

Supporting Statement to Request for OMB Approval

Multiple Worksite Report and the Report of Federal Employment and Wages

A. Justification

1. Necessity of Collection

The Quarterly Census of Employment and Wages (QCEW) program, once better known as the ES-202 Program, is a Federal/State cooperative effort which compiles monthly employment data, quarterly wage data, and business identification information submitted to State Workforce Agencies (SWAs) by employers subject to State Unemployment Insurance (UI) laws. The collection of these data is authorized by 42 USC 503 and 29 USC 1, 2 (Attachment A). The QCEW Report, produced for each calendar quarter, is a summary of these employer (micro level) data by industry at the county level. Similar data for Federal Government employees covered by the Unemployment Compensation for Federal Employees (UCFE) Program are also included in each State report. These data are submitted, in turn, by all 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands to the Bureau of Labor Statistics (BLS) which then summarizes these data to produce totals for the States and the Nation. The QCEW Report provides a virtual census of nonagricultural employees and their wages, with about 51 percent of the workers in agriculture covered as well.

As part of the QCEW program, the States send micro level employment and wages data, supplemented with the names, addresses and business identification information of these employers to BLS. These States' data are linked across quarters to create a longitudinal history for each establishment. These data, once known as the Business Establishment List but now referred to as the longitudinal QCEW data, represent the best source of detailed industrial and geographical data on employers and are used as the sampling frame for most BLS surveys. The longitudinal QCEW data includes the individual employer employment and wages data along with associated business identification information that is maintained by each State to administer the UI program as well as the UCFE program.

The micro data that constitute the longitudinal QCEW data and which also are the basis for the QCEW Report are essentially a by-product of the UI accounting system in each State. The States receive "Quarterly Contribution Reports" from all private sector employers as well as State and local governments covered under the

UI Program. Along with these accounting reports, employers also provide funds for their contributions due, which finance the UI benefit system in each State. Federal government employers, on the other hand, provide statistical reports containing only employment and wages data for each of their installations within each State. Normally, private sector employers submit one contribution report covering all their economic activities conducted in that State. For employers having only a single physical location (worksite) in the State and, thus, operating under a single assigned industrial and geographical code, the data from the accounting file are sufficient for statistical purposes.

Such data, however, are inadequate for statistical purposes for those employers having multiple establishments or engaged in different industrial activities within the State. In such cases, the employer's Quarterly Contributions Report (QCR) reflects only State-wide employment and wages and is not disaggregated by establishment or worksite. Although this level of data is sufficient for many purposes of the UI Program, more detailed information is required to create a sampling frame and meet the needs of several ongoing Federal/State statistical programs, including the Bureau's Current Employment Statistics, Occupational Employment Statistics, Mass Layoff Statistics, Local Area Unemployment Statistics and Occupational Safety and Health Statistics programs. The Bureau also uses this sampling frame to conduct other non-Federal/State Programs such as the Producer Prices Program, National Compensation Survey, and the Job Openings and Labor Turnover Statistics. These detailed data are also required by the Bureau of Economic Analysis to determine personal income estimates at the county, State and National levels. The attached letter (Attachment B) outlines BEA's uses of QCEW data more thoroughly.

The Multiple Worksite Report (MWR) is designed for non-federal businesses subject to State UI laws and the Report of Federal Employment and Wages (RFEW) is designed for federal establishments covered under the Unemployment Compensation for Federal Employees (UCFE) program. Both the MWR and RFEW are essentially the same. The MWR/RFEW forms are designed to collect employment and wages data for each establishment of a multi-establishment employer. In addition, these reports aid in the development and maintenance of business identification information by establishment for multi-establishment employers. Attachment C shows an example of the MWR form and Attachment D shows the RFEW form.

As a result of the data captured by the MWR/RFEW, improved establishment business identification data elements have been

incorporated into and maintained on the longitudinal QCEW data. Establishment identification data elements that are included in the longitudinal QCEW data are a physical location address, trade name, and reporting unit description (store number, plant name or number, etc.) for each worksite of multi-establishment employers. As indicated earlier, using the administrative records of the SWA works well for single worksite employers but creates problems for multi-establishment employers. Prior to using these reports, the SWAs would repeat the name (usually the legal name) and address on the UI file of covered employers for each establishment that the employer operated in the State. No other address or business identification information was available.

