

Supporting Statement

Employment, Wages, and Contributions Report (QCEW Program)

A. Justification

1. Necessity of Collection

The QCEW program, a Federal/State cooperative effort, produces monthly employment and quarterly wage information. It is based on quarterly reports submitted to State Workforce Agencies (SWAs) by employers subject to State Unemployment Insurance (UI) laws. The collection of these data is authorized by 29 USC 1, 2 and Section 15 of the Wagner-Peyser Act (Attachment A). The QCEW data, which are compiled for each calendar quarter, provide a comprehensive business name and address file with employment and wage information for employers subject to State UI laws. Similar data for Federal Government employees covered by the Unemployment Compensation for Federal Employees program (UCFE) also are included. These data are submitted to the Bureau of Labor Statistics (BLS) by all 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands. The BLS then summarizes these data to produce totals for all counties, Metropolitan Statistical Areas, the States, and the Nation. The QCEW program provides a virtual census of nonagricultural employees and their wages, with about 51 percent of the workers in agriculture covered as well.

The QCEW program is a comprehensive and accurate source of data on the number of establishments, monthly employment, and quarterly wages, by industry, at the six-digit North American Industry Classification System (NAICS) level, and at the national, State, Metropolitan Statistical Area, and county levels. The QCEW series has broad economic significance in measuring labor trends and major industry developments, in time series analyses and industry comparisons, and in special studies such as analyses of establishments, employment, and wages by size of establishment.

2. Use and users of data

The QCEW program is unique in the federal statistical system. It provides the most current and only universe of monthly employment and quarterly wage information by industry, county, metropolitan statistical area (MSA), State and the nation, covering both private and public sectors. It serves as the BLS business register and sampling frame and employment benchmark. It serves the other two major federal economic statistical agencies (BEA and Census) in very significant and quantifiable ways, and directly supports other agencies including ETA and the Social Security Administration. Covering currently 9.0 million establishments, it grows by roughly 200,000 establishments each year as our economy grows. The series have broad economic significance in evaluating labor trends and major industry developments in time-series analyses and industry comparisons, and in special studies such as analyses of wages by size of establishment. It also is used to provide new data products, such as the Business Employment Dynamics, and other products are under research work including foreign direct investment and the role of multi-national corporations.

Within BLS, the QCEW serves five major purposes. First, it is the BLS business register and business sampling frame for CES, OES, OSHS/SOII, NCS, JOLTS and portions of the PPI. Second, the QCEW data are used as the basic employment benchmark information by industry, and geographical area in the CES, OES and OSHS programs. Third, it is a major source of published data, providing both quarterly releases on cross-sectional data and quarterly Business Employment Dynamics (BED) data from the longitudinally linked microdata stretching from 1990 to the present. BED data measure quarterly employer dynamics for establishment openings, closings, expansions, and contractions for the US by major industry, by size of firm, for each state. Additional expansions of BED data are planned for more detailed industries and geographies, for annual data, by size of change and for business births, deaths. Special studies on business survival have been published. Fourth, the QCEW is a highly prized research database attracting projects ranging from minimum wage studies to data on non-profits, measuring the “ocean economy” to studying offshoring. Fifth, the business establishment locations are geocoded, that is providing precise latitude and longitude coordinates allowing special mapping capabilities as well as research in the CPI on location substitution. Thus, the investment in its data accuracy and timeliness is critical to meeting the demands of a wide range of internal uses and users.

Within the Department of Labor, the QCEW supports the Employment and Training Administration in two major ways. First, the QCEW provides data necessary to both the ETA and the State Unemployment Insurance agencies in administering the employment security program. The data accurately reflect the extent of coverage of the State unemployment laws and are used to measure Unemployment Insurance (UI) revenues; national, State, and local area employment; and total and taxable wage trends. The information is used as an 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 funds. Secondly, the QCEW is the sampling frame for the ETA National Agricultural Worker Survey (NAWS).

Within the US statistical system, BEA and Census are major users. The Bureau of Economic Analysis uses QCEW wage data as a base for estimating a large part of the wage and salary component of national income and gross domestic product. A subdivision of these accounts, personal income, is instrumental in determining Federal allocation of program grants to State and local governments. The Census Bureau relies on QCEW quarterly files of business industry codes, addresses, and other useful information to the Census Bureau where existing codes are incomplete or missing. In 2007, the BLS provided 3.0 million industry codes, addresses, geocodes and employment data to the Census Bureau, mostly for new and small businesses, this improving the accuracy and consistency of Census products and County Business Patterns. In 2007, this work was expanded to provide more address information to improve the accuracy of mailings for the 2007 Economic Census. Further, the Census Bureau's Local Economic Dynamics program relies on the QCEW as its major input basing its detailed industry, geography, addresses and geocodes from the QCEW.

The Department of Health and Human Services uses the QCEW wage data as part of the formula for determining allotments to States for the Child Health Insurance program.

Also, the Social Security Administration and State governments use QCEW data in updating economic assumptions and forecasting trends in their taxable wage base. Finally, business and public and private research organizations find the QCEW program one of the best sources of detailed employment and wage statistics by county and detailed industry. Among other major users are transportation planners and local economic development agencies and specialists.

