

HOW THE SIPP CAN RESPOND TO THE RECOMMENDATIONS
OF THE LEVITAN COMMISSION

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Introduction

This paper discusses the role of the Survey of Income and Program Participation (SIPP) in meeting the recommendations of the National Commission on Employment and Unemployment Statistics chaired by Sar A. Levitan. SIPP is planned as a national longitudinal household survey which will collect data on cash and in-kind income, welfare program eligibility and participation, net worth, labor force participation and related variables on a recurring basis starting in 1982. The operational survey will be the responsibility of a Department of Health and Human Services staff in partnership with the Bureau of the Census.

SIPP is being launched by the Income Survey Development Program (ISDP). ISDP's purpose is to examine and resolve the content, operational, and technical issues involved in designing SIPP. ISDP has conducted three field tests -- The Site Research Survey, the 1978 Research Panel and the 1979 Research Panel. The Site Research Survey took place in the Fall of 1977 and Winter of 1978. The 1,800 household sample was drawn from list frames and area samples in five cities. The survey period was 6 months with a test of a 3 and 6 month recall period. The 2,000 household 1978 Panel was primarily a small scale national survey.

The 10,000 household 1979 Research Panel was composed of a national area sample, a Supplemental Security Income list frame, and a list frame of recipients of Basic Educational Opportunity Grants (BEOG). Each generation of field tests has represented improvements in instrument design and other survey design features. A fully operational two year panel survey of 20,000 households is planned for 1982.

Congress established the National Commission on Employment and Unemployment Statistics to "study the meaning of our labor force data system and to make whatever recommendations may be necessary to improve the system's accuracy and relevance to current conditions." [1] The Commission held hearings around the country, sponsored background papers by authorities in labor force statistics, gathered a panel of experts to review its draft reports, and then released its final report on Labor Day 1979.

The report contains about 100 recommendations. Although SIPP addresses many, our discussion will center on two broad recommendations for data needs to be supplied from SIPP. They are:

- (1) developing measures of labor market-related hardship and;
- (2) understanding the effect of income from non-earnings sources on labor force participation.

Labor market-related hardship is the condition of having an inadequate income brought on by problems in finding steady employment or having employment with low earnings. Labor market-related hardship can result from conditions as working full-time year-round at poverty wages or being unemployed for long periods during the year.

Non-earnings sources of income especially welfare (means-tested cash transfer payments) can effect whether a person does or does not enter the labor market. Also, these sources provide a cushion which the person can rely on if they drop out of the labor market.

SIPP has shown an ability to meet the need for data on labor market-related hardship and the effect of income from non-earnings sources on labor force participation through its developmental and planning stages by collecting the required data in field tests, planning the 1982 operational survey start, and staff research.

SIPP provides an excellent vehicle to carry out the recommendations of the National Commission on Employment and Unemployment Statistics. The basic goal of the survey, better understanding of the well-being of families, is very much in harmony with the Commission's recommendations, especially the above two recommendations. Also, since the survey is a new undertaking there is opportunity for it to incorporate new concepts and innovations. In this regard, it can accommodate the Commission's proposals.

The 1979 Research Panel

We will examine the 1979 Research Panel, SIPP latest field test, to demonstrate SIPP's commitment to these data needs. The 1979 Research Panel represents SIPP's most advanced thinking on structuring data items.

The 1979 Panel collected linked data on labor force participation and income plus other topical information. This type of data is exactly what is required to comply with the two recommendations above.

Labor force data was collected four times a year for activities during the previous three months. Information on employment covers jobs held (including participation in a business or farm), weeks worked, usual hours worked, weeks missed, and reason for week missed. Questions on periods of unemployment cover receipt of unemployment compensation and major activities during those periods. Also, persons with no work experience during the quarter are questioned on weeks looking for work, reason not looking for work, reason not working, desire for a job, and date of last job held. Tables 1 and 2 outline the labor force activities items on the questionnaire. In the two left hand columns, the questionnaire section and item number is referenced in the right hand column, a brief description of the item is supplied. [2]

The income data collected in the survey includes all sources of cash income, food stamps, Medicare, Medicaid, and public housing residency. The income is collected in groups by specific categories. This data is collected by reducing the frame of reference to the most salient information and unit of account for the respondent. The wage and salary data in Table 2 is an example of this

feature. Respondents are asked detailed questions concerning wages and salaries. This section is very flexible in that it channels persons through the questions depending on the mode of pay for their job (i.e., hourly workers, salaried workers, salary plus commission, etc.).

Income other than labor earnings are collected separately by source and amount. Means-tested transfers such as Veteran's survivors pensions, AFDC, State SSI, Federal SSI, General Assistance, and Emergency Assistance are collected independently.

Table 3., Components of Personal Income Collected in ISDP Questionnaires, lists all cash income types by source and indicates whether they are required for direct analysis or for measurement and aggregation purposes. All income is collected on a monthly basis except for interest income and miscellaneous asset income.

