

IMPACT OF THE "NATIONAL COMMISSION ON EMPLOYMENT AND UNEMPLOYMENT STATISTICS"
ON THE CURRENT POPULATION SURVEY IN THE 1980s

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This paper attempts to forecast where the labor force statistics program from the Current Population Survey (CPS) will be in the 1980s as a result of efforts to implement the recommendation of the National Commission on Employment and Unemployment Statistics (designated hereinafter as the NCEUS or simply the Commission). As in the case of all forecasts, this one is based on a set of specific assumptions which are set forth at the outset:

1. The NCEUS report, which will be formally presented to the President and the Congress on Labor Day, will be found largely acceptable by the Department of Labor and other executive departments. The agencies will, in broad terms, accept the major recommendations of the report and will make the commitment to its implementation. Under the law which established the Commission, the Secretary of Labor is responsible for ascertaining the view of each affected executive agency and within 6 months reporting to Congress on the "desirability, feasibility, and cost of implementation of each of the Commission's recommendations, the actions taken or planned with respect to their implementation, and ...any other proposals to strengthen and improve the measurement of employment and unemployment."

2. The additional funding that will be required will be made available. The overall cost of implementing the report, in terms of 1979 dollars, ranges between \$30 and \$35 million. Two-thirds of that amount would be spent on expanding the Current Population Survey sample in order to improve unemployment data for local areas and to get better labor force data for minorities.

A summary of the Commission's likely impact on CPS is presented below. It should be recognized, however, that it is difficult to abstract from an ongoing process of program development those changes which will result directly from the influence of the Commission. Many changes would have evolved even without the Commission. In the final analysis, however, the important consideration is where the program is likely to be five or six years from now, whatever the precise contribution of the NCEUS, the statistical agencies, or other influences. Given these caveats, the author forecasts the shape of things to come in the CPS labor force program about as follows:

1. There will be no major changes in the basic definitions of the labor force, employment, or unemployment.

2. There will be a significant expansion in the extent of monthly and supplementary data available as a result of new questions added to the survey.

3. There will be a much more integrated and focused program of reporting, analysis, and research on the components of "labor market related economic hardship."

4. The CPS sample will be redesigned and substantially enlarged to provide more reliable data for States, SMSAs, and for minorities. Other major facets of the CPS operation will, however, remain essentially unchanged, with the possible exception of a modification in the rotation

pattern for sample households.

5. A separate panel of households (a mini-CPS) will come into existence in order to provide the statistical agencies with more flexibility in responding to data needs.

6. The methods used for seasonal adjustment of current labor force series will be improved.

7. An effort will be undertaken to improve the monthly gross change and other longitudinal data from the CPS. However, the author predicts only limited gains from this effort.

8. The hourly and weekly earnings data being compiled in the CPS will get increased attention from both consumers and producers of the data.

9. An effort will be undertaken to develop current statistics for rural area residents which will not become obsolete during intercensal periods.

10. It is impossible to predict the outcome of the proposal to adjust current national and State labor force data to reflect the population undercount in the 1980 census. However, if this recommendation is fully implemented, it would have a major impact on both the national and State data series.

1. Labor force definitions. Although the labor force definitions have been subject to continuing criticism, and although they were scrutinized very carefully, the Commission found no satisfactory way of changing them. This does not necessarily mean that the definitions are flawless or that all members of the Commission are entirely satisfied with them. Rather, it means that the definitions were found to be useful in the development of meaningful and objective measures of employment and unemployment, and that the Commission was convinced that users prefer continuity unless a change represents a major improvement. Another deterrent to change was the problem of applying new procedures uniformly at the local level.

The Commission considered possible changes in the age cutoff (from 16 to 18), the possibility of requiring a minimum number of hours worked or sought for inclusion in the labor force, and other changes which might either broaden or narrow the definition. The most controversial issue was the classification of "discouraged workers" (persons who did not look for work in the recent past because they believed no work was available). In a close vote, the Commission decided that the best course would be to continue the present practice of developing separate estimates and classifying the group as outside the labor force. The Commission did recommend the production of monthly rather than quarterly estimates of discouraged workers, and basing the definition on more objective criteria such as active workseeking in the past six months and current availability for work.

Because entry into the U.S. military service is voluntary, the NCEUS recommended inclusion of the Armed Forces stationed in the U.S. as employed. The final disposition of this recommendation is uncertain, however, because the Commission recommended against their inclusion in the

State and local data, thus creating a built-in inconsistency.