Each employer is initially requested to supply this business identification information when completing the MWR/RFEW. Thereafter, this reported information is pre-printed on the forms each quarter. The employer is requested only to verify the accuracy of this business identification information and only provide the employment and wages for each worksite for that quarter. By using a standardized form in each state, the reporting burden on many large employers, especially those engaged in multiple economic activities at various locations across numerous States, has been reduced.

The design and utilization of standardized forms for use nationwide has reduced the actual burden on employers as they are completing a standard form rather than, as in some cases in the past, 53 separate forms. (See Section 3 for BLS initiatives to further reduce employer burden.)

2. Use and Users of Data

The QCEW data are used by a variety of BLS programs. They serve, for example, as the basic source of benchmark information for employment by industry and by size of unit in the Current Employment Statistics Program and the Occupational Employment Statistics Program. The preliminary (estimated) employment data from these programs could not be benchmarked for accuracy without the data collected on these forms. The longitudinal QCEW data is used as the sampling frame for the following establishment surveys: National Compensation Survey, Current Employment Statistics, Occupational Employment Statistics, Producer Price Index, Occupational Safety and Health Statistics, and the Job Openings and Labor Turnover Statistics programs. Since the QCEW provides a near universe of businesses, these programs can select a statistically accurate sample so as to represent the full universe by geography, industry, and size. The employment and

wages data from the QCEW Program represent the best and most current source of detailed industrial and geographical data used by business, public and private research organizations. For additional information and background on the QCEW (ES-202) Program, please see the excerpt from the BLS Handbook of Methods (Attachment E), which describes the program in more detail.

The longitudinal QCEW data have also been used to supplement the sampling frames of selected federal statistical agencies designated by OMB. Since 1991, BLS has supplied industrial classification codes for "unclassified" units to the Census Bureau for updating their Business Register. At the direction of OMB, BLS began sharing industry code, physical location address, and other information with the Census Bureau. This BLS/Census Industry Coding Project helps improve statistical applications, such as the Census Business Register (BR), all programs using the BR, and the Economic Census and County Business Patterns. By sharing codes and other information, the consistency of BLS and Census products is enhanced, Census costs are saved, and respondent burden is reduced. In FY2006, BLS provided Census with information on 2.4 million units where Census was missing or had just partial information.

In addition to these uses as a sampling frame or a base, the QCEW program provides data necessary to both the Employment and Training Administration and the SWAs in administering the UI program. The data accurately reflect the extent of coverage of the State UI laws and are used to measure UI revenues; National, State, and local area employment; and total and taxable wage trends. The information is used as input for actuarial studies, determination of experience ratings, maximum benefit levels, and areas needing Federal assistance. It also assists in determining the solvency of Unemployment Insurance Trust funds.

The Bureau of Economic Analysis of the U.S. Department of Commerce uses QCEW data as a base for developing the wage and salary component of personal income, part of the National Income and Product Accounts. Personal income is instrumental in determining Federal allocation of program grants to State and local governments. QCEW wages accounted for 52.4 percent of total personal income and 94.4 percent of the wage and salary component of personal income in 2004. QCEW data are also incorporated into estimates of gross domestic product. The Social Security Administration and State governments also use QCEW data in updating economic assumptions and forecasting trends in their taxable wage base. The Department of Health and Human Services uses the QCEW Program data as part of the formula for determining

allotments to States for the Child Health Insurance program. Please see the chart (Attachment F), which illustrates the myriad uses of the QCEW program data in more detail.

BLS has also created a longitudinal database from these QCEW program micro-level data to measure gross job gains and gross job losses. This database, which contains current as well as historical data, uses the establishment level data from the program to study the labor dynamics of our economy. Without the Multiple Worksite Report data, all openings and closings of worksites as well as expansions and contractions of multi-establishment employers would be unknown. BLS began publishing these data at the national level in late 2003 on a quarterly basis as the Business Employment Dynamics (BED) data series. Since then, BED has expanded the data to include gross job gains and gross job losses by major industry sectors and firm size classes.