Linking together the sub-annual waves yields two important features: (1) the data can be aggregated for up to a calendar year, and (2) the data can be used to examine changes in labor force participation and income within an annual reference period.

The 6th and final interview includes a yearly income round-up. In this interview, annual capital gains and tax information are gathered. The tax data is most important since net earnings and net income are computed from it.

Labor Market Related Hardship and Measures of Income Adequacy

Survey staff have a demonstrated interest in labor market-related hardship. We have been in contact with the Bureau of Labor Statistics (BLS) who have been given responsibility by the Secretary of Labor for releasing an annual report on labor market-related hardship. SIPP staff are concerned with the content of the annual BLS report and are working with BLS towards the use of SIPP data to measure hardship.

SIPP staff plan to examine not only the composite measure proposed by Levitan in the Commission Report but also other measures of hardship. [3] One such measure is earnings capacity economic hardship proposed by myself in a forthcoming dissertation, "The Adequacy of the Earnings Capacity of the Subemployed and Its Policy Implications." Earnings capacity economic hardship is defined as the condition faced by a family (with one or more workers that face employment problems during the year) of having potential earnings and other income below 1.5 times the poverty level. These families do not have the earnings potential to work themselves up to an adequate income.

Also, the ISDP program has been committed to broadening measures of poverty and income adequacy. Such measures are used in determining labor market-related hardship. In choosing an adequacy standard for measuring hardship, Levitan for example chose the government's poverty levels because they are a reasonable minimum consistent with public understanding.

We have experimented with subjective measurement of income adequacy which speak to this same

criterion. The measures are based on asking persons to attach dollar levels to a scale of positive to negative indicators. Part of the experimentation involves the use of a question as, "Living where you do now and meeting the expenses you consider necessary what would be the very smallest income you (and your family) would need to make ends meet?" This question provides a way to determine a poverty level from survey data. These experiments have generated interpretable and consistent results and have attracted the interest of others in the Federal government and in the academic community.

The 1982 Survey

Planning for the 1982 survey contains many elements aligned with these two Commission recommendations among others. Following is a brief discussion of each 1982 survey planning element which relates to the recommendations.

1. Although school enrollment data is collected, the need is recognized to collect it on a regular quarterly basis to supplement information about the labor force participation of students.
2. Although a "usual hours worked" item has been consistently asked in field tests, we recognize the need to determine the full-time or part-time status of each job.
3. To cover information on involuntary short-week workers, questions are being considered on "weeks with fewer hours than usual worked," and "the reason for working fewer than usual hours."
4. The CPS procedure for identifying discouraged workers has been recognized as flawed. SIPP intends to collect data as recommended by the Commission on whether a person had sought work in the past 6 months, the reason he or she was not looking for work, whether he or she was currently available for work, and whether he or she wanted a job.

Summary

In summary, SIPP is the proper vehicle for collecting data on (1) labor market-related hardship, and (2) the effect of income from non-earning sources on labor force participation. The overall goals and objectives of the 1982 survey emphasize a commitment to data on labor force participation and detailed income data. Our orientation towards income includes a strong continuing commitment to collect reliable detailed data on non-earnings income. Data is collected on an intrayear basis allowing changes during the year to be recorded and reporting of events near to the time they occur.

SIPP has a research and development program (ISDP) to insure data quality and applicability to the problem. Research in the future will be committed to improving the data and measurement techniques.

SIPP and the Commission recommendations are a good match - both are committed to improved labor force statistics and income data. The Commission's recommendations have given us a new perspective on labor force statistics and SIPP represents a new and flexible vehicle to implement the recommendations.

Table. 1 Questions on Labor Force Activities in 1979 Research Panel
Initial Interview

<u>SECTION NUMBER</u>	<u>ITEM NUMBER</u>	<u>CONTENT</u>
I	2a,c	job or business held at anytime during the quarter
I	3a,b,c	weeks w/o a job and weeks looking for work
II	1	job held, business operated, or both
II	2	number of jobs held
II	3b,c,d,e,f	I and O info.* and labor union affiliation (collected in first interview only)
II	4a,b,c,d,e,f	<u>When</u> did person have this job during the quarter <u>Why</u> did they leave the job
II	8,9	Hours per week, reason less than 35 hours per week
II	5,6,7	Days missed, how many, reason
I	3f,g	illness or injury income screen and source of compensation
I	3d,e	unemployment benefits and source
I	19a,b,c,d,e,f	no. of businesses, names, I and O info.*, organization of business
I	29g,h,i,j,k,l,m,n	labor input, duration and size of business, operation and sale of business
II	37a,b;38a;39a,b	farm dealings, farm products, organization of farm
II	38b,c,d,e,f,g	involvement in sale of and labor input to farm
I	2d,e,f,g,h	weeks looking for work for people w/o a job during the quarter, reason not working, last time worked, desire for job during quarter

