

**Supporting Statement for Request for OMB Approval
Annual Refiling Survey**

A. Justification

1. Necessity of Collection:

The Quarterly Census of Covered Employment and Wages (QCEW) Program, formerly known as the ES-202 Program, is a Federal/State cooperative effort which compiles monthly employment data, quarterly wages data, and business identification information from employers subject to State Unemployment Insurance (UI) laws. These data are collected from State Quarterly Contribution Reports (QCRs) submitted to State Workforce Agencies (SWAs). Similar data for Federal Government employees covered by the Unemployment Compensation for Federal Employees (UCFE) Program are also included in each State report. All 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands submit micro-level employment and wages data, supplemented with the names, addresses, and business identification information of these employers to the Bureau of Labor Statistics (BLS). The BLS then summarizes these data to produce totals for the States and the Nation. These data are used to create the BLS sampling frame and constitute the longitudinal QCEW data.

The QCEW program is a comprehensive and accurate source of monthly employment and quarterly wages data, by industry, at the national, state, and county levels. The QCEW Report, produced for each calendar quarter, provides a virtual census of nonagricultural employees and their wages, with about 51 percent of the workers in agriculture covered as well. As the most complete universe of monthly employment and quarterly wages information by industry, county, and state, QCEW data are used in evaluating labor trends and major industry developments, conducting time-series analyses and industry comparisons, and conducting special studies such as analysis of wages by size of firm.

The QCEW program provides data necessary to both the Employment and Training Administration (ETA) and the States in administering the Employment Security Program. These data accurately reflect the extent of coverage of the State UI laws and are used to measure UI revenues and disbursements; national, State, and local area employment; and total and taxable wage trends. The information is further used in actuarial studies, experience rating determination, maximum benefit level determination, Federal assistance determination, and UI fund solvency.

To ensure the continued accuracy of these published economic statistics, the information supplied by the employers must be periodically reviewed and updated. There are

approximately 9 million establishments on file with the States. These establishments cover all civilian employers (except interstate railroads) and some agricultural, domestic, and charitable organization employers.

The BLS intends to continue its review of private sector employers' North American Industry Classification System (NAICS) codes and geographic codes. However, that review will change from a three-year cycle to a four-year cycle. Government establishments are not reviewed. Each year, approximately one-fourth of these establishments will be reviewed and updated, if necessary. For this purpose, the BLS-3023 forms, collectively known as Annual Refiling Survey (ARS) forms, are used in conjunction with the UI tax reporting system in each State. As a result, changes in the industrial and geographical compositions of our economy are captured in a timely manner and reflected in the BLS statistical programs.

This survey is authorized by Federal law *29 U.S.C. 2* and Section 15 of the Wagner-Peyser Act (Attachment A). Although employer cooperation is not required by Federal law, twenty-three States have laws that make completion of the ARS mandatory. Establishments in the survey are selected across industries using the seventh and eight digits of the Federal Employer Identification Number (EIN). In year one, units in the range 00-24 are surveyed. In year

two, units in the range 25-49 are surveyed. In year three, units in the range 50-74 are surveyed. Finally, units in the range 75-99 are surveyed in the year four. The range for FY 2008 is 00-24. For establishments that have no EIN on record, selection will be based on a range of digits within the establishment's UI account number.

Establishments classified in Public Administration (NAICS Sector 92) or the United States Postal Service (NAICS 491110) are not surveyed. Establishments classified as private households (NAICS 814110) are not surveyed either.

The BLS has developed three distinct ARS forms. Each form is designed to verify and to collect specific information concerning the employer's industrial activity, geographic location, business mailing address, and physical location address. The ARS also asks employers to identify new locations in the State. If these employers meet QCEW program reporting criteria, then a Multiple Worksite Report (MWR) is mailed to the employer requesting employment and wages for each worksite each quarter. Thus, the ARS is also used to identify new potential MWR-eligible employers.

The **BLS 3023-NVS** form (Attachments B and C) is mailed to employers that have a single worksite within a State. This form has been redesigned to make it easier to record employer responses. All of the items requiring responses are now on the front of the form. Simplified instructions

make it clearer as to what information we want from the employer. As a result of these improvements, we anticipate that response rates will increase. Essentially, this form asks employers to verify a pre-printed NAICS industry description that represents their existing NAICS code assignment. If the description is correct, the employer is asked to check the appropriate box. If the description is incorrect, the employer is asked to briefly describe their business activities and the approximate percentage of the revenue or production derived from each activity.

