, of the expanded demand for part-time employment, and of the relation of these developments to the underlying unemployment problem.

6. Illegal Aliens. The impact of illegal aliens on U.S. unemployment problems, and particularly on structural unemployment, has recently become very serious. Yet statistical information on the magnitude and character of the illegal alien problems is woefully inadequate. Our Committee feels there is an urgent need for greatly increased attention to this matter. As stated in our January 1978 policy statement, "...the illegal alien problem and its relation to unemployment have by now reached such serious proportions that they call for priority attention and action by both government and the private sector. We urge that a major effort be undertaken promptly to obtain more accurate information regarding the size of the illegal alien problem..."

7. The Role of the Military. Our recent policy statement indicated that "we also believe that job opportunities in the armed services should be taken into account in the formulation of a comprehensive policy to combat youth unemployment..." "We recommend closer cooperation between the new civilian programs for disadvantaged youth and the employment and training activities of the armed forces." Careful study will be required to determine to what extent such a changed approach will also call for changes in the treatment of the armed services in the overall labor statistics.

We hope that these observations will be of use to you and your colleagues on the Commission.

Sincerely,



Frank W. Schiff

cc: Dr. Robert C. Holland

BUSINESS USES OF
BLS EMPLOYMENT/UNEMPLOYMENT DATA

24 July 1978

James A. Sheridan
Human Resources
Development Department
AT&T
Basking Ridge, N.J.

John O. Monaghan
J. Ogden Monaghan Assoc.
141 East 55th Street
New York, N.Y.

As long as there have been employment and unemployment data, these statistics have been considered useful to private businesses: for determining the available labor market in a plant relocation site; estimating markets; as one of a number of economic indicators used to identify trends and make forecasts; and, to the extent that data has been disaggregated according to labor force characteristics, as a guide to planning for future social change.

In recent years, as the word "beleaguered" has almost become part of the name of the Bureau of Labor Statistics of the U.S. Department of Labor, the concept of business application of Federally supplied labor force data in its decision-making processes is largely a matter of folklore.

On the matter of plant relocation, for ex-

ample, perhaps the most frequently cited "business use" of BLS data,^{*} employment and unemployment data are but one of many areas explored by incoming analysts. One former executive, with a career in the field, says "We would always learn more at the newspaper office than anyplace, about community attitudes toward present employers, the unions, the rest. The history of work stoppages can be more important than historic employment statistics."[†]

The reasons why BLS labor force data have become little more than general guidelines for business planners, usually secondary to demographic or market research data in credibility and usefulness, are not simply tied to the fact that the BLS "has had other things on its mind." Although it is true that the Bureau has been at the vortex of the full employment debate in recent years -- with critics on all sides questioning its aggregate unemployment figures -- and

^{*}Based on a review of current publications of the BLS and private communications with government sources and private organizations.

[†]J. George Piccoli, Vice President, Human Relations, N.Y. Chamber of Commerce and Industry, July 14, 1978.

has been subject to unprecedented political and legislative pressures for improved State and local area statistics -- on which billions of Federal dollars depend -- there is a more fundamental explanation for the private sector's lack of interest in BLS data. Put simply, it is that business has not insisted on useful employment and unemployment data.

"What we seek to know," says Hunter College Prof. Stanley Moses in a paper on labor force measurement,^{*} "is a reflection of the particular issues and problems which concern society at a given time. The orientations which shape our framing of the questions" also shape the answers, he points out. "The collection of information is never justified for its own sake, but only inasmuch as it relates to some perceived issue..."

That business has not sought positively useful employment and unemployment data from the BLS -- except "in defense" of government-initiated social or economic programs -- is indicated by the historic disuse by business of a BLS committee set up in 1947 "In order to keep in touch with the

^{*}"Labor Supply Concepts: The Political Economy of Conceptual Change," paper first presented in hearing on H.R.50, February 25, 1975.

current and anticipated needs of business," with the rationale that "A statistical program too much detached from the uses of its data may fail in its principal mission."*

The Business Research Advisory Council and the Labor Research Advisory Council, according to the BLS Handbook of Methods, provide "perspectives on Bureau programs in relation to needs of their members."

