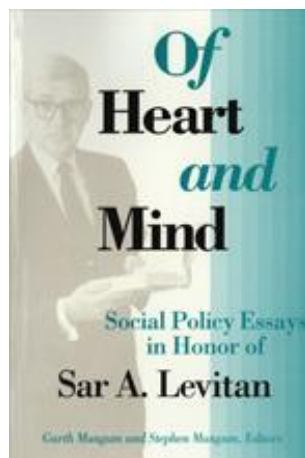


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## Employment and Unemployment Statistics Revisited

Markley Roberts



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## Employment and Unemployment Statistics Revisited

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You too can be a quick expert on labor statistics if you have handy the *BLS Handbook of Methods* with its summary description of twenty labor statistics programs.<sup>1</sup> It also helps to have a nodding acquaintance with the evolution of labor statistics. Hence, this revisiting of employment and unemployment statistics.

Employment and unemployment statistics are key economic indicators and also key indicators of human welfare. I will be looking here at some related issues—the recently redesigned household survey, the census “undercount,” economic hardship, establishment payroll employment, unemployment insurance data, state and local unemployment, funding for labor market information, and the danger of politicized statistics—in light of recommendations by the commission on labor statistics chaired by Sar Levitan.

### The Levitan Report

On Labor Day 1979 the nine-member National Commission on Employment and Unemployment Statistics—set up under Public Law 94-444 and chaired by Sar Levitan—made its final report (hereafter the 1979 Levitan Report) with some 100 wide-ranging recommendations for changes and improvements in the nation’s labor force statistics.<sup>2</sup> The Levitan Report dealt with concepts, definitions, data needs, collec-

tion and processing issues, state and local statistics, administration, presentation, and dissemination of labor force statistics.

The Levitan Report—like its predecessor, the 1962 report of the President’s Committee to Appraise Employment and Unemployment Statistics, chaired by Robert Aaron Gordon (the Gordon Report)—was the result of concern, not only among professionals in the field of labor statistics, that concepts should be clear and data should accurately reflect changing labor force conditions. In the 1979 Levitan Report these would include increasing labor force participation of women, declining participation of older men, rising concern about structural unemployment, training needs, discrimination, poverty, hardship, and unemployment-related formula distribution of federal funds at state and local substate levels.

It’s not fair to compare the Gordon Report and the Levitan Report since they reflect different times and different conditions. They cover many of the same issues, but the Levitan Report’s wider coverage probably reflects seventeen additional years of experience with the nation’s labor statistics. It may also reflect the unusually open process of receiving input from ninety witnesses at public hearings, thirty-three background papers, and widespread circulation of an advance draft for comments. And it has an index, which the Gordon Report does not.

In 1989 Sar Levitan and Frank Gallo, in a report written for the Joint Economic Committee of Congress, called for another successor “broadly representative, expert commission, jointly appointed by the Congress and the President” which “could help to formulate a consensus on statistical needs and priorities” and “also could help design an agenda for the years ahead.” The Levitan-Gallo report declared:

Though the precise challenges facing those who collect our labor force statistics have changed somewhat during the last decade, the basic conclusion of the National Commission on Employment and Unemployment Statistics has not. The Nation is served by a comprehensive labor force data system expertly prepared by a cadre of dedicated public servants. But if the statistics are to reflect changing economic conditions and meet policy needs, periodic revisions and improvements are necessary (p. ix).

This paper will review action and inaction on the 1979 Levitan Report, the 1989 Levitan-Gallo report, the 1994 revisions in the Current Population Survey (the CPS or household survey), 1995 changes

in the Current Employment Statistics (the “790” CES establishment payroll) survey, state and local, and other labor statistics. In an ideal world I would call for additional funds to widen the range of good labor force statistics needed for good decisions in both the public sector and the private sector. Instead, I gloomily consider 1995 budget-cutting by Congress and its bad effects on labor force statistics.

### Household Survey Redesign

The Current Population Survey, which involves monthly interviews of people in 60,000 households, is the prime source for employment and unemployment statistics for the nation, for eleven big states, and for the Los Angeles and New York City metropolitan areas. Census Bureau interviewers collect data which the Bureau of Labor Statistics (BLS) analyzes and publishes. The survey divides people 16 years and over into three groups—employed, unemployed, and not-in-the-labor-force.