Also, businesses and public and private research organizations find the QCEW program one of the best sources of detailed employment and wage statistics.

Finally, the QCEW data are the primary input to the Census Bureau's Longitudinal Employer Household Dynamics (LEHD) program. The LEHD uses the QCEW data matched with wage records and other information to provide new economic data. The QCEW provides the essential linkage between the wage records and the industry and geography detail that supports this program. Also, the Employer Identification Numbers in the QCEW data allow some linkages across federal data sets. In this way, improvements in the QCEW program support improvements in the LEHD program.

3. Use of Technology to Reduce Burden

BLS continuously pursues reporting options to reduce employer burden. For example, computer listings of comparable data are accepted in lieu of a manually completed Multiple Worksite Report if this is more convenient for the employer. The States can accept electronic submittal of Multiple Worksite Report and Report of Federal and Wages Report data. Magnetic/electronic media specifications have been developed for this purpose.

In 1992, BLS developed a standardized magnetic media (ASCII file) instruction booklet for employers to use to send these data to the States in an electronic medium. This booklet was revised in 1996 to incorporate the reporting specifications for the Current Employment Statistics program, as well, into a joint booklet with the common data elements for both programs being reported in the

same positions in the different program record formats. Minor changes were made in 2002 and other changes were made in 2004 for additional CES data elements.

In 1995, the Bureau established an Electronic Data Interchange (EDI) Collection Center in Chicago to improve and expedite the Multiple Worksite Report collection process. Employers who complete the Multiple Worksite Report for multi-location businesses may now submit employment and wages information on any electronic medium (tape, cartridge, diskette, electronic, computer-to-computer) directly to the data collection center, in lieu of providing separate forms or files to each individual State agency. The data collection center edits these data and then forwards them to the respective State agencies. The respondents have received this one-stop approach (sending the data electronically to one site with BLS distributing the data to the appropriate states) with much enthusiasm.

Currently, BLS is developing a Web-based collection system that should prove useful to employers having few locations. The primary purpose of MWR Web collection is to reduce the costs of data collection (printing forms, postage-out and return postage, and staff handling). Some employers have stated their preference for this submittal method. This method may reduce the need for employer contact to resolve reporting data issues since the employer's data will be edited on-line before it is submitted and the user may make changes instantly, if needed. A secure Web site allows employers the option to submit their employment and wage data, to update administrative fields and physical location addresses, and to add additional worksites in an easy-to-use, interactive manner. This Web-based collection should reduce errors because of the capability of prompting for new worksites, checking additivity when the QCR is not equal to the MWR, noting the presence of incomplete reports or entries in the wrong location, and prompting for reasons if seemingly-questionable entries are correct.

Each year, BLS staff participates in the annual conference of the American Payroll Association (APA). At the conference, BLS staff provides a detailed class explaining how employers can convert from a paper-reporting basis to electronic submittal. Included in the class is an actual demonstration of the process to send an electronic file of these data. BLS staff also has a booth in the Exhibit Hall to provide similar information to employers who are unable to attend the class. The APA has requested a new class on Web-based collection for their 2007 conference. BLS staff participated in the Independent Payroll Processors Association

(IPPA) and the National Association of Tax Reporting and Payroll Management (NATRPM) annual conferences in 2006.

BLS has also been working closely with several payroll outsourcing firms that prepare employer payroll and tax reports for a fee. BLS is requesting that the submittal of the Multiple Worksite Report data in an electronic medium directly to BLS be offered as a new service for their clients. BLS now has two payroll outsourcing firms providing this service for their clients. In addition, BLS has been working closely with numerous payroll/tax software developers (mainframe and client server) to include the capability for the electronic submittal of the Multiple Worksite Report data directly to the BLS in their systems. This approach is expected to increase significantly the number of employers using an electronic medium to submit the data since each employer will not need to invest its own staff resources in the development and set-up of the new procedures. Either the payroll outsourcing firm or the software developer will provide this service. To date, this new reporting option has been added to the systems of eleven software vendors with five more considering converting their paper reports to the electronic option.

