

Labor - Statistics

TOWARD MORE REVEALING LABOR FORCE STATISTICS

by

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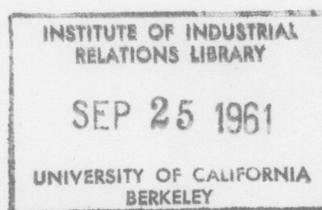
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Statistics of the work force are among the earliest of economic statistics to be developed by any industrial nation. The early censuses of population often include a count of "gainful workers," that is, workers with an occupation. Enumeration or estimates of the employed and the unemployed have been attempted in some countries for many years. The labor force concept in its stricter sense--the sum of the employed and the unemployed--was not developed until the 40's.

The more complex statistics of recent years, such as statistics of national accounts, may depend heavily on reliable counts of the employed and the unemployed. These days we talk much of economic models and economic goals. But the central feature of most economic goals, at least in a democracy, is full employment. Unless we can measure employment and unemployment, we do not know how far we are from our goal, or when we are likely to achieve it. And from our knowledge of the labor force, we know a great deal about the characteristics our economy will have when the goal has been attained.



It is because our labor force statistics continue to be so vital that there is so much discussion and even controversy about them. If persistently high unemployment embarrasses the prophets of economic prosperity, or if declining joblessness threatens to frustrate the advocates of drastic governmental programs, there is a temptation to challenge the statistics. The observer who has no axe to grind at all, but whose own community shows different employment trends from those in the Nation as a whole, may well conclude that "there must be somethin' wrong with the figgers."

In the troublous times of the recession from which we are now emerging, as in other recessions, there have been criticisms of our statistics of the labor force and particularly those of unemployment. I have noted charges that (1) many of the unemployed, being the wives of employed husbands or others with only a marginal attachment to the labor force, should not be counted along with heads of families; (2) that the exclusion of the partially employed from the count of the unemployed understates the number of unemployed by the equivalent of at least one million full-time unemployed; (3) that the higher rate of unemployment in the United States as compared with foreign countries is largely due to our system of counting and that under any comparable system our unemployment would compare favorably with that of other countries.

Most such criticisms are far wide of the mark. Generally, I believe, they are based on unfamiliarity with the statistics and the methods by which they are assembled. It is true that there are

marginal groups included in the unemployed. But most of them can be identified separately. They can be included or subtracted at will. We know how many married men are unemployed, how many of the unemployed are teen-agers, and so forth. We ascertain every month how many workers are employed part-time and whether or not they would like to have more work.

As for comparisons with other countries, it is, of course, true that the methods of enumeration or estimation may influence the results obtained. The methods used in foreign countries may lead to a higher or a lower count than if our methods were used. On balance, I believe, they tend to enumerate the unemployed less completely than our own methods. But with full allowance for such differences, there can be little doubt that in recent years the rate of unemployment has been considerably higher in the United States than in most other industrial countries. This circumstance is explainable largely in terms of the nature of our economy. My present purpose, however, is not to explain it, but only to insist that it exists and is not the result of phoney statistics.

The United States undoubtedly has the best system of employment and unemployment statistics in the world. The long-established series based on the payrolls of establishments measures changes in nonagricultural employment, hours and earnings with great industrial detail. Since 1940 the Monthly Report on the Labor Force (MRLF) has provided quick, reliable information on changes in the labor force, employment and unemployment, with considerable detail

regarding the characteristics of the individuals involved. Administrative reports developed by our Federal-State system of unemployment insurance provide additional information of great usefulness.

But we cannot afford to be complacent. The problems we face and the means we use in trying to solve them require constantly faster and more accurate information, greater detail. When we judge our statistics in the light of the demands made upon them, we must admit they are not good enough. Today, speaking as a producer of labor force statistics, I propose to consider some of the areas in which the need for more or better information is apparent, and to describe a few of the steps we have in mind to meet those needs.

Concepts and Timing

Let me deal first with two areas in which, I timidly suggest, there is little current evidence of need for major change; I speak of (1) our basic concepts of employment and unemployment and (2) the timing of our statistics.

The major concepts and definitions we now observe are the product of many years of experimentation and testing. They have provided a pattern for the international standards in this field. Although it is true that many other countries have as yet failed to adopt them, some of the most statistically advanced countries observe similar definitions. Among these is Canada, which last year established a Parliamentary Commission to develop a satisfactory definition of unemployment. The Commission ended up with a definition very much like our own.