In January 1994 a major redesign of the CPS household survey went into effect. Janet Norwood, former Commissioner of Labor Statistics, called the redesign “the most important change in labor force statistics in more than half a century” (1994, p. 1). The redesigned household survey reflects in large part 1979 Levitan Report recommendations on discouraged workers, hours of work, and a variety of other issues. The redesign also reflects joint BLS-Census Bureau planning since 1986 to use new cognitive research to improve the interview questionnaire, to add more questions, and to use computers to improve the process of interviewing.

Detailed BLS description and discussion of the redesigned household survey appear in the September 1993 *Monthly Labor Review* and the February 1994 *Employment and Earnings*.<sup>3</sup> Objectives of the BLS redesign included:

- Better measurement of well-defined concepts not measured precisely in the old questionnaire, such as employment/unemployment status, layoffs, hours worked, self-employment/unpaid family work, and earnings.

- Better definition of concepts not well explained in the old questionnaire, such as part-time workers, especially those working part time involuntarily, and status of persons not in the labor force.
- Revised definition of discouragement, adding job search within the past year and current availability to take a job to the present question relating to expressed desire for a job.
- Fewer wrongly reported changes relating to industry, occupation, and duration of unemployment.
- Regular reporting on such topics as multiple jobholding, usual hours worked, earnings from overtime, tips, and commissions, and child-care for part-time workers.
- More direct information on such topics as the existence of a business in the household, full-time/part-time work status, and the reason for that status.
- With computer-aided interviewing, reduced burden on interviewees, particularly those whose status is less likely to change from month to month, such as retired, disabled, and unable-to-work persons.

The new questionnaire is designed for computer-aided interviewing, using laptops in the interviewee's home or by telephone (CAPI: computer-assisted personal interview). About 20 percent of the sample is interviewed from centralized telephone centers in Hagerstown, Maryland, and Tucson, Arizona, and Jeffersonville, Indiana. (CATI: computer-assisted telephone interview).

An eighteen-month test of the new questionnaire (July 1992 to December 1993) suggested that the new national unemployment rate would be half a percentage point higher than the rate from the old questionnaire—raising women's unemployment rate more than men's and reporting more unemployment among teenagers and workers 65 years and older. Labor force participation for women was higher in the test survey by a full percentage point (to 59.5 percent), but was down for men by half a percentage point (to 76.4 percent). However, subsequent research at BLS shows no significant difference between the national total unemployment rates resulting from the questionnaire changes introduced in 1994. But there were many other changes: a

decrease in those classified as discouraged workers, an increase in the number of part-time workers, a decrease in persons working part time for economic reasons, an increase in self-employed workers, an increase in managerial and professional occupations, and a decrease in operators, fabricators, and laborers, all relative to findings from the old household questionnaire.

## Census Undercount

Adjusting the household survey for the census “undercount” was a 1979 Levitan Report recommendation adopted in the BLS redesign. The 1989 Levitan-Gallo report suggested that “The undercoverage of minorities in the decennial census and the CPS may underestimate the economic hardship minorities experience in the labor market.” The legal status of Census Bureau adjustment of the decennial census was still in limbo in mid-1995, with a Justice Department appeal to the Supreme Court after conflicting federal court rulings on the constitutionality of adjusting the direct count.

However, bravely pushing ahead, BLS is making basic population estimates built on the 1990 census and now adjusted from a variety of data sources as described in the February 1994 *Employment and Earnings*. For 1993 the adjustment increased the civilian noninstitutional population 16 years and older by about 1.3 million or 0.7 percent. The civilian labor force was raised by about 1.1 million or 0.9 percent. Unemployment went up by 200,000 or 2.3 percent, raising the overall unemployment rate by 0.1 percentage point “primarily because of the large upward adjustment for Hispanics.”

The 1989 Levitan-Gallo report to the Joint Economic Committee called for doubling the CPS sample to 120,000 households to raise reliability of data from small states, major metropolitan areas, and other groups, including particularly union members, youth, and minorities. The 1979 Levitan Report had called for doubling the sample size for minority households to get more reliable monthly data on blacks, Hispanics, Asians, and Native Americans. Unfortunately, congressional budget-cutting in mid-1995 will bring a smaller household survey sam-

ple and fewer directly measured employment and unemployment statistics.