The 41 members of the Business Research Advisory Council are named by the BLS Commissioner "after consultation with the National Association of Manufacturers, the Chamber of Commerce of the United States, and other organizations broadly representative of American business."

Meeting three times a year under its present name since 1955, the BRAC works in "subject-matter committees covering consumer and wholesale prices, economic growth, foreign labor and trade, manpower and employment," and other areas.†

*"BLS Handbook of Methods," Bulletin 1910, U.S. Department of Labor, Bureau of Labor Statistics, 1976, p. 3.

†"Directory of the Business Research Advisory Council to the Bureau of Labor Statistics, Fiscal 1978," U.S. Department of Labor, Bureau of Labor Statistics, October 1978.

Yet, according to the Executive Secretary of the BRAC, K.G. Van Auken, Jr.:

"There have been no recommendations or published matter contained in the minutes of the Business Research Advisory Council, or in the minutes of the Council's Committee on Manpower and Employment concerning business uses of employment or unemployment data."*

Since these minutes are the only published product of the BRAC meetings, which since 1973 have been open to the public, the question may arise as to how the Bureau is gaining "perspectives" on the "needs of business" from the BRAC.

As noted by Assistant Commissioner Van Auken, "Specific business needs are not generally raised at Council or committee meetings," although "Implicit in some of the discussion...might be recommendations to change or add to a draft questionnaire in order to conform to certain kinds of industry record keeping..."

Nonetheless, "the Bureau benefits greatly

*Correspondence, June 26, 1978.

from the presence of both the BRAC and LRAC, because they, in effect, guarantee the objectivity of the Bureau" and because of the "parallel oversight" of business and labor groups "who are, in a sense, adversary parties at interest in the Bureau's published data."*

Because of the enormous significance of BLS data on public policy questions, and the bearing these data have had on allocating huge sums among "competing" units of government under CETA, public works, and social programs, the main business of the National Commission on Employment and Unemployment Statistics[†] will no doubt result in recommendations centering on improved definitions and procedures for estimating national, State, and local area unemployment. Laws now in force, as well as proposed full employment legislation, have already provided what Prof. Moses calls the "orientations which shape our framing of the questions."

*K.G. Van Auken, Jr., Special Assistant to the Commissioner and Executive Secretary of the BRAC, Bureau of Labor Statistics, U.S. Department of Labor, Op. Cit.

†Created by Section 13 of the Emergency Jobs Program Extension Act of 1976 (PL-94-444).

BLS DATA AS TRIGGER MECHANISM FOR FUNDS

The biggest change in the use of BLS statistics in recent years has of course been their use in determining Federal allocations. Commissioner Julius Shiskin, in a 1977 article, notes that this "dramatic change" has taken place "in the last decade:"

"Recent legislation allocates billions of dollars for manpower revenue sharing, public service jobs, and public works on the basis, partly or wholly, of State and local unemployment rates. Similarly, vast sums of money change hands on the basis of movements in the Consumer Price Index (CPI) and the Wholesale Price Index (WPI). Beyond these uses, economic indicators play an important role in the formulation of national economic policy..."*

In 1977 alone, according to Commissioner Shiskin, more than \$16 billion was allocated to States and communities on the basis of unemployment statistics.

*"A New Role for Economic Indicators," Julius Shiskin, Commissioner, Bureau of Labor Statistics, U. S. Department of Labor, Monthly Labor Review, November, 1977, pp. 3-5.

Changes in the Consumer Price Index affect the income of about half of the population, BLS Commissioner Shiskin points out.* The affected groups included in 1977:

- 8.5 million workers covered by union contracts;
- 32 million social security recipients;
- 2.4 million retired military and Federal Civil Service employees and survivors; and
- 20 million food stamp recipients.

In addition, school lunch programs serving 25 million children are paid adjustments based on changing food prices; State and local pensions are adjusted to the CPI; many types of alimonies, leases, and royalty arrangements include CPI adjustments; and numerous poverty programs are related to CPI data. "In 1974," says Shiskin, "more

*"though only about 15 percent of the value of all income payments," he notes. "A New Role for Economic Indicators," p. 4. Secretary of Labor Ray Marshall recently observed that "Rough estimates suggest that a one-percent change in the CPI today triggers about \$1 billion in transfer payments." USDL 78-575, June 28, 1978.

than \$12 billion was automatically transferred from one group of Americans to another following changes in the CPI."