As stated earlier, BLS has discussed the new developments in electronic reporting at various payroll conferences. The American Payroll Association has included this information in their newsletters and website. BLS has also provided this information to several companies that publish payroll and tax newsletters and/or instructional manuals for inclusion in their publications. Information for employers on how to switch to electronic reporting is also available from the BLS website.

For the past ten years, BLS has been conducting a concerted effort to improve the quality of the employment and wages data received from federal agencies. The four major federal payroll processing centers include the Department of Defense's Defense Finance and Accounting Service (DFAS), the Department of Interior's National Business Center (NBC), the Department of Agriculture's National Finance Center (NFC), and the General Services Administration's National Payroll Center (NPC). They currently provide employment and wages data each month in an electronic medium and these data are used for the Current Employment Statistics and RFEW programs. Although DFAS, NBC, NFC, and NPC are part of their respective Departments, they process payrolls and statistical reports for a large number of federal agencies, including most of the cabinet-level Departments. These four processing centers now handle the payroll and tax reporting for all federal agencies with the exception of approximately ten agencies that are also attempting

to report electronically. Very few federal agencies now report RFEW data on a paper basis.

4. Identification of Duplication

No other data source currently collects establishment-level monthly employment and wages (as defined by each SWA) data on a quarterly basis for the private sector of the economy and State and local government entities that could be used for statistical and UI purposes. Also, no other standardized report is currently available to collect installation-level federal monthly employment and wages data by SWAs for statistical purposes on a quarterly basis. The RFEW form replaced the many individual SWA forms previously in use.

5. Small Businesses

States request employers with more than one establishment reporting under the same UI account number within the State to complete the Multiple Worksite Report if the sum of the employment in all of their secondary establishments is 10 or greater. The primary worksite is defined as the establishment with the greatest number of employees. States are not required to contact multi-establishment employers with less than 10 employees in the sum of their secondary worksites. Therefore, some small businesses are asked to complete the Multiple Worksite Report if they have multiple locations within a State.

6. Less Frequent Conduct of the Study

A semi-annual or annual reporting would not provide sufficient data needed to administer UI, UCFE, and statistical programs at the local, State, and national levels. SWAs have been collecting this information quarterly for several decades. Major users, such as the Bureau of Economic Analysis, rely on accurate quarterly employment and wages data to produce important economic indicators, such as State and county level personal income estimates. The MWR/RFEW is more critical now to the operation of the QCEW Program since multi-establishment employers account for 39% of the total employment data collected by the QCEW Program. In addition, the expanded use of these data to study the Job Creation/Job Destruction process requires that these data be updated each quarter as opposed to some other longer time period, such as annual reporting.

8. Federal Register Notice and Comments, required by 5 CFR 1320.8 (d)

A Federal Register notice requesting clearance was published on November 3, 2006, page 64743, Volume 71, Number 213.

The BLS received one response as a result of this Federal Register notice. The respondent strongly supported the Multiple Worksite Report and the Report of Federal Employment and Wages. The information gathered is valuable to users of the data, serving as a critically important source of information on the industry, physical locations and employment at an establishment level for employers having multiple locations. The collected information is vital to producing accurate statistical data at a local level and to allocating federal grants to State and local governments.

Consultations with persons outside the agency.

BLS is in constant contact with the State Workforce Agencies on the administration of the QCEW program, such as:

1. Daily contact between BLS Regional Office and SWA officials. BLS also established a QCEW Policy Council in 2000 which is composed of State and BLS staff to oversee future program goals and objectives.
2. Field visits by BLS Washington and Regional Office staffs to SWA offices.
3. Annual attendance at National and State conferences conducted by the APA, the IPPA, the NATRPM, and the National Association of Professional Employer Organizations. Exhibit booths are set up at these meetings to talk with people responsible for completing the report form. In addition, BLS staff talk with payroll software developers at these conferences to solicit their inclusion of electronic reporting in their systems.
4. Periodic meetings are held with members of the National Association of State Workforce Agencies (NASWA).
5. Consultation with members of the Bureau's Business Research Advisory Council, Labor Research Advisory Council, and the Federal Economic Statistics Advisory Council.

