

DIRECTIONS OF THE CURRENT POPULATION SURVEY IN THE 1980's

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Public policy decisions are inextricably related to data collection and analysis. Although it is possible to make good policy decisions without sufficient data, and, as history will attest, poor decisions are sometimes made despite the availability of proper research, the best policy decisions are usually based on insights gleaned from the analysis of objective and relevant data. Why are good data and solid research necessary for effective labor-market related policy decisions? I can offer several reasons:

1. Data identify the extent and nature of labor force developments. One obvious example is the tremendous rise during the past two decades in the number and proportion of women who are in the labor force and the resulting impact on labor markets.
2. Data can also point out structural imbalances and can indicate the dimensions of labor market deficiencies. For example, the extremely high incidence of unemployment among black teenagers can be quantified and analyzed by examining related statistics such as family status, school enrollment, and area of residence.
3. Data are used in the allocation of federal funds. During the 1970's, this became one of the major uses of labor market data, and the issue has stirred a continuing controversy over the suitability and accuracy of the figures for that purpose.
4. Data are used to develop new programs and to evaluate the performance of existing programs. Data also help to determine the extent and nature of services needed by the unemployed and others with labor market related problems.

Thus, accurate, reliable, and timely labor force statistics are essential to the making of relevant policy decisions and efficient program design; the federal government expends a substantial amount of its resources to collect, analyze, and disseminate labor force statistics for this purpose. The main vehicle for the government's labor force statistical program is the Current Population Survey (CPS), the source of official employment and unemployment estimates for the past four decades. The CPS is scheduled to undergo a number of major changes during the next several years. Some of these modifications will result from the regularly scheduled redesign of the survey completed after each decennial census. The purpose of this redesign is to take account of population shifts during the decade and to provide more effective and efficient survey designs during the ensuing years. Other changes will result from the recommendations made by the National Commission on Employment and Unemployment Statistics (NCEUS). The Commission recently completed a thorough examination of the concepts, definitions, and methodologies used in measuring the Nation's labor force and issued a

report on Labor Day, 1979, which included several recommendations for modifications to the CPS program.¹ The Secretary of Labor endorsed most of the Commission's proposals in his interim report to Congress on March 3, 1980.²

This paper will focus on the expected directions of the CPS in the 1980's and how policy concerns will continue to play a major role in the design and scope of the survey, as they have since the survey's inception in 1940.

Background

Over the years, the CPS has been augmented and expanded beyond its original purpose. Before the 1960's, there were relatively few modifications to the survey. However, during the 1960's, as the government placed more emphasis on labor market policy, new information was needed on the nature and causes of unemployment and related labor market problems. The scope of the CPS was expanded to meet this demand. Probably the greatest demand on the survey has resulted from the recent use of State and local unemployment rates in the allocation of Federal revenue-sharing and other funds to states and areas for employment and training programs, and for triggering transfer programs such as the Federal extended unemployment benefit program.

Policy issues, however, are not new to the survey. Indeed, the survey's very origins are tied to public policy concerns. During the early-to-mid 1930's, at the height of the Great Depression, although it was obvious that millions of people were jobless, the government did not have any adequate measure of the size and scope of the problem. Government policy during the period was one of promoting economic recovery--reducing unemployment and expanding jobs--and providing relief for the needy. Estimates from the 1930 Census were woefully out of date and the hundreds of local surveys conducted during the period yielded conflicting results, such that decisions on recovery policy were clouded by controversy over the facts.³ It became apparent that in order for relevant policy decisions to be made, accurate and timely data on labor force developments were needed on a current basis. This led to a different approach in the measurement of unemployment--the labor market "activity" concept--which was incorporated into the 1940 Census and was also utilized in the simultaneous development of the Monthly Report on the Labor Force--the forerunner to the present-day CPS. Passage of the Employment Act of 1946, which committed the Government to establish policies to create and maintain jobs for all those willing and able to seek work, tightened the already present link between Government policy and data availability.