3. Use of Technology to Reduce Burden

BLS has sponsored the development of exportable software systems for States to use in processing QCEW data according to program standards. As of the end of the year 2000, these systems have been installed and are being used in all the States. In support of these exportable software systems in the States, BLS is operating a service center that is available for State use.

BLS has continued to expand the centralized collection of data for the respondent States. This activity is conducted by the BLS Electronic Data Interchange Center.

Forms are not used to collect the data from the State agency respondents. Each State sends the BLS a computer file known as the Enhanced Quarterly Unemployment Insurance (EQUI) file. Instructions on sending the EQUI files to the BLS are contained in the QCEW State Operating Manual (see Attachment A).

4. Identification of Duplication

As a result of contacts and meetings with the National Association of State Workforce Agencies (NASWA) and ETA, BLS determined that it is the only Federal agency that requests such data.

The QCEW program is the only Federal statistical program that provides information on establishments, wages, tax contributions and the number of employees subject to State UI and UCFE programs. Similar employment and wage data for workers covered by the Federal Insurance Contributions Act (FICA) in private industry are released by the Bureau of the Census in their County Business Patterns publications. These publications frequently lag the release of the QCEW data by one year or more and do not cover 21.1 million government workers (2006 annual average).

5. Small Businesses

BLS collection of QCEW data does not involve small businesses or other small facilities.

6. Less Frequent Conduct of the Study

The quarterly frequency of QCEW data is based on the State UI quarterly reporting requirements.

The consequences of not collecting QCEW data would be grave to the Federal statistical community. The BLS would not have a sampling frame for its establishment surveys; it would

not be able to publish as accurate current estimates of employment for the U.S., States, and metropolitan areas; and it would not be able to publish quarterly census totals of local establishment counts, employment and wages at the county or equivalent level. The Bureau of Economic Analysis would not be able to publish as accurate personal income data in a timely manner for the U.S., States, and local areas. Finally, the Employment Training Administration would not have the information it needs to administer the Unemployment Insurance Program. Elimination of the QCEW program would require Federal agencies to engage in duplicate efforts to obtain establishment, employment, and wages data.

7. Special Circumstances

There are no special circumstances that would cause this information to be collected in other than the manner specified in 5 CFR 1320.5.

8. Federal Register Notice and Comments, required by 5 CFR 1320.8 (d) and Consultations with persons outside the agency

A Federal Register notice requesting clearance was published on February 1, 2008, page 6215, Volume 73, Number 22.

The BLS received one comment from Dennis J. Fixler, Chief Statistician, Bureau of Economic Analysis (BEA). Mr. Fixler's comment strongly supported the continuation of the QCEW Program. He noted that the QCEW program is the only source of wage, employment, and establishment data and is critical to the data quality of several key components of BEA's statistics.

9. Payment or Gifts to Respondents

None.

10. Confidential Responses

The Bureau of Labor Statistics Commissioner's Order 1-06, "Confidential Nature of BLS Statistical Data," contains BLS policy on confidentiality:

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

- a. "Respondent identifiable information collected or maintained by, or under the auspices of, the BLS for exclusively statistical purposes and under a pledge of confidentiality shall be treated in a manner that will ensure that the information will be used only for statistical purposes and will be accessible only to authorized persons."

All reports to BLS from SWAs are maintained with confidentiality to the full extent permitted by law. (The extent to which each State maintains confidentiality differs according to the laws

of the State.) BLS has a long-standing arrangement to provide QCEW data to BEA for the purpose of developing the Personal Income Accounts. The States for which these data are shared with BEA are aware of this arrangement. In a March 1998 BLS - Interstate Conference of Employment Security Agencies working group meeting, BLS agreed not to share establishment-identifying QCEW data without the specific written authorization of the respective State Workforce Agency.

11. Sensitive questions

No sensitive questions are asked.

12. Estimates of the Hour Burden of Collection

- a. Number of respondents: 53
- b. Frequency of response: Quarterly
- c. Annual hour burden: 1,042,080 hours (501 staff years times 2,080 hours per year)
- d. Estimation of burden: Based on positions funded in SWAs for the QCEW program
- e. Range of burden hours: The funding formula is based primarily on the number of establishments which range from 3,446 in the Virgin Islands to 1,265,069 in California for 2006, the most current annual average available.

13. Estimate of annual Cost Burden to Respondents Resulting from the Collection of Information

Annualized costs to respondents are covered in the SWA funding listed in item 14.

14. Annualized Cost to the Federal Government

Listed below are the FY 2008 Federal government costs for the QCEW program. Costs associated with other QCEW related forms previously approved by OMB are included.

All Other	\$15,800,000
SWA funding	<u>\$33,700,000</u>
TOTAL	<u>\$49,500,000</u>

15. Changes in Burden

The burden decreased by 56,160 hours. A revised funding formula reduced positions in the states.

16. Publication Plans

Nine BLS reports as well as LABSTAT, BLS's public data repository, will receive data from the QCEW program:

- (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,
- (C) An annual comprehensive Employment and Wages bulletin is published 11 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 9 months after the reference year,
- (F) SWAs issue quarterly and/or annual reports on QCEW data in an aggregate form.

17. OMB Approval Display

Approval to not display the expiration date for OMB approval is not being sought.

18. Exception to Certification Statement

There are no exceptions to the certification statement identified in Item 19 "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-I.