* Standard Census industry and occupation information

Table 2 Wage and Salary Data in 1979 Research Panel Initial Interview
(Section II)

<u>ITEM NUMBER</u>	<u>CONTENT</u>
10	paid by hour
11	hourly rate
22 +	work any overtime
23 +	overtime rate of pay
24 +	hours of overtime in each month
12	how paid (other than hourly)
13	how often
14	have pay records
15b	pay varies or same
15c or 16a,b	earnings from records
17,18	how much additional pay
19 *	earnings estimate
20 *	earnings guess
21 *	earnings amount
25,26,27	pay from 3 plus jobs

+ Covers all wage and salary workers.

* Asked only when records are not available

Table 3. Components of Personal Income Collected in SIPP Questionnaires

Type	Required for Direct Analysis	Required for Measurement and/or Aggregation	Required for Direct Analysis	Required for Measurement and/or Aggregation
<u>Section I</u>				
<u>Labor Income</u>				
I.1 Wages	X		III.4 Interest in a business (for non-active participants only)	X
I.2 Salary	X		III.5 Royalties and other asset income	X
I.3 Commissions		X	III.6 Realized Capital Gains (annual basis)	X
I.4 Tips and Gratuities		X	III.7 Unrealized Capital Gains (not collected)	
I.5 Bonuses and Awards		X	III.8 Receipts from a private pension plan	X
I.6 Severance Pay		X	III.9 Receipts from a state or local government private pension plan	X
I.7 Sick Pay		X	III.10 Receipts from a Disability Pension	X
I.8 Armed Forces Pay		X	III.11 Income from a Trust or Estate	X
I.9 Military Reserve Pay		X	III.12 Lump sum proceeds from life insurance	
I.10 Incidental or Casual Earnings (e.g. day labor, leaf raking baby sitting)		X	III.13 payments from boarders	
<u>Section II</u>				
<u>Business Income</u>				
II.1 Net Income from business Proprietorship, Partnership, Corporation (annually) Salary or draw (quarterly)	X	X		
II.2 Net income from Farm business Proprietorship, Partnership, Corporation (annually) Gross sales-gross expenses	X			
<u>Section III</u>				
<u>Property Income</u>				
III.1 Interest	X	X		
a) Savings Accounts, or Credit Union Accounts-individual & proportion of joint account				
b) corporate, municipal, or government bonds, debts, loans or mortgages				
III.2 Dividends from stocks, mutual funds (or money funds)-individual or share of joint asset	X			
III.3 Net Rental Income individual's share or shared with spouse (only when spouse is present)	X			
<u>Section IV</u>				
<u>Public Cash Transfers</u>				
IV.1 Social Security			X	
IV.2 Railroad retirement			X	X
IV.3 Unemployment Benefits			X	
IV.4 State Administered Worker's Compensation			X	
IV.5 State temporary sickness or disability				
IV.6 Veteran's disability pension(means-tested)			X	
IV.7 Veteran's disability pension(non-means tested)				X
IV.8 Veteran's Survivors pension (means and non-means tested)				X
IV.9 U.S. Military Retirement				X
IV.10 U.S. Civil Service Retirement				X

Table 3. Components of Personal Income Collected in SIPP Questionnaires-continued

	Required for Direct Analysis	Required for Measurement and/or Aggregation
IV.11 Educational		
a) G.I. Bill Educational Benefits	X	
b) Basic Educational Opportunity Grant (BEOG)	X	
c) Secondary Educational Opportunity Grant (SEOG)	X	
d) Government sponsored Scholarship		X
IV.12 AFDC	X	
IV.13 Federal SSI	X	
IV.14 State SSI		X
IV.15 Black Lung Benefits		X
IV.16 General Assistance		X
17 Emergency "		X
18 WIN Payments		X
19 Foster care payments		X
20 Other cash public asst.		X

Section V

Private Transfers In Cash

V.1 Alimony and Child Support	X	
V.2 Gifts and Bequests (Lump Sum Income)		X
V.3 Private scholarship and fellowships		X
V.4 Prize's and Awards Lump sum		
V.5 Support provided by others		X

FOOTNOTES

REFERENCES

[1] National Commission on Employment and Unemployment Statistics, Counting the Labor Force, (Washington, D.C.: U.S. Government Printing Office, 1979), p. X.

[2] The questionnaire referenced is 1979 Research Panel First Interview Questionnaire. Form ISDP-101A. U.S. Department of Commerce, Bureau of the Census. Washington, D.C.: Government Printing Office, 1979.

[3] Counting the Labor Force, pp. 72-77.

National Commission on Employment and Unemployment Statistics. Counting the Labor Force. Washington, D.C.: Government Printing Office, 1979.

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