Since the CPS was first established, the survey has undergone periodic reviews, generally aimed at determining whether the concepts and methods on which it is based remained adequate for the purposes for which the survey results are used. The most recent and perhaps most comprehensive examination was, of course, that of the NCEUS. The Commission made some 90 specific recommendations for improvement in the

Nation's overall labor force statistics program, many of which relate to the CPS.

Earlier examinations took place in 1948, 1954-55, and 1961-62.⁴ The 1948 reviewers examined concepts and methods then in use but did not make recommendations for change. The 1954-55 review panel made several recommendations for changes that were introduced in 1957. The 1961-62 review Commission, The President's Committee to Appraise Employment and Unemployment Statistics (the Gordon Committee), made a large number of recommendations for experimentation, sharpening of concepts, and data expansion in its well-known report, *Measuring Employment and Unemployment*.⁵

The basic issue confronting the Gordon Committee was whether the overall unemployment measure was an objective indicator of labor utilization and whether it was adequate to guide policymaking.⁶ Some critics argued that the jobless measure was overstated because it included students and part-time jobseekers who had a more marginal attachment to the labor force. Others felt that the official measure understated the seriousness of unemployment. One result of the Committee's deliberations were several recommendations for sharpening the unemployment definition. As a result of their recommendations in this area, several important conceptual changes were implemented in 1967, including an availability for work test, a reporting of explicit jobseeking method(s) used by the unemployed, and a requirement that job search had to have taken place during the prior four-week period for classification as unemployed.

In a related issue, the Gordon Committee also recommended that discouraged workers (persons who wanted a job but were not looking for work because they did not think that a job was available in their line of work or locality) be specifically excluded from the unemployment count and classified as not in the labor force. They also suggested that more data be obtained on this group and others not in the labor force. The Committee hoped that their recommendations would shed more light on the nature and causes of unemployment and the extent to which persons outside the labor force are potential workers, have obsolete skills, or have other barriers to labor force participation. The Commission's purpose was to allow for distinctions to be made between active job seekers and persons who would be job seekers if conditions were different in order that public policies to aid those without jobs could be tailored more specifically to their needs.

When the NCEUS was established by law in 1976, many of the general issues which had concerned the earlier commissions were being debated. There were also some new issues. The accuracy of the CPS unemployment measure was again being questioned. How reliable was the measure? Did it measure what it should be measuring? Did it measure economic hardship? Should it? What about discouraged workers? Were they measured objectively? Were they classified correctly? These and many other key issues relating to the government's labor force statistical program formed a comprehensive agenda for the National Commission's examination.

These issues were investigated in an economic and social atmosphere much different than that which prevailed at the time of the Gordon Commission review.⁷ The demographic composition of the labor force had changed dramatically in two decades. The sharp growth in the number and percentage of women in the labor force; the increased proportion of families with multiple earners; and, the declining participation of adult men all were evidence of the changed conditions. The social environment was also different because of the greater availability of programs such as the auto industry's Supplementary Unemployment Benefits (SUB) program and the liberalization of unemployment insurance and other public transfer programs, including special programs for low-income families and the aged.

Generally, the Commission was charged by Public Law 94-444 "to have responsibility for examining the procedures, concepts and methodology involved in employment and unemployment statistics and suggesting ways and means of improving them."⁸ One of the many specific mandates to the Commission was to consider "the extent to which employment and earnings data assist in determining the impact of public programs and policies upon persons who are economically disadvantaged, unemployed, or underemployed."⁹

The Commission's deliberations and recommendations, together with the Secretary of Labor's plans for implementation, are expected to be the major factors affecting the direction of the CPS in the 1980's.

Labor force definitions

The Commission considered several possible changes in CPS definitions, such as the desirability of introducing cutoffs based on hours of work for inclusion in the labor force; of raising the age cutoff from 16 to 18; and for tightening the definition of unemployment. However, it rejected any major changes in the official definition and measurement of employment and unemployment.¹⁰ One exception was that the Commission recommended the inclusion of Armed Forces members among the employed in the national statistics (but not in the State and local area statistics), arguing that the exclusion of Armed Forces members from the labor force count was no longer tenable when military service is voluntary. They opted to keep Armed Forces personnel out of the local statistics because military employment in a specific locality may not represent job opportunities for the local labor force. This recommendation was accepted by Secretary Marshall. However, the decision could be reversed in the future if there should be a change in military personnel policy (a return from voluntary service to the military draft).