There are actually two 3023-NVS forms differentiated by a slight variation to Item #2 on the form. The variation is designed to make it easier for employers to respond. For Item #2, those establishments with a valid physical location will be asked to verify a preprinted address. Establishments with no physical address on record will be asked to provide one.

The **BLS 3023-NVM** form (Attachment D) is mailed to employers that have multiple worksites within a given State and would apply the same verification methods being used on the BLS 3023-NVS form. This form was designed to reduce employer burden, in that the company would receive one form for all worksites with the same NAICS code along with a description of the business activities for each worksite. Employers that have worksites with different NAICS codes are sent one

BLS 3023-NVM with separate continuation pages for each establishment with a different NAICS code.

The **BLS 3023-NCA** form (Attachment E) is used to collect information from those establishments that are classified in NAICS 999999 (Unclassified Establishments). These are establishments in which no information is available regarding their industrial activities. If the BLS 3023-NCA form is used, employers are asked to provide a detailed description of their economic activities. Several States now use the BLS 3023-NCA form to gather information on new business establishments.

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 (CES) Program and the Occupational Employment Statistics (OES) Program. The preliminary (estimated) employment data from these programs could not be benchmarked for accuracy without the QCEW data. The longitudinal QCEW data is used as the sampling frame for the following establishment surveys: National Compensation Survey, CES, OES, Producer Price Index, Occupational Safety and Health Statistics, and the Job Openings and Labor Turnover Statistics. 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.

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 FY 2006, BLS provided Census with industrial codes on 2.4 million units where Census was missing or had just partial information.

The QCEW data are the primary input to the Census Bureau's Local Employment Dynamics (LED) program. The LED 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 geographic detail that supports this program. The EINS allow some linkages across federal data sets. In this way, improvements in the QCEW program support improvements in the LED program.

The QCEW program provides data necessary to both the ETA 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) that illustrates the myriad uses of the QCEW program data in more detail.

Businesses and public and private research organizations find the QCEW program one of the best sources of detailed employment and wage statistics. Data users appreciate the detail provided by the QCEW program at the industrial and geographical (county and State) levels. If the ARS were not undertaken, the reliability of estimates for industrial and occupational employment, hours and earnings, producer prices, productivity, and industry wage data would be adversely affected. All of these are dependent upon accurate industrial coding in the design and maintenance of their samples. Inaccurate industrial coding can also adversely impact payments that businesses and employees receive from contracts that use industrial earnings data for estimating escalating labor costs.

3. Use of Technology to Reduce Burden:

The ARS remains largely a mail survey, although steps have been taken to reduce the amount of mail. The States were informed of the need to reduce funding in the QCEW program by \$500,000 for 2006. A workload reduction commensurate with that funding reduction was to reduce the scope of the ARS by eliminating the mailing of forms to employers whose employment was 2 or fewer for the past 12 months.

Previously, the QCEW program excluded employers whose employment was 0 or 1 for the past 12 months. Most significantly, the removal of employers in an active status with 2 or fewer employees for the past 12 months became a permanent reduction in the ARS.

In FY 2003, BLS staff began reviewing selected, large multi-worksite national employers rather than surveying them with traditional ARS forms. For the FY 2006 ARS, the central review process was expanded to include employers reporting Multiple Worksite Report (MWR) data to the BLS Electronic Data Interchange (EDI) Collection Center in Chicago. Under this arrangement, MWR data are submitted on media (electronic or computer-to-computer) directly to this collection center, rather than separately to each State agency. The EDI center then distributes the appropriate MWR data to the respective States. The BLS staff conducts the ARS review simultaneously for these large employers. This reduces their burden as well as creates an additional incentive to use the EDI Center for electronic reporting.

Central review significantly reduces postage costs incurred by our State partners in sending ARS forms. It also reduces respondent burden, as the selected employers do not have to submit an ARS form. The industry coding and worksite information is reviewed by BLS staff and potential inconsistencies are forwarded to the States for review and correction, if necessary. Finally, central review improves NAICS coding consistency across States for national companies engaged in similar activities.

The FY 2007 BLS central review process included 82 firms representing 339 legal entities; 78,000 establishments; and 2.8 million employees. This review is ultimately expected to save approximately \$1,400 in outgoing postage and 700 employer-burden hours.