Secretary of Labor Ray Marshall, in a recent address at the North American Conference on Labor Statistics,^{*} describes a "fundamental change in how government statistics are used."

In the past, "BLS statistics were regarded merely as a tool to trace aggregate changes in the general economy. This was a simpler era," says Marshall, "when there were no Federal allocations riding on each statistical change in BLS figures."

The "increasing reliance on BLS statistical series as trigger mechanisms for significant transfers of funds between parties" has been marked by the growing significance of the CPI,⁺ the Wholesale Price Index, family budget statistics, and local unemployment statistics.

According to Marshall, "It was not long ago that local area unemployment rates were of little inter-

^{*}San Francisco, Calif., June 28, 1978. The conference theme was "Public Policy Issues and the Need for Statistics." USDL 78-575, Office of Information, U.S. Department of Labor, June 28, 1978.

⁺Marshall notes that an error of one-tenth of one percent in the CPI can misdirect \$100 million in income payments. "Small wonder that the BLS felt the CPI must be revised and modernized -- even at the cost of \$50 million."

est to anyone on a national level and often were of scant concern even to the local communities themselves. That all changed with the passage of the Comprehensive Employment and Training Act (CETA) in 1973.

"Since then," notes Marshall, "BLS has developed 6,000 local area rates, which are published monthly, and collectively affect about \$17 billion a year in Federal payments to States and local communities."

As pointed out by Janet L. Norwood, BLS Deputy Commissioner for Data Analysis, the local area unemployment statistics (LAUS) program's data were used for the allocation of approximately \$700 million as recently as fiscal 1974.*

"It is not surprising," says Secretary Marshall, "that governors, mayors, and Congressmen have developed a keen interest in the methodology used to produce these local rates, as well as a concern about the accuracy of these statistics and...need for their revision."

*"Reshaping a Statistical Program to Meet Legislative Priorities," Monthly Labor Review, November, 1977, pp. 6-11.

BLS DATA AND LONG-RANGE PLANNING

The most nearly "traditional" business use of economic indicators such as the unemployment rate has been in making long-term studies. Together with demographic trends, shifts in the labor market, CPI, and WPI have been researched to shape estimates of future markets and business cycles.*

According to BLS Commissioner Julius Shiskin, "The uses of economic statistics remained in research and market analysis until the early 1950s," when President Dwight Eisenhower named Arthur Burns Chairman of the Council of Economic Advisors. "Burns began to apply pressure on Federal agencies for more prompt and more accurate statistics," Shiskin notes, in what was the start of government efforts, intensified by later CEA chairmen Arthur Okun and Paul McCracken, "to use economic indicators for 'fine tuning' the economy," or improving short-term economic performance through monetary and fiscal policy.†

*E.g., the problem of the 1980s, according to demographic and economic trends, will be to provide adequate jobs for what has been called "the biggest, best educated, and potentially the most capable labor force in U.S. history" by Business Week, Commentary, February 20, 1978, p. 78.

†"A New Role for Economic Indicators," Monthly Labor Review, November, 1977.

In the area of labor force projections, the Bureau of Labor Statistics has been more assertive about the value such figures have for private industry. According to the "BLS Handbook of Methods,"

"labor force projections, together with population projections, are used to estimate demand for products, develop marketing plans, and evaluate expansion programs."*

Among the assumptions made for such projections, which were made in 1973 for quinquennial years 1980, 1985, and 1990 and updated in 1976, is that "legislation will not alter the conditions under which individuals choose to enter or remain out of the work force."† (Others are that there will be no wars or social upheaval, that post-World War II demand trends will not change, and that the various population groups isolated in the projections will behave according to past trends.)

*Bulletin 1910, U.S. Department of Labor, Bureau of Labor Statistics, "BLS Handbook of Methods for Surveys and Studies," 1976, p. 24.

†"New Labor Force Projections to 1990," Howard N. Fullerton, Jr. and Paul O. Flaim, Monthly Labor Review, December 1976, reprinted with supplementary table as Special Labor Force Report 197, p. 11.