In examining one of its most controversial issues, the Commission felt that the present CPS procedures for identifying discouraged workers were both arbitrary and subjective.¹¹ Present data on discouraged workers were deemed arbitrary, because they exclude students and persons who cite home or family responsibilities as their reason for not searching for work even if such persons also indicated they believed no job was available. The data were considered subjective because they are based on a person's response that he or she "wants a job," regardless

of whether or not the person has actually tested the job market.

The Commission recommended an alternative approach, one that is modeled after the Canadian Labor Force Survey. The new criteria would determine whether a person had sought work in the past 6 months, the reasons he or she was not presently looking for work, whether he or she was currently available for work, and whether he or she wanted a job. However, after much debate, the Commission recommended continuation of the present practice of classifying discouraged workers as outside the labor force rather than adding them to the unemployment total. Secretary Marshall accepted the recommendation for the change in definition but opted to postpone final decision on whether discouraged workers should continue to be classified as not in the labor force pending the accumulation and evaluation of data collected under the new definition. Hopefully, the data which result from the new definition will be more useful to public policy decisions in times of rising unemployment, by providing a better way of estimating the number of persons who have given up their job search and the number of workers who leave the labor force during economic downturns. At present, two versions of a set of questions which would implement the Commission's proposal are being tested in the Census Bureau's 3200-household Methods Development Survey (MDS), which is currently being utilized to test NCEUS recommendations as well as other possible survey refinements. Following evaluation and analysis of the MDS results, a revised CPS questionnaire, which will include a version of the alternative questions now being tested, will replace the present CPS questionnaire.

Because the measurement of labor force activity of youth is complicated by their school status, the Commission recommended that monthly (rather than the present annual survey conducted each October) data be collected on whether youth age 16-24 are attending school and whether such attendance is on a full- or part-time basis. The Commission noted that such data are needed "in order to understand work and education choices, to design appropriate employment policies and training programs, and to help appraise the labor market attachment of students."¹² The Secretary of Labor endorsed this recommendation, and it too is being tested as part of the MDS. It is expected that monthly questions on school enrollment will be included in the new CPS questionnaire.

Because the Commission determined that there was a policy-related need for procedures which would provide a more comprehensive picture of labor time lost due to economic conditions, and thus would result in more accurate measure of slack labor market resources, the Commission recommended that all CPS respondents, whether working full or part time, be asked if they usually worked more hours per week.¹³ Those on reduced hours would then be asked why they worked fewer hours than usual, and, if the response was an economic factor affecting the job, such persons would be counted as involuntary short-hour workers and tabulated by hours worked. The Secretary of Labor concurred with the overall recommendation but, with respect to involuntary short-hours workers, suggested that

a cutoff should be made to exclude persons at work longer than the 40-hour standard work-week. As with several of the other proposals relating to CPS definitions, appropriate questions relating to usual and actual hours worked by the employed are being tested through the MDS. It is expected that these questions will be included in the revised CPS questionnaire.

In a related issue, the Commission recommended replacing the self-classification now used by the unemployed for full- or part-time work sought with a 35-hour per week equivalent to the employed standard. Respondents would be asked if they are searching for 35 hours or more of work per week; if they were, they would be classified as looking for a full-time job; otherwise, they would be seeking part-time employment. The Secretary also concurred with this recommendation; it is included in the present MDS test questionnaire and would probably become a part of the revised CPS questionnaire.

Two recommendations of the Commission for change in definition which are expected neither to have much impact on the data nor to have any significant policy implications deal with the labor force classification of government program participants. The Commission recommended that participants in programs that provide only classroom training be classified as not in the labor force and that participants in such work experience programs at CETA and WIN be classified as employed, rather than to continue the present practice of counting each group as unemployed. Since there is no direct inquiry about participation in these programs and it is known that such information is presently volunteered by only a small number of respondents, if at all, the change will have a negligible effect on labor force estimates and consequent policy decisions.