Approximately 2.2 million employers were mailed an ARS form initially for FY 2007. Of those, nearly 1.3 million were employers with a single worksite within a State. These single-worksite employers were identified as potential users of the BLS-developed Touchtone Response System (TRS). Employers can use the TRS if they meet certain criteria. First, a physical location must exist for the establishment. Second, the NAICS code currently assigned to the establishment must be valid and cannot be NAICS code 999999 (Unclassified Establishments). Finally, the establishment

must contain a United States business mailing address. If all of these conditions are met and there are no changes to these data elements based upon the employer's review, then the employer can use the TRS. The TRS is quick, free, and convenient. It also allows respondents to help BLS reduce survey costs because they do not return the form in the business reply envelope provided. All States are now using the TRS in conducting the ARS.

For FY 2006, the latest complete year for which ARS-processing data related to the TRS are available, nearly 31% of TRS-eligible respondents (almost 541,000) used the phone rather than returning their ARS form by mail. For eligible respondents in the twenty-three States that make completion of the ARS mandatory, nearly 34% used the TRS. Almost 29% of eligible respondents used the TRS in the remaining States where completion of the ARS is voluntary.

Another recent initiative to reduce the costs associated with the ARS is the use of a private contractor to handle various administrative aspects of the survey. This initiative is called the Centralized Annual Refiling Survey (CARS). Under CARS, BLS effectively utilizes the commercial advantages related to printing, stuffing, and mailing large volumes of survey forms. The objective of CARS is to reduce costs and State staff time associated with the clerical and

administrative portions of the ARS. For FY 2007, 21 States participated in CARS.

4. Identification of Duplication and Availability of Similar Information:

The Office of Employment and Unemployment Statistics coordinates the ARS activity within the BLS and States and verifies that unnecessary duplication is avoided. In addition, no similar information of this type is available to the BLS or the States.

5. Small Businesses:

The product and activity information necessary to determine an employer's industry code is readily available in both small and large establishments. The ARS forms were specifically developed for simplicity of understanding and ease of completion.

Unlike some larger businesses, small businesses are less likely to have more than one worksite. Most small businesses will only have to complete the more concise BLS 3023-NVS form. Moreover, employers with 2 or fewer employees for the past 12 months are excluded to reduce their burden, State workload, and QCEW program costs.

6. Less Frequent Conduct of Study:

The QCEW data are reviewed and updated to assure the continued accuracy of the published economic statistics that are produced by the BLS. In the past, the three-year cycle enabled the information supplied by each business to be reviewed once every three years. The BLS intends to change to a four-year cycle temporarily in order to develop a new State processing system. The current systems are long overdue for enhancement. Diverting funds from the ARS to pay for systems upgrades provides the best prospects for securing the long-term stability of the QCEW program. This change to the ARS collection cycle will be temporary. Upon completion of the new operating system, the BLS plans to return to a three-year cycle. A less frequent review could jeopardize the quality of the data over the long term and diminish the capacity of the BLS to produce meaningful statistical estimates by industrial and geographic classifications.

7. Special Circumstances:

There are no special circumstances that would cause information collection to be conducted other than in the manner described.

8. Federal Register Notice and Comments and Consultation with Persons Outside the agency

A Federal Register notice requesting clearance was published on May 16, 2007, page 27591, Volume 72, Number 94.

The BLS received one response as a result of this Federal Register notice. The respondent makes frequent use of employment and wages data from the QCEW program and emphasized how crucial it is to have precise information on the industrial and geographical composition of the economy as captured by the ARS. One recommendation suggested by the respondent was for the BLS to coordinate the ARS establishment counts with the Economic Census and County Business Patterns information provided by the Census Bureau.

The BLS is in constant contact with the SWAs on the administration of the QCEW program, such as:

- Daily contact between BLS Regional Office and SWA officials.
- Field visits by BLS Washington and Regional Office staffs to SWA offices.
- A QCEW Policy Council established by BLS in 2000. The council is composed of State and BLS staff members that provide ongoing technical expertise and research as well as assist in the prioritization of program enhancements.

- Periodic meetings with members of the National Association of State Workforce Agencies (NASWA).
- 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 that use BLS data, including the Regional Economic Measurement Division, Bureau of Economic Analysis, 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).

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 present papers and participate in the International Conference on Establishment Statistics and American Statistical Association conferences where emerging technologies for collecting data from employers and lowering respondent burden are discussed in great detail.

9. Gifts or Payments 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.

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 with the ARS form specifying the State's policy on release of the data provided.