One recommendation from the 1979 Levitan Report seems destined for oblivion. The report called for including the nation's armed forces in the United States in the national labor force count and specifically in the "employed" total. The rationale was that military service was voluntary so workers were free to choose between employment in the civilian sector and military service. BLS did, in fact, start including the armed forces in the "total labor force" starting in 1983, but quietly dropped this series a few years ago from the monthly BLS "Employment Situation" news release—and no one noticed. I see this as the result of the winding-down of the Cold War with the downsizing of the armed forces, which lowered interest in the armed services as an alternative to civilian employment. Also the change was never popular with the media and the public, who had been confused by the two sets of "labor force" numbers. BLS also quietly dropped its monthly news release table on veterans' unemployment as the Vietnam War receded further into history and veterans' unemployment problems seemed to be the same as those of nonveterans of the same age. Veterans' labor force status is still reported monthly in *Employment and Earnings*.

## **Economic Hardship**

Economic hardship was an issue of continuing interest to Sar Levitan, and the 1979 report called for an annual report linking "economic hardship" resulting from low wages, unemployment, and labor force participation with earnings and with family and household income.

In explicit response to the Levitan Report, BLS published annual reports on "employment problems and economic status" using published data for the years 1979 through 1982, but this series was discontinued for a time, partly because the reports used data already available and partly because BLS found little public or professional interest in the reports. After a hiatus, in 1989 BLS resumed publishing an annual report called "A Profile of the Working Poor," the first covering data from 1987 and the most recent, the 1995 report, covering data from 1993 (Castillo 1995). The focus is on workers who spent more than

half the year in the labor force, either working or looking for work, but remained in poverty. In 1993 such workers numbered 8.2 million or 21 percent of the 39.3 million persons in the Census Bureau poverty count.

### **Establishment Payroll Survey**

The “790” federal-state Current Employment Survey (CES) of some 400,000 nonfarm establishment payroll records is a basic source for employment, hours, and earnings with considerable industry detail. Big establishments have a high probability of being in the sample, and small establishments have a lower probability of being in the sample. The data are cyclically sensitive, and they are key components of statistics on production, income, output, productivity, wage trends, and labor costs. With a “shuttle form” which goes back and forth between the establishment and the state agency collecting the data (which collects the data for its own purposes as well as for BLS), the payroll survey provides relatively simple and straight-forward information.

The 1979 Levitan Report made relatively few recommendations for the payroll survey but noted: “The lack of many detailed recommendations for improvement should not be misconstrued; it is intended to alert the reader to the urgent need to upgrade the design and implementation of the BLS-790 program and to document what is being done.”

The 1979 Levitan Report expressed concern about inadequate service sector coverage—then about 130 service industries, now about 300. Part of the problem then and now is the preponderance of small firms in service industries with relatively high birth and death rates, which complicate the survey sample and lead at times to employment trends difficult to explain and differing from household survey employment trends. In general, however, the household data and the establishment payroll data move in similar patterns.

An unusually large benchmark revision to the CES nationally and particularly in California for March 1991 raised questions of confidence in the establishment data. This led BLS to ask the American Statistical Association to investigate and report on the establishment survey (ASA 1993). The ASA panel, chaired by Barbara Bailar, noted



that the large 1992 BLS revision of March 1991—a 640,000 downward national revision of which most was in California—was caused by “a one-time noneconomic phenomenon associated with improved reporting” as a result of new software used by employers “that eliminated some overcounting of employment totals prior to that date.” In 1993 the ASA panel called for more BLS research to support the establishment survey and the ES-202 unemployment insurance administrative statistics that provide its underpinnings, more frequent (quarterly rather than annual) benchmarking and smaller revisions, more and better information on establishment births and deaths, more consistency between national and state estimates, and more documentation of methodology.

An appendix to the ASA report by Audrey Freedman offers a broad spectrum of users’ reactions to the establishment survey. They like the industry and locality detail. They don’t like data revisions. “Their greatest frustration is with the revisions, which require major reworking of their models and an about-face on previous analysis,” Freedman reports.

A less temperate reaction to the 1991 benchmark revisions and subsequent historical revisions came from a UCLA forecaster discommodulated by revisions of California data. “Heads should surely have rolled for the damaging consequences to the agency and to data users, but it does not appear that they did. What assurance, therefore, has the data-using public that such an occurrence could not be repeated?” asks Daniel J.B. Mitchell (1995).<sup>4</sup>

In June 1995 BLS announced a CES 790 research and sample design program stretching from 1995 through the year 2000—a program consistent with ASA and Levitan Report recommendations to get more accurate national, state, and metropolitan area series and to eliminate risk of large bias resulting from adjustments for new business births and other survey limitations. (USDOL, Bureau of Labor Statistics 1995).