BLS works closely with a number of Federal agencies which use BLS data, including the Regional Economic Measurement Division, Bureau of Economic Affairs, U.S. Department of Commerce, contact: Mr. Robert L. Brown, Chief, (202-606-9246); and the Office of Workforce Security, Employment and Training Administration, U.S.

Department of Labor, contact: Ms. Cheryl Atkinson, Administrator, (202-693-3029).

BLS has a continuing dialogue with members of the APA. The members of the organization are businesses that prepare UI payroll reports, process UI reports and/or provide payroll software for other businesses.

In addition, BLS has been participating in the International Roundtable on Business Survey Frames that promote the exchange of new techniques used by the participating countries in their development of universe files and collection of employer data using new alternative strategies. BLS staff also presented papers and participated in the International Conference on Establishment Statistics and American Statistical Association conferences where emerging technologies to collecting data from employers and lowering respondent burden were discussed in great detail.

9. Payment or Gifts to Respondents

None

10. Confidential Responses

In conformance with existing law and Departmental regulations, it is the policy of the BLS that:

- a. Data collected or maintained by, or under the auspices of, BLS under a pledge of confidentiality shall be treated in a manner that will assure that individually identifiable data will be used only for statistical purposes and will be accessible only to authorized persons.

This policy remains in effect; however, the confidentiality statement that appears on the Multiple Worksite Report forms has been modified to reflect the fact that the extent of confidentiality maintained within each State varies in accordance with the laws of each State. For this reason, the statement on the form makes no promise of confidentiality. QCEW data furnished to the Bureau, and in the Bureau's possession, however, are considered confidential and are covered by the Confidential Information Protection and Statistical Efficiency Act (CIPSEA).

There are States that do not hold certain identifying data in confidence. Respondents receive a cover letter specifying the State's policy on release of the data provided.

11. Sensitive Questions

No sensitive questions are asked.

12. Estimates of the Hour Burden of Collection

Multiple Worksite Employer Respondents for States with Mandatory Reporting:

- a. Number of respondents: 67,361
- b. Frequency of response: Quarterly
- c. Estimated time per response: 22.2 minutes
- d. Annual burden: 99,694 Hours
- e. Estimation of burden: Based on 2006/1 Quarterly Unemployment Insurance

Address Files Record Counts

There are no costs to SWAs for collecting information on the Multiple Worksite Report or the Report of Federal Employment and Wages above the money funded to them by BLS as part of the overall QCEW program funding

14. Annualized Cost to the Federal Government

Listed below are the FY 2006 Federal government costs for the QCEW program. Costs associated with other QCEW related forms previously approved by OMB are included.

Personnel	\$10,129,800
Other	\$5,786,900
SWA funding	<u>\$31,757,700</u>
 TOTAL	 <u>\$47,674,400</u>

15. Changes in Burden

The survey is a census and the increase of total hours requested, from 173,523 hours to 190,048 hours, represents an economic expansion of the total number of businesses in the U.S. economy with multiple worksite locations.

16. Publication Plans

BLS will not publish or release the confidential employment and wages micro-data. Nine BLS reports from the QCEW program as well as LABSTAT will receive data from the Multiple Worksite Report:

- (A) Quarterly news releases on county and national employment and wages with industry detail are issued 7 months after the reference quarter.
- (B) Quarterly news releases on Business Employment Dynamics at the national and state level are published 8 months after the reference quarter. Currently, the BED quarterly news release covers national data by industry and firm size class. The State BED data will be released in 2007.
- (C) An annual comprehensive Employment and Wages bulletin is published 12 months after the reference year.
- (D) Quarterly employment and wages data with industry detail at the national, state, MSA, and county levels are released on LABSTAT 7 months after the reference quarter.

(E) Annual employment and wages data with industry detail at the national, state, MSA, and county levels are released on LABSTAT 7 months after the reference year.

(F) SWAs issue quarterly and/or annual reports on QCEW data in an aggregate form.