OTHER BLS SERIES AND USES

In addition to employment, unemployment and labor force data based on the Current Population Survey, which the BLS classifies as its "Current Employment Analysis," the Bureau collects and publishes the following kinds of data under its "Employment Structure and Trends" program: *

1. Industry Employment Statistics, based on a mail survey of some 158,000 employer units accounting for an estimated 41 percent of all employment, and which results in these monthly reports;
 - Employment in nonagricultural establishments, whose "Uses" include marketing studies, economic research and planning, and plant location planning,
 - Hours and earnings based on 125,000 units, whose uses include wage negotiations and adjustment of labor costs in escalator of long-term contracts,
 - Labor turnover statistics, in 215 manufac-

*"Major Programs 1977, Bureau of Labor Statistics," Report 488, U.S. Department of Labor, Bureau of Labor Statistics, 1977. In this organization of programs, other BLS work is categorized under Prices and Living Conditions, Wages and Industrial Relations, Productivity and Technology, Occupational Safety and Health Statistics, and Economic Growth.

turing industries and seven mining and communications series, whose uses include job market analysis, labor force planning, and use as a yardstick for individual plant performance, and

-Insured employment and wages, collected from the quarterly reports of some 4 million units required to report, and used as input to and as a sampling frame for other statistical studies;

2. Insured Unemployment Statistics, based on a 10-percent sample of the insured unemployed, and identified by a two-digit industry code, occupational code, unemployed duration, sex, age, color, and State, whose uses for business include "Understanding of the nature of unemployment;"

3. Occupational Employment Statistics, including;

- Occupational Employment Survey, based on mail and some interviews, now a decentralized program conducted with "cooperating" State Employment Security agencies, and used to evaluate and project labor demand by skill,
- Industry-Occupational Employment Matrix, based on the 1970 census and covering 470

occupations or groups in 260 industries, and used to analyze changes in occupational structure resulting from technology and other factors, and

-State and Area Industrial and Occupational Projections, from the above sources, for use by governments in planning educational and training programs;

4. Occupational Outlook, based on 850 occupations for current data and 500 for projections, and whose listed uses include "personnel work;" and
5. Local Area Employment and Unemployment Statistics, which uses average annual CPS data and monthly estimates based on insured employment and unemployment, covering all States and some 200 major labor areas (as required by CETA and public works employment laws), and whose uses include economic indicator value for local areas and "Affirmative action program data to enable compliance with Equal Employment Opportunity Act requirements."*

*"The quality of the data provided by State and local employment security agencies varies from locality to locality and data are often outdated," says the "Preliminary Report on the Revitalization..." p. 76.

PROBLEMS WITH LOCAL AREA DATA PROCEDURES

Much of the dissatisfaction expressed by BLS critics in recent years has focused on the problems of developing consistent local area unemployment statistics. Because so much is at stake -- Sar Levitan has said that a single percentage point's difference in unemployment can mean a difference of millions to a big-city mayor* -- numerous cities and States have challenged Federal data as being less accurate than their own figures.† At least two States, New Jersey and Maryland, have lost suits brought against the Bureau.

As noted elsewhere, CETA and other Federal programs allocating funds on the basis of local area unemployment data have created unprecedented demands on the BLS, demands which have required a "transitional" methodology in recent years.

*"Statistics Are Politically Fraught," Phillip Shabecoff, New York Times, January 29, 1978.

†"We always hear from States when our unemployment figures are lower than theirs," said BLS Commissioner Shisken when he heard of one recent complaint, "but we never hear when ours are higher." "A Dispute Over Jersey Jobless Figures," Thomas E. Mullaney, New York Times, March 1, 1978.

Local area unemployment estimates originate in data from State Unemployment Insurance systems, which vary from State to State and must be standardized by the BLS in order to make local estimates consistent with national figures derived from the Current Population Survey.