## **Unemployment Insurance Statistics**

Administrative statistics from the federal-state unemployment insurance (UI) system provide information for a wide variety of statistics purposes, including the “790” establishment survey, state and local employment and unemployment data, and other BLS surveys. The ES-202 Covered Employment and Wages (UI) program covers more than 98 percent of all civilian wage and salary workers, with employment and wage data by industry at national, state, and local levels. It does not cover some 10 million self-employed persons, 700,000 domestic workers, 600,000 state and local government workers (out of an 11 million total), 300,000 workers covered by the railroad UI program, and 300,000 farm workers.

State “employment security” agencies collect the UI employment data quarterly from some 6.5 million employers and send the data to BLS with a six-month lag, but the state agencies collect unemployment claims data weekly and send them to the U.S. Labor Department immediately. The number of unemployed workers newly claiming UI benefits is considered a sensitive cyclical indicator, although the weekly total contains a lot of statistical noise. The 1979 Levitan Report made recommendations for more timeliness, more quality control, and more funding at the state level for the ES-202 UI employment program. The 1989 Levitan-Gallo Report noted improvements in the program but added that “the untapped potential of UI data for labor market analysis remains considerable.”

## **State and Local Unemployment**

The biggest problems with state and local unemployment data are inadequacy and unreliability. The 1962 Gordon Report noted these problems but devoted only nine pages to them. The 1979 Levitan Report expressed considerable concern about state and local labor force statistics and devoted two chapters and 36 pages, 12 percent of the total, to these problems.

As noted earlier, the Levitan Report called for a 42,000-household expansion of the CPS household survey to raise reliability of state and local employment and unemployment estimates. (Three commission members dissented on grounds that the benefits would not justify the \$15 million added cost.). The Levitan Report called on Congress to consider using quarterly, annual, and five-year data and to avoid using unreliable monthly unemployment data in formulas for allocating federal funds to state and local areas. The report also called for BLS research and improvements in the so-called “70-step” procedures for estimating state and local unemployment first set forth in 1960 and refined in subsequent years with econometric models for the nondirect (non-CPS) states and “building block” estimates for local substate areas, with both procedures relying heavily on UI employment data and UI benefit claims and payments.

There are no easy or cheap answers on improving measurement of unemployment in states and local areas. And with budget-cutting by Congress in 1995 things are going to get worse rather than better as the basic household survey is cut back. BLS has an understandable reluctance to publish unreliable data. Therefore the BLS report on “Unemployment in States and Local Areas” is difficult to get, available only by microfiche subscription.<sup>5</sup> This is a monthly report on labor force, employment, and unemployment in 6,500 geographic areas, including all nondirect states, labor market areas, and counties and cities with population of 25,000 or more. It is the basis for eligibility and allocation of federal funds under a variety of federal aid programs.

## **Labor Market Information**

Where are today’s jobs? Where will they be five years from now? Where are the layoffs? What skills are needed today? How are skill requirements changing? What are the structures and trends of compensation? There is always more demand than willingness or ability to supply labor market information (LMI) and a vast range of related social and economic information. Everybody wants a comprehensive, integrated labor market system that produces good national, state, and local LMI data, but nobody wants to pay for it.

The 1979 Levitan Report called for more LMI data on services of volunteers and homemakers who are not in the labor force, terms and conditions of work sought, income sources other than employment, full- and part-time school attendance, women's work experience, labor force experience of minorities, migrant workers, undocumented workers, and disabled workers, occupational mobility, and occupational projections. BLS has implemented most of these recommendations in principle, but follow-through costs more money.

In 1994 an LMI review panel (Milton Martin, project director) consisting mainly of state labor department officials issued a "Review of the Nation's Labor Market Information System."<sup>6</sup> Not surprisingly the panel found "The lack of support for meeting state and local needs is the most serious failure of the present system." And the panel warned:

Since the 1980s, federal funding cuts have made it all but impossible for labor market producers in the states to meet growing demands for information. Unfunded mandates have added to this problem. The federal government's role with respect to policy and coordination has also diminished (p. viii).

