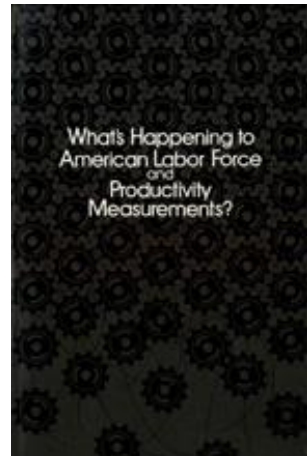




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Summing Up: (based on selective hearing)

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The George Washington University



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7

Summing Up

(based on selective hearing)

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The George Washington University

As this conference was proceeding today, a horrible thought occurred to me: Can you imagine the setback for labor force and productivity statistics if anything were to happen to the collection of experts in this room? Now that we have completed a very fruitful and stimulating conference without mishap, I remain the only obstacle to partaking in the happy hour. Let me rush through with my comments, hoping that they will not detract from the high level proceedings of the day.

First, I will summarize what I heard here, even though it may be based on my selective hearing.

Second, I will add some observations which I had hoped would have been made by others. While our data system should be designed to capture the net social impacts of domestic policy changes, there is also a feedback effect. Federal funding allocations and administrative decisions reached by policymakers not only affect society, but they also influence the workings of such public agencies as the Bureau of Labor Statistics and the Census Bureau. The concern is that the products of these fine statistical organizations are facing deterioration.

Third, we should look at the system as a whole and not just individual surveys. Clearly, data collection and publication are not ends in themselves. The question is whether the entire data system helps policymakers formulate and evaluate policies. In many cases, I believe there are serious gaps which we should span.

Parts of the System

Each of the speakers centered in on one part of the total data system. Leon Taub made some thoughtful comments about the Current Population Survey (CPS). He indicated that the richness of the CPS data are adequate for meeting the macroeconomist's basic needs because total employment, unemployment, and other aggregated data respond in a predictable pattern to business conditions. Of course, like any other good researcher who makes a living from forecasting trends, Leon displayed an understandable appetite for a few more numbers; but speaking as a macroeconomist, he gave the CPS a clean bill of health. He did, however, have some reservations when he took off his macroeconomist hat and put on his microeconomist chapeau, which he also wears on occasion. On this level, the data are not adequate to solve many labor market-related problems. He suggested several directions for developing further information, including counting discouraged workers in the unemployment totals, producing better data for local labor markets, and measuring the impact of changes in employment status on household consumption patterns.

After Leon's suggestions concerning new data on labor market effects, Robert Taggart picked up on this same subject. He showed how a great deal more knowledge and insight about labor market operations can be milked from the CPS for very little extra expenditure. He advocated the link-

ing of March CPS data on individual and family income and earnings with labor force status.

The question Bob Taggart raised goes to the heart of the problem: To what extent can we continue to base policies on concepts that were developed in the 1930s and which have not been updated? Beyond numbers reflecting labor force status, we need estimates that link income and earnings with a person's household status. Employment or unemployment data do not measure economic hardship. Bob showed ways in which income, household conditions, and labor force status can be combined to produce estimates of real economic hardship that persist to plague our society. I hope the Census Bureau and the BLS will pay attention to these newer concepts.

Another part of our data system is the establishment survey which supplies the base ingredients for productivity measurements. Elliot Grossman and George Sadler were highly critical of the productivity data that BLS derives from the establishment survey. There was a time when the arcane mysteries of productivity data were mostly of interest to a select group of economists and statisticians, but now they make headlines. Politicians, media persons and even economists on the make are finding these days that a sure fire way to gain attention is to come up with some catchy plan to boost America's slumping productivity.

Elliot and George have questioned not so much the various riverboat gambles the United States has taken to get on a noninflationary growth path; rather they have warned us that we may not have enough information—or the correct data—to navigate the riverboat. We most often have equated the overall changes in economic productivity with only labor output per work hour. More recent concepts, including total factor productivity, consider the relationship between all inputs per unit of output. Unlike the older index, this concept

captures the substitution of capital and energy for labor. Last year, total factor productivity growth was even lower than labor productivity gains.

However, BLS experts warned us today that total factor productivity estimates harbor many problems. For example, how should capital be aggregated, and how should capital be depreciated so that one has a net capital figure? Despite these and other problems, BLS hopes to come out with productivity estimates that move beyond only labor productivity by 1983. I hope they do this because I believe that sound analysis of America's growth problems will require data on more than output-per-work hour data.

Orley Ashenfelter and Gary Solon next discussed the state of longitudinal data and how this newer part of the information system can enrich our understanding of labor force operations. As Orley and Gary already pointed out, I wish we had more data on the cost of these longitudinal numbers because while they provide better insights, they are also expensive. I believe we need to know the comparative costs of this data source compared with using the same outlays in enriching the CPS.

Also, for how long are these longitudinal data good? For example, if one starts a cohort of people between 45 and 59 in 1968, then how long should one continue the survey before too many individuals meet their heavenly rewards? The case for longitudinal data would be far stronger if we knew more about their relative costs and benefits and how we could design panels so that we would maximize the information returns while we minimize expenditures. These concerns are vital in an era of strict budget cutting of nondefense spending.