We may need further elaboration. We may need additional supplementary measures for such phenomena as part-time employment. But the basic measures we have already established are fundamentally sound and are among our most sensitive and dependable indicators of economic well being.

Nor does it appear that the basic statistics need to be issued much more quickly than at present. The first monthly figures, based on the Monthly Report on the Labor Force, are issued only a few days after the month to which the data refer. The basic data for last month, April, were published on May 2. Statistics on the number receiving unemployment benefits are issued weekly with little delay. The employment statistics based on payrolls are now issued about 12 days after the month to which they refer; introduction of improved electronic equipment may permit some saving here. But there is little evidence even now that the usefulness of the statistics is seriously impaired by delays in their publication.

Need for Further Detail on Employed and Unemployed

On the other hand, despite our continually increasing knowledge about the employed and the unemployed, we don't know nearly as much about them as we need to.

For one thing, although we can forecast long-run trends in the labor force with some accuracy, we are not very confident of our ability to account for short-run changes. Why did the labor force (seasonally adjusted) rise so rapidly in the first quarter of 1961? As a result of this increase and the abnormally low figures

in early 1960, the labor force was more than 2 million higher in March of this year than in March of 1960, an extraordinary annual gain. What accounted for the drastic change in April, when--again reflecting unusual movements in both years--the 12-month increment suddenly dropped to 900,000? Was there really that much change in the number of persons at work or looking for a job? Did the change reflect entrance into a new phase of the recession? Or was the gain at the peak partly a result of random errors in our statistics for one year or the other?

We need to know much more about the unemployed than we presently do; for example, how many of them are family heads, and are there other persons in their families who are on a payroll? We obtain such information once a year as a result of difficult and expensive coding and analysis, but we should have it every month during periods of heavy unemployment.

We need more information by metropolitan area. The Federal-State cooperative system now produces significant data for each State and for a growing number of metropolitan areas. The Bureau of Employment Security currently classifies all the metropolitan areas as to severity of unemployment. Passage of the Area Redevelopment Act has emphasized the need for greater accuracy and consistency in these classifications.

We need to know more about part-time workers who want to work full time, but cannot find full-time jobs. This is the problem of underemployment. As indicated above, we have some

information about the underemployed, but in the difficult area of agricultural employment we have nothing very meaningful. The National Planning Association, taking into account not only part-time work but also the adequacy of incomes, has estimated that the equivalent of 1 million jobs would be necessary to provide full-time work for underemployed persons in agriculture.

A good deal of interest has been expressed in statistics of job vacancies to accompany our figures on the number of jobless. Such information should have great administrative usefulness as well as providing a significant economic indicator. Earlier consideration of the methods of collecting such statistics has revealed formidable difficulties--for example, in the practice of many employers of filling jobs from their own rolls of layoffs rather than through the public employment office. Collection of the information directly from the employers would still require the solution of a most formidable problem, the development of a workable definition of "job vacancy." But I do not consider such difficulties to be insuperable.

Statistics of the number of employed by occupation would fill another gap of considerable importance. Without periodic statistics of this type, we are handicapped in dealing with displacements due to automation or in planning retraining programs for whatever purpose.

The BLS has requested modest budgetary funds, beginning with the next fiscal year, to learn more about the unemployed than we now know. We plan, if the funds are forthcoming, to make a

follow-up study of a small cross section of the unemployed to obtain information on factors associated with their loss of jobs, their unemployment insurance experience, their efforts to find a job, the employment status of others in their family, etc. We plan to make special studies of the employment and unemployment experience of workers affected by automation. We hope to analyze the illness and disability records of the employed and the unemployed covered by the National Health Survey.

From time to time, even now, we are able to make special studies of important groups of workers who are not identified in the ordinary analysis by industry. For example, we will soon publish estimates showing that the total number of workers engaged in construction activities is more than 5 million as compared with the approximately 2.5 million included in our regular reports on employment in "contract construction." Of course, the construction workers outside contract construction have not been overlooked; they are counted in the employment of establishments whose major product is identified with some other industry. But it is important to know the total number engaged in this major activity.