To summarize, if the Commission's recommendations are approved by the Secretary of Labor in consultation with the other executive agencies, (setting aside for the time being the question of the Armed Forces) employed persons will continue to be those 16 years of age and over who worked one hour or more for pay or profit, or 15 hours or more as unpaid family workers, or who had jobs but were temporarily not at work because of vacation, illness, bad weather, industrial disputes, or miscellaneous personal reasons. Unemployed persons will continue to be those who had no work and who either sought work in the past four weeks, were on lay-off from a job, or were waiting to start a job in the next 30 days. The employment definition will continue to be based mainly on market work and will be consistent with the broad concepts underlying the GNP. The unemployment definition will continue to measure the number of people seeking work and unable to find it during a specific time period. As in the past, these concepts will not be designed specifically as measures of economic well-being or economic hardship, but rather as indicators of the labor market's performance in providing jobs. The delineation of economic well-being or hardship will, as in the past, require considerable supplementary information. Similarly, the Commission has not changed the previously used criteria of labor market attachment; the result of its deliberations has not been to exclude students, part-time workers, casual jobseekers, or anyone else who meets the objective tests of employment or unemployment.

2. New information from CPS. The addition of new questions to the CPS is much less controversial than is the definition of labor force categories. Nevertheless, there are constraints arising from several factors--

- a. Costs rise as the interview is lengthened.
- b. Respondent burden is a foremost consideration.
- c. Some questions are sensitive and endanger respondent cooperation.
- d. Some information cannot be obtained in the CPS because respondents cannot be expected to have the information.
- e. Some questions cannot be asked because they might impact on the answers to the basic questions.

The NCEUS became well aware of these constraints during its deliberations. As a result, the Commission was careful and selective in its recommendations for the collection of new information. The items that it considered of sufficient importance to recommend for monthly collection were the following:

(1) Information to identify discouraged workers, noted above. (2) School enrollment, and whether full or part-time, for persons 16 to 24 years of age. (3) Usual hours of work and, if actual hours were less than usual hours, the reason for the difference. (In the present CPS, reasons are obtained only if the respondent worked fewer than 35 hours.) (4) How long employed workers have held their jobs, and if recently obtained, whether they were obtained as a result of job changing, new hires, recalls from layoff, etc.

Except for item 4, which will require some research and experimentation, the relevant questions have already been incorporated in the Census Bureau's Methods Test Panel (3,200 households per month in 8 different areas of the country) so that testing can begin in January 1980.

The NCEUS recommended that several new questions be asked of unemployed persons each month, but only of the households in their 4th or 8th month in the sample (i.e., either leaving the sample for a period of 8 months or permanently after the current month's interview.) Data would be cumulated for 3 months and published on a quarterly basis on such topics as occupation and wage sought, and earnings on previous jobs. The statistical agencies have countered with a recommendation that this information be collected once a year of the full sample in an annual supplement to CPS. The issue has not been resolved as of this writing, but it is clear in any case that more information will be collected on the wage and occupational goals of the unemployed.

Since the monthly CPS questionnaire will have to be modified because of the NCEUS recommendations, the BLS and Census have also developed some new questions for testing in the Methods Test Panel. These are designed to obtain more accurate information on hours of work, to ascertain whether persons on layoff seek other jobs, and to obtain more information on the recent work experience and jobseeking intentions of discouraged workers and others not in the current labor force.

Because a lengthy period of field testing will be needed as well as extensive revisions in data processing, the introduction of the new questionnaire has been tentatively scheduled for January 1983.

3. Labor Market related hardship.

The Commission spelled out its position on hardship measures. The NCEUS reported that today, as in the past, statistics on employment and unemployment must be supplemented to measure economic wellbeing and hardship. It recommended that the BLS prepare an annual report containing distinct measures of the different types of "labor market related hardship" resulting from low wages, unemployment and partial participation in the labor force of workers who want a more complete attachment. It was the sense of the Commission that there be a disaggregated approach to "labor market related hardship" and that no single index should be developed. The reasoning was that the issues are inherently too complex and multidimensional. Moreover, each of the components of "labor market related hardship"--low wages, unemployment, and partial participation in the labor force--deserves separate examination and each calls for different policy measures for remedy and alleviation.

Whatever the final outcome on the issue of a single overall annual measure or index, it is clear that BLS must expand its program of research, analysis, and reporting in the area of economic hardship. Planning for such an effort is under way.

In the past, the approach to this subject has been too fractionated. The BLS has issued

annual reports on the annual work experience of the population, and the family characteristics of workers, while the Census Bureau has published annual reports on income sources and poverty status of the population. The development of public-use computer tapes containing micro records for each person and family in the CPS sample, and progress toward more efficient techniques for accessing and analyzing these data, now make it feasible to consider more integrated approaches. There are still difficult conceptual problems because of the complexity of interrelating individual labor market experience with family income and composition. However, the strong support of the NCEUS for such analytical work insures that a major effort will be launched and continued through the 1980s.