One of the Commission's most important recommendations provided for the preparation of an annual report containing specific measures of the different types of labor market related economic hardship resulting from either low wages, unemployment, or insufficient participation in the labor force. The Commission reasoned that the type of hardship resulting from each of these classifications may require different policy actions and, consequently, each deserved separate attention. The Commission noted the following possible policy prescriptions for each component: (1) a wage subsidy program for low-wage workers in year-round, full-time jobs; (2) expansionary monetary and fiscal policies to create jobs for unemployed workers; (3) education and training programs for persons who are not in the labor force and want work, and income-support programs for those who are not candidates for jobs.¹⁴ The Secretary of Labor fully endorsed this proposal and said that an annual report on labor market related economic hardship "would enhance public understanding of the labor market status of persons living in low-income families and would also provide better insight into the labor market situation of minorities, women, and residents in rural areas."¹⁵

Additional Data

The Commission made several recommendations for the collection of new or improved informa-

tion on the status of workers.

Secretary Marshall concurred with the Commission's recommendation for improvement in the reliability of labor force estimates for racial and ethnic minorities to enable policymakers to more accurately measure the labor force status and progress of members of minority groups. It is expected that achievement of this goal will be possible partly through more efficient sampling and partly through sample expansion. This recommendation takes on added importance, due to the concerns of racial and ethnic interest groups that present data are not as reliable as they are for the majority population and that they are inadequate for insuring that minority groups receive their fair share of federal government assistance. However, attainment of this objective will depend on the availability of substantial resources for sample expansion, which may not be possible due to present tight budget constraints.

The Commission also urged the collection of additional information on the unemployed, which would aid policymakers in determining the extent to which unemployment is demand deficient or results from structural imbalances. Specifically the Commission recommended the collection of information on the terms and conditions of work being sought and on earnings on previous jobs. Secretary Marshall agreed with the need for information on the reservation wage, occupation desired, and earnings on previous jobs of the unemployed but felt that such information should be collected in an annual supplement, because it could only be obtained through extensive personal interviews.

In a related recommendation, the Commission urged that data be collected on how employed persons obtain jobs, whether through a job change, a recall from layoff, entry into the labor force, or some other method. Again, it is expected that such data will be collected through annual supplements to the survey. Such information would be of value in understanding the dynamics of the labor market and for the evaluation of affirmative action programs.

In order to provide accurate information on both productive market and nonmarket activities and to get a better measure of potential labor supply, the Commission recommended and Secretary Marshall concurred that information on volunteers and their work be collected every three years in a special supplement to the CPS.

In order to provide insights into the dynamics of labor force behavior, valuable information for the formation of manpower policy, the Commission urged that greater use be made of CPS gross flow data. These data provide the user with estimates of the total number of persons entering the labor force, those leaving the labor force, as well as gross shifts between employment and unemployment. Although these data are potentially of significant use to policymakers, their present value is limited, because they are subject to several kinds of biases which cannot be readily measured. Hopefully, some of the present problems with these data can be overcome through research such that wider use may be made of them by policymakers and others in the future.

CPS Methodology

Up to this point, this paper has been concerned with CPS concepts and definitions, i.e., what will be measured by the CPS in the 1980's. The National Commission and the relevant statistical agencies are also concerned with CPS methodology, i.e., how the data will be measured.