Quality of the Statistics

We know that the quality of our statistics is not good enough in view of the important uses to which the data are put. We are able to measure the sampling error in our Monthly Report on the Labor Force, for example, and we know that a monthly increase or decrease of as much as 180,000 in the figure on total employment

may be due to purely random error. The Bureau of Labor Statistics and the Bureau of the Census, the two agencies involved in the production of these statistics, have considered means of reducing the probable error. To double the sample of households interviewed each month--i.e., to raise the number from 35,000 to 70,000--would not reduce the error proportionately, however, and would be extremely costly. Another approach which has been considered would be to enlarge the sample of households more considerably, perhaps once a year. This would afford year-to-year comparisons of greater reliability than at present and should permit special analysis in much greater detail.

Our establishment payroll statistics on employment, hours and earnings give us a tremendous amount of insight into current developments in several hundred detailed industries--an industrial cross-section of our economy to parallel the demographic cross-section we obtain through the household survey of the MRLF. But we must struggle unceasingly to improve the quality of these estimates for sectors of the economy that are difficult to measure from employer reports--industries with large numbers of small firms entering into or going out of business, such as construction and services. We have not yet completely overcome downward bias in the payroll statistics for employment. We have introduced many improvements. This summer we will begin issuing our payroll statistics weighted by size of establishment for the first time. We are also trying to improve our benchmark estimates of employment in certain difficult areas; as one

result, we have found considerably more employment in religious and charitable organizations than we had previously estimated, and as a result our estimate of total service employment will be increased by several hundred thousand. We are convinced that more research of this type will further increase the accuracy of the estimates.

Fuller Information on Nonproduction Workers

One of the important changes in industrial employment in recent decades has been the declining proportion of production workers and the increasing importance of various types of non-production workers--maintenance workers, supervisors, research staff, clerks, etc. Nonproduction workers in manufacturing have increased from about 16 percent in the early postwar period (1947) to some 25 percent in 1960.

The Bureau has not been oblivious to this change. Although we maintain separate series of statistics for production workers--for some purposes the most interesting and most dynamic segment of the employed population--both of our major systems of statistics record the employment of nonproduction employees as well. Special statistics are compiled on the employment of scientific and technical personnel. But we do not obtain regular information on wages and hours of work for nonproduction workers, and these employees are sometimes excluded from special studies. This partial neglect handicaps analyses of particular interest, such as studies of productivity and of labor cost. Undoubtedly a better coverage of industrial employment in the future will require giving further attention to nonproduction workers.

Better Information on Hours of Work

Finally, I should call attention to the need for additional information on hours of work. Measurement of hours is closely related to measurement of employment and I have no apology for including this topic in a discussion of statistics of the labor force.

As recently as 1936, there was practically no difference between the hours for which a worker was paid and the hours he actually worked. But since that time paid holidays, paid vacations, payments for military leave, for jury duty, etc., have become increasingly important and in manufacturing now account for about 6 percent of all hours for which production workers are paid.

BLS statistics based on payrolls--the standard statistics on hours available on a monthly basis--refer to hours paid for; that is, they include all holidays, vacations, etc., for which workers are paid. For certain purposes, e.g., in calculating earnings, this is the more useful concept.

But for other purposes, information on hours actually worked (or hours in the plant) seem clearly preferable; for example, in calculating productivity, labor cost, and accident rates. The Bureau of the Census obtains annual information on in-plant hours which is useful for such purposes, but it seems doubtful whether all respondents adhere to Census instructions to exclude hours paid but not worked. And in any event these data become available only after considerable delay.

The BLS recognizes the need to establish reliable series of statistics of in-plant hours and has already made some progress in this direction. An experimental study in 1953 obtained useful illustrative information on in-plant hours in manufacturing industry. Fuller studies in 1958 and 1959 have further demonstrated the feasibility of such inquiries. It remains to be determined, however, whether separate annual surveys will be necessary or whether it will be possible to develop dependable annual estimates for each industry, on the basis of less frequent surveys.

For some nonmanufacturing industries, we must acknowledge, we obtain no information at all on hours and earnings. We must fill these gaps in order to round out our statistical coverage.

I have not dealt with all of the shortcomings of our statistics, nor with all of the extensions and improvements we consider to be necessary if they are to meet the demands to be made upon them. I have covered sufficient ground, however, to demonstrate that the task is a sizeable one. Its accomplishment will take time. It will be costly. It will justify the intensive work of Federal and State agencies and of academicians as well.

Our task today, however, is less difficult than it was scarcely 20 years ago when we had no respectable means of measuring unemployment, and didn't know how to establish one. With the many advances that have been made in statistical science, with growing

support from the users of statistics and with continuing cooperation from the unsung heroes who answer our questionnaires, we can consider the job ahead with confidence.

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