4. Sample redesign and expansion. By the end of calendar year 1979, the CPS sample will consist of about 72,000 occupied households. However, the sample will be a patchwork quilt of a 47,000 household national sample plus an additional 25,000 households that were added in small States and specific SMSAs in order to strengthen annual benchmarks for State and local area unemployment statistics (the LAUS program). After the 1980 census, the CPS sample will be redesigned to take advantage of the new information from the census for sampling purposes, and in order to increase the efficiency of the sample for both national and State estimates. Such a redesign would have occurred even in the absence of the NCEUS review. However, the Commission has devoted a great deal of attention to the LAUS program and has concluded that the annual State and SMSA benchmarks should be improved, i.e., the sampling error should be reduced, as one means of increasing the accuracy of all the local area unemployment estimates developed through the LAUS program. As a result, the CPS sample will not only be redesigned but also expanded if the necessary funds are provided through the budget process. The NCEUS recommendations call for a sizable sample expansion distributed in such a way as to reduce the coefficient of variation (relative sampling error) on an annual average 6-percent unemployment rate to a maximum of 7½ percent for States, 35 of the largest SMSAs, 11 of the largest cities, and the corresponding balances of States and SMSAs. The Commission has also recommended at least a doubling of the number of Black, Hispanic and other racial minority households in the CPS sample. If the proposed expansions are fully implemented, the sample would be nearly doubled by 1983 or 1984.

Other aspects of the CPS survey design have been reviewed extensively by the NCEUS and its statistical advisory committee, as well as by Census Bureau and BLS technicians. However, because the basic character and purpose of the CPS will not change--its overriding objective will continue to be the production of reliable, timely estimates of the U.S. labor force and its components on a monthly basis, with the greatest emphasis on accurate depiction of short-term trends--its basic design is not likely to change much either. The estimates will continue to be based on activity or status in the calendar week containing the 12th; enumeration will be completed in the week of the 19th with considerable reliance on household respondents and telephone interviewing; the rotation of the sample will

either be on a 4-8-4 pattern or a 3-9-3 such that there will either be a 75 percent or a 67 percent overlap in households from month to month and 50 percent from year to year; and there will continue to be a "composite estimation procedure" which depends in part on the month to month change for the common rotation groups. One change that looms as a real possibility is a shift to a 3-9-3 rotation pattern. The effect of such a change would be as follows:

- a. The proportion of households reached by personal visit, rather than by telephone, would increase because a higher proportion would be in the incoming or returning rotation groups where personal visits are required (33 percent as compared with 25 percent under the 4-8-4 system.)
- b. The overall number of households needed for the sample to reach specified reliability targets for annual average State and area data would be reduced by about 10 percent because a larger proportion of different households would be contacted during the year.
- c. The reliability of data collected only from outgoing rotation groups--e.g., hourly and weekly earnings--would be strengthened somewhat.
- d. The reliability of data on month-to-month change in the basic labor force categories would probably not change significantly since the reduction in the number of households in common rotation groups would be about offset by the overall increase in sample size.

It should be noted that a change to the 3-9-3 rotation pattern was not expressly recommended by the NCEUS, but it is being considered as one way of more efficiently meeting the objectives specified by the Commission for reliable national and local area data.

5. A separate panel of households (mini-CPS). Within the next 4-5 years, a second panel of households will come into being. The NCEUS has given provisional approval, subject to reconsideration after 2 years of operation, to a proposal to establish a new panel of about 10,000 households which would be independent of CPS.

It should be noted that this proposal did not originate with the NCEUS but rather with the statistical agencies' recognition that some of the information which the NCEUS would like to see collected, but which it could not recommend for CPS because of cost or other reasons noted above, would require the creation of a new vehicle. The proposal is also designed as a response to the criticism that the statistical agencies have not been, in the past, sufficiently responsive to the data needs of policymakers as new social and economic issues arise and require new information prior to remedial action.

Among the labor market issues that might be studied in more depth with a separate panel are the following:

- a. The labor reserve--its size and composition and the conditions under which its members might become active labor market participants.
- b. Underemployment--the perceived and actual underutilization of the skills,

abilities, talents, and experience of employed workers; e.g., college-educated persons unable to find jobs in their own fields.

- c. The job search—the process whereby job-seekers learn about job openings and make decisions about accepting or rejecting job offers, and the conditions of work (wages, commuting distance, etc.) acceptable to the unemployed.

A separate survey of this kind could also be made available from time to time for the purpose of testing new methodological procedures and questionnaires on a national sample, prior to their introduction into the CPS.