Martin Ziegler, chief of the Division of Local Area Unemployment Statistics at the BLS, identifies five "major factors" differentiating State definitions of unemployment, which the BLS attempts to standardize.* These are

-Coverage, which has always varied from State to State, with rural farm States' UI coverage lower, but which since January 1978 has been extended to cover some 97 percent of all wage and salary employees in the country;

-Eligibility, determined in various ways by different States, usually based on a minimum number of weeks worked or wages earned (the "ineligibility rate," claimants denied UI benefits as a percent of those accepted, was 4.7

*"Efforts to Improve Estimates of State and Local Unemployment," Monthly Labor Review, November 1977.

percent in New Jersey in 1974, as opposed to 27 percent in Oklahoma in the same year);

-Disqualification, most often because the claimant voluntarily quit his job, and which in 1974 varied from a rate of 6.9 per thousand in Missouri to 71.8 in Minnesota;

-Benefit duration, which despite Federal legislation adding supplemental UI benefits* still differs from State to State (in 1974, Florida's average potential duration for benefits was 20.6 weeks, Pennsylvania's 30); and

-Forgiveness of earnings, which in all States except New York allows the claimant to earn a certain amount (\$5 to \$46 per week, depending on the State) without losing his eligibility.

As can readily be seen, these differing definitions of UI or "covered" unemployment also differ from concepts applied in the Current Population

*See Legislation Paper No. 10, "Unemployment Insurance: Federal Supplements and Work Provisions," August 8, 1977.

Survey; in the CPS, any work for pay during the survey week -- e.g., parking cars for a few hours on a Sunday afternoon outside a football stadium -- is enough to qualify the respondent as "employed."

Beginning in 1960, with the publication of the 70-step formula for estimating total State and area unemployment by separating the insured unemployed from those not covered and making estimates for the latter,* the BLS has been attempting to standardize data collection among States. Studies done by the Bureau and others "suggests that the State handbook estimates have performed better than expected but not because the various categories were successfully estimated," says LAUS Division head Martin Ziegler.

Rather, errors cancelled one another, as when the handbook method overestimates unemployment in covered industries and underestimates the number of labor force entrants.

Even so, Ziegler acknowledges, "inaccuracies in the components may not always cancel themselves out," and there is a "tendency" for handbook estimates to miss the high and low swings of unemployment.

*"Handbook on Estimating Unemployment," Bureau of Employment Security, U.S. Department of Labor, 1960.

Overall, the handbook method has not "satisfactorily standardized the UI data for differences in the legal definitions of unemployment." As shown below, of 27 States reporting in 1974 15 had significant differences between CPS and handbook estimates. (If left to chance alone, three States should have such differences, says Ziegler.)

Table 2. Insured unemployed and total unemployment in 27 States, 1974
(Numbers in thousands)

State	Insured unemployed	Unemployed, CPS	Unemployed, handbook	Ratio insured to CPS	Ratio CPS handbook	Ineligible index	Consistency check
United States	2,248.5	5,076	4,998	44.3	1.02	1.00	
Alabama	26.5	78	164	34.0	1.21	1.60	X
California	284.4	669	1,594	42.5	1.13	1.11	X
Connecticut	49.1	88	88	55.8	1.00	1.54	X
Florida	56.3	208	1,132	27.1	1.57	1.37	X
Georgia	32.8	109	100	30.1	1.10	.98	
Illinois	90.0	224	213	40.2	1.05	1.38	X
Indiana	41.9	123	120	34.1	1.03	.92	
Kentucky	23.7	64	68	37.0	.95	1.05	
Louisiana	29.6	97	94	30.5	1.03	1.56	X
Maryland	32.3	84	78	38.5	1.08	1.67	X
Massachusetts	105.7	190	217	56.2	.88	.38	X
Michigan	163.4	289	1,117	56.5	.92	.47	X
Minnesota	37.3	77	197	48.4	.80	.73	X
Missouri	46.8	95	103	46.8	.92	1.66	
New Jersey	131.1	203	268	64.6	.76	.35	X
New York	264.2	482	476	54.8	1.01	.42	
North Carolina	37.4	111	194	33.7	1.18	.94	
Ohio	82.0	225	212	36.4	1.06	.47	
Oklahoma	16.7	49	59	34.1	.98	2.06	
Oregon	35.4	76	168	46.6	1.15	1.38	X
Pennsylvania	152.7	258	264	59.2	.98	1.07	
South Carolina	20.9	68	153	30.7	1.15	1.34	X
Tennessee	32.8	92	176	35.7	1.21	1.28	X
Texas	49.4	220	1,186	18.4	1.18	1.53	X
Virginia	15.3	98	161	15.6	1.60	1.23	X
Washington	61.7	108	1130	57.1	.83	1.97	
Wisconsin	38.5	94	1106	41.0	.89	.44	X

¹ Significantly different from CPS at 1.6 sigma (90-percent probability).