Throughout most of its history, the CPS has been viewed as a national sample survey, whose primary goal was to produce national estimates. However, growing pressures for state and local data estimates, mandated by law for the implementation of federal revenue sharing programs, brought three state and substate expansions to the survey during the 1970's, such that the CPS has become a hybrid, i.e., a national sample modified on an ad hoc basis to provide data for states and large labor market areas.¹⁶ These pressures for more area statistics have placed a strain on the CPS program. In order that the post-1980 Census redesign of the CPS improve this situation, the Commission recommended that the survey be designed into 51 separate state samples (including the District of Columbia). The Census Bureau and BLS are in the process of planning such a design. The other major recommendation of the Commission in this area was to include estimates of the "uncounted population" in the population controls for national and state labor force estimates. This is a very controversial recommendation, because it affects the data used for many government programs, including the apportionment of federal funds to state and local areas, and because estimation of the undercount below the national level is extremely difficult.¹⁷ The agencies are expected to make a recommendation on this issue within the next year.

The Commission also made several recommendations for research and improvement in the reliability of sample estimates. These include proposals for developing information on sources of bias, characteristics of refusals and non-response, the differential effects of rotation group bias and possible biases arising from the use of proxy respondents. Research in all these areas is either already underway as part of the MDS or the regular research program conducted in conjunction with the redesign of the CPS sample. It is expected that the research will provide a more efficient and reliable sampling design when the new sample is introduced.

Seasonal Adjustment

The use of seasonally adjusted unemployment and related labor force series enables the researcher or policymaker to identify cyclical movements in the series, unclouded by recurrent patterns of seasonal changes in monthly employment and unemployment. Unfortunately, there is no perfect seasonal adjustment procedure, and each method has biases of its own. The BLS method of seasonally adjusting labor force data has been criticized in the past, particularly with respect to the measurement of the timing of cyclical developments. One controversy is over the issue of whether procedures used during the 1970's provided accurate signals concerning the timing of the recovery from the 1974-75 recession. The Commission made two major

recommendations in this area: that the seasonal adjustment of major labor force series be converted to the X-11 ARIMA method and that the seasonal adjustment be on a concurrent basis. The X-11 ARIMA method has been found to be particularly effective for series whose seasonal patterns are changing, and for identifying points in the business cycle. The concurrent method would involve developing seasonal adjustment factors for each month using all the available data, including the current month, and then revising the series at the end of the year. However, the concurrent method would preclude the prior announcement of seasonal factors for future months. In January 1980, the BLS shifted to the X-11 ARIMA method but not to the concurrent method. There will be a recomputation and prior announcement of factors every 6 months, but revision of the entire series will occur only once a year.¹⁸

State and Local Data

The Commission was very critical of the adequacy of data which has been increasingly used as a basis for the allocation of federal revenue sharing and other funds to states and areas. The Commission's report stated that "this greater reliance upon state and local labor force data has increased the need for accuracy and comparability among states and areas, for timeliness and frequency, and it has also increased the number of smaller areas for which statistics must be produced."¹⁹ Most local area estimates are not based directly on the CPS; they are developed from combining data from the unemployment insurance program, establishment surveys, the decennial census and the CPS. Because of inherent biases in local area data however, increased reliance has been placed on the CPS. To meet this demand, the CPS sample has been augmented by special state and sub-state supplements in recent years. However, the state sample sizes are, for the most part, relatively small and the statistics are subject to substantial sampling error.

The Commission made several recommendations for improving the state and local data. They suggested what they considered to be a relatively moderate expansion of the CPS as part of this overall improvement which would provide a maximum expected coefficient of variation of 6.5 percent in the annual average estimates of unemployment for all 50 states, the SMSA's with a population of 1 million or more at the time of the 1980 Census, 11 major central cities, and the corresponding balances of states and SMSA's. This expansion would add roughly \$15 million a year to costs and 42,000 households to the present monthly survey.

Secretary Marshall strongly endorsed the Commission's proposal but opted to improve the data for a larger number of SMSA's than the Commission had recommended rather than making the data for a lesser number of areas even more accurate. Mr. Marshall said that "This alternative...should lead to greater equity in the distribution of federal money."²⁰ However, despite the promised improvement in state and area data, the implementation of even this moderate expansion of the CPS sample may be delayed or rejected outright because of the current budget climate. Whether or not CPS expansion of this magnitude takes place in con-

junction with the forthcoming CPS redesign will have major implications for the continued use and reliability of CPS data in the allocation of federal funds and for related public policies.