6. Seasonal adjustment. The NCEUS has recommended, and it appears likely that the BLS will adopt the use of X-11/ARIMA for current seasonal adjustment of major labor force series. This method, which was developed by the Canadian statistical agency, incorporates into the adjustment process data projected a year into the future. The projections are based on autoregressive moving average (ARIMA) techniques. The main purpose is to improve the accuracy of current seasonal factors and the method has been found especially useful when a turning point in the business cycle has been reached.

The use of the X-11/ARIMA reduces the average revisions required in currently adjusted labor force series by about 20 percent. The ARIMA projections require no controversial judgments about the factors that affect labor market conditions, since the projections are based solely on past patterns observed in the series itself.

The NCEUS also recommends the use of the concurrent method in conjunction with X-11/ARIMA (i.e., using the data through the current month in arriving at the seasonal factor and the seasonally adjusted figure for the current month), with historical series continuing to be revised once a year. Such a procedure is under serious consideration in the BLS, even though it would preclude announcing seasonal factors a year in advance, because the concurrent method is believed by technical experts to provide the best portrayal of movements in the series.

7. Gross change data. Economists have evinced a growing interest in "gross change" data. These data depict the month-to-month and year-to-year patterns of changes in labor force categories which underlie the net changes, but which are far larger and which reveal many interesting facets of labor force dynamics. For example, even if the total number (stock) of unemployed fails to change between month 1 and month 2, there might be a considerable movement (flow) into and out of unemployment among persons finding or losing jobs and others entering or leaving the labor force. The CPS rotation pattern has always permitted the tabulation of such data. However, statisticians in the Census Bureau who work with the CPS have also pointed out that there are several problems with the gross change data which require them to be used only with great caution. Among these are response variability, rotation group bias, and the biasing effect of movers and nonrespondents. Nevertheless, the NCEUS recommends a major effort to improve these data and to resume their publication. Such an effort will be undertaken. However, the degree of real improvement in the data

is subject to considerable uncertainty in light of the long-standing problems that have existed, and in the light of the fact that the basic structure of the CPS is not likely to be altered.

8. Hourly and weekly earnings. Beginning in October 1978, such data have been collected each month (for wage and salary workers on their primary job) for respondents in the 2 outgoing rotation groups. The objective is to be able to publish quarterly average data on a regular current basis. These data will replace the annual series previously available only once a year from the May supplement.

Because average earnings changes are fairly small on a quarterly basis, even in the current period, and because the CPS earnings data are subject to sampling and response variability, it is not yet clear how much data can be reliably utilized on a quarterly basis. However, the NCEUS has provided a strong impetus to the use of these data, and to improvements in their reliability to the extent necessary, by recommending that the BLS experiment with "spendable earnings" series, for specific family types, based on the CPS earnings data.

9. Rural areas. The NCEUS report places a great deal of emphasis on data for rural areas, reflecting the testimony taken at public hearings as well as the Commission's own feeling that the paucity of rural-area data represents a major gap in the government's labor force statistics. Of course, specific rural and urban areas are identified in decennial censuses and probably will be in future quinquennial censuses. During intercensal periods, however, the CPS has been unable to provide current statistics on the rural population and labor force, even on an aggregate basis, because the identification of specific sample areas as rural or urban would get out data in a relatively short time after the preceding Census. At the present time, in order to be more responsive to the need for current data on the rural population, BLS and Census technicians are discussing ways to maintain the appropriate urban-rural classification on a current basis.

10. The undercount. The NCEUS has taken a fairly strong position in favor of introducing population undercount adjustments into the current labor force estimates based on CPS, both at the national and State level. The Census Bureau has not yet committed itself to such a course because of uncertainty about the reliability of methodology to estimate the uncounted population and its demographic characteristics below the national level. It may be a year or longer before a clear-cut policy position on this issue is formulated. For the time being, suffice it to say that implementation of the NCEUS recommendation would have a major impact on the continuity of all labor force series at the time the adjustments are introduced.

Summary and conclusion

The report of the NCEUS has already had a significant impact on the plans being formulated by BLS and Census for the labor market statistics of the 1980s from the CPS. Many of the Commission's recommendations will have been fully implemented by mid-decade, and some much earlier. Although the Commission's report will not result in any significant change in labor force and unemployment definitions, it will prove to be a

strong influence in expanding the amount of useful data collected in the survey; in stimulating a much more extensive program of research, analysis, and reporting on the elements of "labor market related economic hardship"; in effectuating expansion in the CPS sample and improving the reliability of data for States, areas, and minority population groups; and in bringing about a number of significant technical improvements in the data. Taken together, and viewed from the perspective of the next 5-10 years, the Commission's review and recommendations will have a major impact on the CPS of the 1980s.