SOURCE: "Efforts to Improve Estimates of State and Local Unemployment," Martin Ziegler, Division of Local Area Unemployment Statistics, Bureau of Labor Statistics, U. S. Department of Labor, Monthly Labor Review, November, 1977.

After 1974, when the BLS introduced "benchmarking" procedures intended to link handbook methods with annual CPS data, the Bureau began issuing year-end revisions of handbook-derived unemployment figures.

The kinds of problems this entailed were indicated by BLS Commissioner Julius Shiskin in late 1976:

"We are pressing the States like mad to adjust their estimates to conform with our new benchmark," he said. "They have fallen out of line because there is no good way to allow for corporate births without the adjustment experience has shown us is needed in a recovery period."*

Even more problematic to the BLS, the political furor that naturally arose over revised unemployment estimates -- at a time when CETA was being transformed from a training program for the structurally unemployed to a counter-cyclical aid program⁺ -- helped impel the Bureau to "shift priorities" toward "getting more accurate

*"The Labor Scene, An Overhaul of Unemployment Statistics," A.H. Raskin, New York Times, November 29, 1976.

+See Legislation Paper No. 23, "CETA's Growth and Proposed New Direction," June 12, 1978.

monthly data at the State level" and to "concentrate on developing appropriate estimating methodologies to disaggregate the State CPS estimates to local area estimates through the use of UI administrative data."*

Under current law, which requires estimates of unemployment for all counties in the country and all cities of more than 25,000 population, the State UI systems are "the only game in town" for statisticians at the BLS.

Thus, at the present time monthly estimates of unemployment in the ten largest States and two areas (New York City and the Los Angeles-Long Beach metropolitan area) are taken directly from the CPS, and estimates for the other 40 States and all other areas are, in the words of a recent BLS press release,⁺ "the product of a Federal-State cooperative program in which State employment security agencies prepare labor force and unemployment estimates under concepts, defi-

*Martin Ziegler, "Efforts to Improve..." p. 17.

+ "State and Metropolitan Area Unemployment, April 1978," USDL 78-531, Bureau of Labor Statistics, U.S. Department of Labor, June 12, 1978.

ditions, and technical procedures established by the BLS."

The procedure since January 1978, when the BLS discontinued CPS benchmarking for local areas, has been to apply to the 40 smaller States' UI-based estimates a six-month moving average adjustment from the CPS. For all but the two largest labor market areas, UI estimates are adjusted to State totals, with employment and unemployment disaggregated within an SMSA based on population proportions.

To some, the new procedures are seen as working against urban areas where unemployment is at its worst.

Joining the U.S. Conference of Mayors in urging the BLS to continue to use both the old and new procedures until the Commission on Employment and Unemployment Statistics suggests "more accurate statistical methods" and the definition of unemployment, Rep. Fortney H. Stark (D-Calif.) is representative of a growing number of Congressmen.

"No one can argue for the continued use of bad statistics," he says, "but the present situation is sufficiently clouded as to leave open the question of whether or not the new method will...be more accurate."*

*Congressional Record, May 1, 1978, p. E2234.

PLANT RELOCATION APPLICATIONS OF DATA

According to various government officials and others involved in communicating BLS employment and unemployment data to the public, the archetypal business application of these data is in plant relocation. In phone interviews and private correspondence, these experts on the uses of Federal data almost invariably cite the regional or local labor market information put out by the Labor Department as essential in private planning for new facilities in unfamiliar locations.

"Not only would companies want to examine the employment data, and the specific occupational data to indicate qualifications," says Larry R. Moran of the Commerce Department's Bureau of Economic Analysis, * "but details on the stability of a given area, whether employment is dependent one one or two industries, and economic trends would be useful."