Implementation

Most of the modifications to the CPS discussed in this paper are expected to be implemented early in the 1980's. The Bureau of Labor Statistics plans to issue the first annual report on labor market related hardship in early 1981. The planned changes in CPS labor force definitions and/or questionnaire revision, such as the inclusion of Armed Forces members among the employed in the national statistics; changes in the procedures for identifying discouraged workers; monthly collection of data on the school status of youth; revised questions on usual and actual hours of work by the employed and hours of work sought by the unemployed; and the planned change in the labor force classification of government program participants, are expected to be implemented in January 1983. Special supplementary inquiries recommended by the NCEUS, such as to obtain additional information on the terms and conditions of work being sought by the unemployed and data on how employed persons obtained their jobs would probably be conducted in 1983 or 1984.

The proposed CPS sample redesign, revised estimation techniques, and sample expansion, which would result in more efficient sampling procedures and provide more reliable data for members of minority groups and more reliable state and metropolitan area estimates, are scheduled to be implemented in January 1984 (or earlier) if expansion funding is approved. A decision on a possible change in the classification of discouraged workers from not in the labor force (as is present practice) to unemployed would be made in 1985 or later, after there has been an opportunity to evaluate and analyze data collected under the new definition. Finally, as the NCEUS has recommended, there may very well be another comprehensive review of the entire labor statistics system, including, of course, the CPS, at the end of the decade.

Conclusion

Although it is impossible to determine at this time the exact dimensions of the Current Population Survey in the 1980's--in terms of questionnaire content, data processing redesign, sample revision, and estimation techniques--this paper has attempted to provide at least a general indication of the shape and direction of the survey as it is expected to develop during this decade. Results of ongoing research, the budget atmosphere, and the future needs of Congress and the executive agencies will all have, as yet, unknown impacts on the CPS.

What is known, however, is that the CPS in the eighties will be called upon more than ever before to provide data which will be used in the formulation of government policy, a tradition which began with the very inception of the survey 40 years ago.

FOOTNOTES

¹National Commission on Employment and Unemployment Statistics, Counting the Labor Force (Washington, Government Printing Office, 1979).

²Ray Marshall, Interim Report of the Secretary of Labor on the Recommendations of the National Commission on Employment and Unemployment Statistics. (U.S. Department of Labor, March 3, 1980).

³See Charles Stewart and A. J. Jaffee, "The Working Force and Social Policy," (New York, 1951) reprinted in National Commission on Employment and Unemployment Statistics, Counting the Labor Force: Readings in Labor Force Statistics, Appendix Volume III, p. 11.

⁴See John E. Bregger, "A New Employment Statistics Review Commission," Monthly Labor Review, March 1977, p. 17.

⁵Presidents' Committee to Appraise Employment and Unemployment Statistics, Measuring Employment and Unemployment (Washington, 1962).

⁶National Commission on Employment and Unemployment Statistics, op.cit., pp. 24-26.

⁷Ibid., pp. 26-27.

⁸Section 13, Public Law 94-444, 94th Congress, October 1, 1976.

⁹Ibid.

¹⁰See Robert L. Stein, "National Commission Recommends Changes in Labor Force Statistics," Monthly Labor Review, April 1980, p. 18.

¹¹National Commission on Employment and Unemployment Statistics, op.cit., p. 45.

¹²Ibid., p. 90.

¹³Ibid., p. 55.

¹⁴Ibid., p. 59

¹⁵Marshall, op.cit., p. 9.

¹⁶See Philip J. McCarthy, "Some Sources of Error in Labor Force Estimates from the Current Population Survey," National Commission on Employment and Unemployment Statistics, Counting the Labor Force: Data Collection, Processing and Presentation: National and Local, Appendix Volume II, p. 2.

¹⁷Stein, op.cit., p. 19.

¹⁸Ibid., p. 20.

¹⁹National Commission of Employment and Unemployment Statistics, op.cit., p. 229.

²⁰Marshall, op.cit., p. 38.