

CURRENT EMPLOYMENT STATISTICS

**Dennis Trewin, Australian Bureau of Statistics
PO Box 10, Belconnen, 2616, Australia**

The starting point for any survey redesign should be a clear specification of the major objectives of the survey and how well it performs in meeting those objectives. Certainly, there appears to be a strong focus among users of Current Employment Statistics (CES) on obtaining good estimates of short-term movements at the national level but that does not appear to have always been the focus for the design of the survey.

Although the subject matter appears relatively straight forward, employment and earnings surveys are notoriously difficult to run reliably. Certainly, this is the case in both Australian and New Zealand where I have some experience. Yet, the data from these surveys are becoming increasingly market sensitive.

To a large extent, I think it is because movements, particularly in employment, can be influenced by what is happening with new businesses. They are an important contributor to employment growth but obtaining a reliable estimate of this contribution is extremely difficult.

It is important to take a "Total Survey Design" approach to problems of this type and it is pleasing to see that the contributors to this meeting have taken such an approach. Traditionally, methodologists have concentrated too much on sample design aspects, although such concentration is probably appropriate with the current state of play with the CES and the move to a probability based design.

It is a big survey - 400,000 sample units per month. There may be opportunities to reallocate some of this expenditure to quality improvement activities that improve the overall accuracy even though sampling errors may be slightly higher.

By and large, I thought the papers presented at this meeting concentrated on the right survey design issues. The papers by Goldenburg et al and Getz et al concentrated on improved methods of assessing the contribution of new businesses; Groves et al on reducing non-response; and Clayton on methods of data collection. These are all very important issues.

New businesses are clearly important. From the data provided in the papers, in recent years births and

deaths each contribute 3,500,000 - 4,000,000 annually to employment change. For the period in question, continuing units contributed employment growth up to 3,000,000 each year. Clearly, it is essential that we obtain reliable estimates of the contributions of births and deaths as well as that of continuing units.

The Goldenburg paper looked at sampling a complimentary framework of new businesses. I agree with their assessment that the lags in the administrative sources for this framework mean that this is not likely to be a fruitful area for future research. In contrast, Getz uses an ARIMA modelling approach and seems more confident that this might lead to a successful outcome. The research is worth pursuing but I doubt whether it is a panacea. I also have doubts about how robust it will be across different business cycles.

Specifically, I have two key concerns about the ARIMA modelling approach.

- The predictive power of models does not appear good enough, and this will be further tested across changes in the business cycle.
- The models do not deal with changes in the administrative processes on which they rely.

The difficulties are caused by the lag of 9 months it takes between the time between the establishment of a new business and its appearance on the survey framework. Perhaps, some effort should be put into exploring the possibilities for reducing this lag. After all, it is one of the most important set of statistics in USA. The Australian Bureau of Statistics (ABS) has had some success in this respect and it may be useful to outline our experiences.

We were reliant on taxation sources for new employers. The supply of this data for updating our business frameworks was slow and unreliable. Basically, they did not regard support for statistics as an important activity from their perspective. Further, the information provided on employment, industry, inter-company relationships was so unreliable that the ABS had to conduct a follow-up survey before new business units could be added to the business frame. This introduced a further delay.

We have managed to turn this situation around. The Australian Taxation Office (ATO) now regards support for statistics as one of its core activities. This culminated in the signing of a Memorandum of Understanding between the Chief Executives of both organisations with a high level Steering Committee that oversighting joint activities. From the point of view of employment statistics,

- we now receive new registrations within 3 months of their creation;
- we receive counts of new registrations, currently being processed but not yet passed on to the ABS; and
- the quality of industry coding for these new businesses is now of such quality that most of these units can be directly loaded on to the business register without a follow-up survey.

The ABS had to put considerable effort into improving the quality of industry coding by ATO staff. It provided the computer assisted tools and training. Furthermore, it had to work at the cultural change that was necessary for ATO staff to care more about the quality of industry coding. One means of doing this was to establish performance indicators (and targets) based on follow up checks of the quality by ABS staff.

What I am suggesting that there may be some merit at BLS tackling the "source" of the problem and liaising with the requisite administrative agencies to see whether an improved service is possible, particularly to reduce the lag before new businesses are available on the framework. Alternatively, it may be possible to obtain counts of new businesses still in the system but not yet on the survey framework. This should help provide more accurate estimates of the contributions of new businesses.

The paper by Groves et al on methods for increasing co-operation was high quality work that led to many interesting findings. Some are of general relevance, not just to the CES design. Specifically,

- response will be increased if questionnaires can be targeted to a specific person (eg head of payroll);
- mandatory compliance gives much lower non-response (15%) than non-mandatory (28%);

- panel length (between 2-3 years) is largely irrelevant in obtaining co-operations;
- workshops for survey staff on overcoming response resistance are very successful in reducing non-response.

Improved survey practice should follow as a result of this research. The finding on panel length is consistent with ABS experience. In fact, most businesses become better respondents as their time in the panel increases. There can be a tendency to rotate businesses out of surveys too quickly.

The Clayton paper on data collection is of great interest, particularly as BLS has been a world leader in this field. Electronic reporting may be the best long-term solution. This will require the establishment of a business reporting model for payroll data. This may assist in two ways.

- Big businesses with their own payroll arrangements can then periodically provide the data electronically in accordance with the business reporting model. There will then be less risk that new units within existing businesses are left out of the coverage of the survey, a significant cause of quality concerns.
- Businesses using payroll companies can provide their data in the same way, after giving approval to forward the requisite data to BLS.

This offers the potential of productivity improvements, greater timeliness as well as reduced compliance costs.

In conclusion, I would like to suggest that some consideration be given to reducing the frequency of the survey to quarterly. Is it really measuring accurate monthly movements? Could the survey ever be that robust with the endemic problems of new businesses. Would the labour force survey be better at measuring monthly movement in employment? It may not be ever possible to obtain reliable monthly movements in employment from the CES, and for the monthly survey, only movements in average earnings may be possible. This would require a fundamental change to the structure of the survey. It is better to run a credible survey than chase an impossible dream.