11. Sensitive Questions:

No sensitive questions are asked.

12. Burden of Collection:

The burden hours for FY 2008 are provided below.

BLS 3023-(NVS) Employer Respondents for States with Mandatory Reporting:

- a. Number of respondents: 525,503
- b. Frequency of response: Annually
- c. Estimated time per response: 5 minutes
- d. Annual burden: 43,792 hours
- e. Estimation of burden: Based on 2006/3
Quarterly Unemployment
Insurance Address Files
Record Counts

BLS 3023-(NVS) Employer Respondents for States with Voluntary Reporting:

- a. Number of respondents: 604,745
- b. Frequency of response: Annually
- c. Estimated time per response: 5 minutes
- d. Annual burden: 50,395 hours
- e. Estimation of burden: Based on 2006/3
Quarterly Unemployment
Insurance Address Files
Record Counts

BLS 3023-(NVM) Employer Respondents for States with Mandatory Reporting:

- a. Number of respondents: 12,887
- b. Frequency of response: Annually
- c. Estimated time per response: 15 minutes
- d. Annual burden: 3,222 hours
- e. Estimation of burden: Based on 2006/3
Quarterly Unemployment
Insurance Address Files
Record Counts

BLS 3023-(NVM) Employer Respondents for States with
Voluntary Reporting:

- a. Number of respondents: 16,856
- b. Frequency of response: Annually
- c. Estimated time per response: 15 minutes
- d. Annual burden: 4,214 hours
- e. Estimation of burden: Based on 2006/3
Quarterly Unemployment
Insurance Address Files
Record Counts

BLS 3023-(NCA) Employer Respondents for States with
Mandatory Reporting:

- a. Number of respondents: 104,311
- b. Frequency of response: Annually
- c. Estimated time per response: 10 minutes
- d. Annual burden: 17,385 hours
- e. Estimation of burden: Based on 2006/3
Quarterly Unemployment

Insurance Address Files
Record Counts

BLS 3023-(NCA) Employer Respondents for States with
Voluntary Reporting:

- a. Number of respondents: 115,359
- b. Frequency of response: Annually
- c. Estimated time per response: 10 minutes
- d. Annual burden: 19,227 hours
- e. Estimation of burden: Based on 2006/3
Quarterly Unemployment
Insurance Address Files
Record Counts

Estimated FY 2008 Total Burden Hours are 138,235.

Estimated FY 2008 Total Annual Responses are 1,379,661.

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

There are no capital or start-up costs associated with the ARS. The estimated cost to the respondents is \$1,949,114. This estimate is derived by multiplying the time required to complete the form by the average wage for a worker in a representative occupation. The cost figure used the average hourly rate for Payroll/Timekeeping Clerks (Level 3), obtained from the National Compensation Survey. This rate was \$14.10/hour based on the January 2005 survey reference period adjusted to 2007 for inflation.

Calculation: \$14.10 X 138,235 hours = \$1,949,114.

There are no costs to SWAs for collecting information on the ARS above the money provided to them by BLS as part of the overall QCEW program funding listed in Item 14.

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	\$10,100,000
Other	\$5,800,000
SWA funding	<u>\$31,800,000</u>
TOTAL	<u>\$47,700,000</u>

15. Changes in Burden:

The decrease in burden is the result of the removal of employers in an active status with 2 or fewer employees for the past 12 months which became a permanent reduction in the ARS in 2006. The decrease in burden is also the result of the temporary change to a four-year cycle for ARS collection.

16. Publication Plans/Schedule:

BLS will not publish or release data on individual establishments because these data are treated as confidential. However, nine BLS reports from the QCEW program as well as LABSTAT will use the industrial and geographical data from the ARS:

(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 (BED) 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. State BED data were introduced in August 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.

17. OMB Approval Expiration Date:

A waiver has been granted allowing the BLS not to print the expiration date on the ARS forms. It is requested that this waiver be extended. The waiver is necessary to reduce the significant costs associated with printing new forms because of a change in the expiration date.

18. Exception to Certification Statement:

Although twenty-three States have laws that mandate completion of the ARS, employer cooperation is not required by Federal law. However, all of the ARS forms request a response within 14 days of receipt. This is not a requirement to respond within 14 days. Mentioning 14 days is more likely to result in a prompt response. Thus, it is intended as a recommendation rather than as a threat of any penalty for not replying within that time period.