If I've learned any one message today, it is that we should not rely upon any single number. Clearly, we heard that message from Ken Prewitt of the Social Science Research

Council. Ken spoke at lunch and did not have a formal paper, but his comments on social indicators are important. Social indicator data are derived from longitudinal surveys, such as the one published by the University of Michigan covering 5,000 families, the Ohio National Longitudinal Survey and from public opinion surveys. They illuminate many significant developments that may not be captured in our traditional labor force numbers. Also, as Ken noted—and this backs up the need for longitudinal data—a growing number of researchers and media analysts are interested in change over time and not just a single snapshot picture. Good labor market analysis should consider the information obtained from the emerging social indicators.

Media and Policy Needs

While we cannot rely on a single number, we must remember that when the network television news people report monthly unemployment conditions, they cannot cram that many numbers into a 20-second segment. When unemployment rises one-tenth of a percentage point to almost 10 percent, all we hear is that this is a record unemployment rate since the 1930s. Can the networks put over the concept that a monthly rise of one-tenth of 1 percent is not statistically significant? We need more than one number, but reporters, just like economists, face resource—in this case time—constraints. The needs of the media people must be considered in forming our data system.

Beyond the introduction of new concepts, such as economic hardship and total factor productivity, is the challenge to factor whatever numbers are generated into the thinking of policymakers and the general public. We can introduce the best new concepts, but without this education process all they will do is remain unused and collect dust.

Deterioration?

Each of the speakers was assigned to examine one part of the total system. While we concentrated on the major labor force surveys, it was beyond the scope of the four papers to comment on recent developments in the general state of labor force data. As part of the budget reductions for non-defense spending, the federal government will provide 20 percent less funding for labor force and other economic data in fiscal 1983 than was spent in 1980. This major budget reduction does not even include the impact of inflation. A statistical system needs ideas but numbers cannot be produced, analyzed and disseminated without money. The system, therefore, faces serious deterioration.

But beyond these funding problems, there is a different form of deterioration that may be even more serious in the long run. Current federal policy contributes not only to the erosion of the existing data system, but also to the stifling of vital research and development that could lead to the introduction of new concepts and methods. There is no better way to destroy the excellence of the total system.

I call your attention to a report that Secretary Raymond Donovan issued, as required by law, when he commented on the recent work of the National Commission on Employment and Unemployment Statistics. Secretary Donovan repeated again and again that—and this is a direct quote—he “cannot in good conscience” recommend any of the Commission’s proposals that cost money. I stopped counting this repeated refrain when I ran out of my 10 fingers. Maybe somebody here from BLS has counted exactly how many times he said that.

Secretary Donovan’s comments were quite different from the response of the previous Secretary of Labor Ray Marshall. The difference in *how* they made decisions was a great

as the actual difference in results. Six months after the Commission filed its report, former Secretary Marshall said he was in favor of counting discouraged workers as unemployed. But rather than accept or reject the Commission recommendations, he indicated that he would await further study by BLS before he would factor these findings into his final decision. In opposition to this type of reasoned examination of the Commission's proposals, the present Secretary of Labor just completely rejected anything that would cost any money. To make sound decisions one should examine not only the costs but also the benefits obtained from a public investment. While the Reagan administration presumably champions cost-benefit estimates, it appears to have rejected using any sound cost-benefit analysis in this case.

This administration puts a great stress on volunteers, and the Commission suggested a triennial survey of volunteers because of their impact on GNP, and also because there often are very few differences between the work performed by volunteers and paid workers. The cost of such a survey would be well under \$300,000 based on BLS estimates and updated for inflation. Public policy calls for more volunteer work, and yet we know next to nothing about the volunteer workforce. Also, we know very little about the extent to which volunteers use their experience to enter the paid labor force. Despite the administration's expressed concerns, the Secretary of Labor rejected the recommendation for the survey.

There are many other examples that are similar to the volunteer workforce data proposals. A major tenet of the Reagan Administration is reducing the role of the federal government by turning over many functions and programs to the states and local governments and providing whatever aid the federal government gives to states and localities through block grants to the states. However, state and local

labor force data are often quite poor. In fact, in many cases the numbers are more guesses than reliable estimates within acceptable margins of error. The Commission made many suggestions to improve state and local data including a boosting of the CPS sample size. This would have yielded reasonably reliable state data as well as statistically significant data for key groups in the population. Instead of boosting the CPS sample, it was cut down to 60,000 under recent budget reductions.

There is a serious question concerning the quality of the statistics if the sample decreases or is even kept at the same level given growing population shifts. For example, data on Hispanics and blacks (and in particular black youths) need to be improved. If “New Federalism” is to be more than a slogan or a subterfuge for cutting federal aid, then state and local data need to be improved.

The damage that we are doing to the system cannot easily be reversed. It seems that under this administration we are going to have to live with deteriorating data which are not as responsive to, and reflective of, real conditions. It took many years to create this system, and it could lose the trust of policymakers and the general public. This would hurt *all* of us, no matter where we stand on other social issues.

I agree with Henry Clay that “statistics are no substitute for judgment,” but it is irresponsible to design policies that are based only on sheer ideology (be it liberal or conservative) and gut feelings. Our labor force and productivity data systems could be very strong resources that help put America back on course. Yet given recent trends, I fear we may be dismantling the compass and letting the sextant grow rusty.

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