The 1994 LMI review panel recommended a uniform national framework of data collection and dissemination with consistent definitions and methodologies, standardized wage data for all states and local areas, use of state wage records to evaluate employment and training programs, assured and adequate funding, investment in information technology and training, and action by Congress to recognize the limitations of state and local area labor force data when setting federal funding allocation formulas. It sounds as if the 1994 LMI panel consulted the 1979 Levitan Report. So also do the Clinton administration's 1994 ALMIS proposal (America's Labor Market Information System) and other proposals in Congress in 1995 for a more comprehensive labor market information system. In any case, it is clear that the passage of time has re-enforced the significance of the Levitan Report LMI recommendations.

We always need more and better LMI and labor force statistics. But are we willing to pay the price? The 1995 labor statistics budget cuts by Congress suggest the answer too often is "No."

## Concluding Remarks

Recessions and elections greatly increase politicians' appetite for employment and unemployment statistics. But severe federal budget constraints for the foreseeable future—certainly into the first five years of the twenty-first century—will seriously delay needed progress toward more and better employment, unemployment, and other labor market information at national, state, and local levels. The fiscal 1995 BLS appropriation was almost \$300 million, but it faced fiscal 1995 and 1996 cuts by Congress ranging from 15 to 25 percent.<sup>7</sup>

Other employment-unemployment issues deserve attention—for example, trade-related employment and unemployment, mass layoff statistics, occupational classification, occupational surveys and projections, longitudinal surveys, and gross labor force flows, to name only a few.

But I want to re-emphasize what both the Gordon Report and the Levitan Report said about the importance of maintaining nonpolitical, nonpartisan, objective, professionalism in producing and reporting the nation's employment and unemployment statistics. There was evidence in 1995 that strong "fire walls" are essential to prevent political tampering with key national statistics.<sup>8</sup> For this reason I oppose a Central Statistical Bureau or stronger central coordination of the existing statistical system, as proposed by Janet Norwood (1995). This nation can afford and will benefit from some relatively minor overlap, duplication, and efficiency losses in our statistical system to avoid the political dangers of excessive centralization.

Good, sound economic and social policy depend on good, sound, nonpolitical, nonpartisan labor statistics. Such statistics don't come cheap. Expansion and improvement of basic employment and unemployment statistics don't come cheap. But the cost of good, solid labor statistics and labor market information still comes at a bargain price if scholars and policy makers use them as the basis for sound, economic and social policy.

## NOTES

1. U.S. Department of Labor, Bureau of Labor Statistics (1992) For a short summary of labor market trends and outlook, see U.S. Department of Labor (1994).

2. National Commission on Employment and Unemployment Statistics (1979) Other commission members were Bernard A. Anderson, Glen G. Cain, Jack Carlson, Michael Moskow, Rudy Oswald, Samuel L. Popkin, Mitchell Sviridoff, and Joan Wills

3. U.S. Department of Labor, Bureau of Labor Statistics (1994b). See also Polivka and Miller (1995) and Bregger and Haugen (1995), which announces replacement of the old U-1 through U-7 range with a new U-1 through U-6 range.

4. I am amused by this excessive indignation, which might better be directed at economists who fail to publicize their bad forecasts based on good data as well as their bad forecasts based on bad data.

5. Starting with January 1996 data, the "Employment Situation" news release, based on the cut-back CPS household survey, no longer contains a table with "direct" measures of employment and unemployment in the 11 biggest states. For these states the data will appear with a two-month delay in the monthly release "State and Metropolitan Area Employment and Unemployment," which is produced by the indirect "70-step" method.

6. Review commissioned by the U.S. Department of Labor pursuant to a 1993 request by the House Appropriations Committee, H R 2516, House Report 10343.

7. Major elements of the fiscal 1995 BLS appropriations: labor force statistics—\$103 million, prices and cost of living including CPI revision—\$100 million, compensation and working conditions \$61 million, productivity and technology—\$7 million, and employment projections—\$4 million. In July 1995 the Labor Department gave \$18 million to the states to help implement computerized labor market information systems with industry and occupation projections, more wage data, better training for LMI professionals, and better dissemination of LMI. The awards ranged in size from \$164,000 to Vermont up to \$836,000 to New York State and \$1.4 million to California (*Employment & Training Reporter*, August 9, 1995 (26 47, 984))

8. Republican Speaker of the House Newton Gingrich warned the Bureau of Labor Statistics on the CPI: "If they can't get it right in the next 30 days or so, we zero them out, we transfer responsibility to either the Federal Reserve or the Treasury and tell them to get it right" (John Barry, "GOP Leaders Join Challenge to Price Index," *The Washington Post*, January 16, 1995)

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