Data published by the BEA⁺ include local

*Telephone conversation, June 26, 1978.

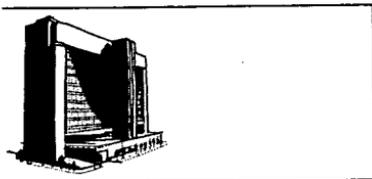
+See "Publications and Computer Tapes of the Bureau of Economic Anaysis," April 30, 1977, and "New Publications and Computer Tapes of the Bureau of Economic Analysis," October 31, 1977, U.S. Department of Commerce, Bureau of Economic Analysis.

area personal income, regional employment by industry, and personal income by major source, an annually updated file on per capita income for States, counties, and Standard Metropolitan Statistical Areas.

At the Federal Statistics Users Conference, a private organization headquartered in Washington, spokesman John Aiken confirms that plant relocation is the most commonly mentioned application of employment data to business plans, although "the revised procedures being explored now" by the National Commission on Employment and Unemployment Statistics "should help to improve the usefulness of these numbers to our users."*

*Telephone conversation, July 12, 1978.

Federal Reserve Bank of Minneapolis



Office of the President

September 11, 1978

Mr. Sar A. Levitan
National Commission on Employment
and Unemployment Statistics
2000 K Street, N. W., Suite 550
Washington, D. C. 20006

Dear Sar:

I am sorry that I was not able to respond earlier to your letter of July 26. My staff and I were pressed in the last two months due to vacations and heavy work loads. But we do appreciate the chance to comment on the work of the National Commission.

We have specific comments on two of the four items for which you requested responses, and we also have some general comments on the study as a whole. We feel others are in better positions to respond on the need for better local labor force data and on how best to display and disseminate labor force data.

We are not convinced of the usefulness of a hardship index. Any index of welfare must arbitrarily weight the welfare of individuals. In order to evaluate the desirability of alternative government policies we are better served with disaggregated measures of welfare. Presumably, these measures would indicate the consumption and leisure levels of a representative sample of individuals.

We also question the usefulness of the concept of discouraged workers, irregardless of whether you include them in the unemployment count. Rigorous analyses of this concept lead to the definition of discouraged workers as individuals whose reservation wage exceeds their acceptance wage, that is, the working age population not in the labor force. These analyses suggest there is no reason to distinguish between people who drop out of the labor force and people who never join. The participation rate, then, already gives us a measure of discouraged workers, and no other measures seem needed.

In general we realize that the Commission's review is a tremendous undertaking which must be completed in a relatively short time. Yet, we are somewhat disappointed that so little effort appears to have been devoted to theoretical issues. New economic theories of the labor market have generated new concepts: spells of unemployment, reservation wages, acceptance wages, etc. Little in the Commission's report seems to address how we might gather data to improve our estimates of these variables and to allow better testing of competing

250 Marquette Avenue Minneapolis, Minnesota 55480

Mr. Sar A. Levitan

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September 11, 1978

new theories. Since policy evaluation is likely to proceed in the context of these new theories, we find this omission disturbing.

I hope these comments are of some use to your Commission. We would be pleased to see the draft report which you plan to publish in January. Good luck as you carry out a most difficult assignment.

Sincerely,



Mark H. Willes
President

MHW:sss



INTERNATIONAL ASSOCIATION of MACHINISTS
and AEROSPACE WORKERS

MACHINISTS BUILDING, 1388 CONNECTICUT AVENUE, WASHINGTON, D. C. 20033

Office of the
INTERNATIONAL PRESIDENT

Area Code 202
857-5200

July 6, 1978

Mr. Ser A. Levitan, Chairman
National Commission on Employment
and Unemployment Statistics
2000 K Street, N.W.
Suite 550
Washington, D.C. 20006

Dear Mr. Levitan:

I am enclosing a paper which represents the position of the International Association of Machinists and Aerospace Workers on the concerns being reviewed by the National Commission on Employment and Unemployment Statistics.

Sincerely,

William W. Winpisinger
 William W. Winpisinger
 INTERNATIONAL PRESIDENT

W/lp

Enc.

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