

May 12, 2014

NOTE TO THE REVIEWER OF: OMB CLEARANCE 1220-0141
“Cognitive and Psychological Research”

FROM: Jennifer Edgar
Research Psychologist
Office of Survey Methods Research

SUBJECT: Submission of Materials for *Factoryless
Goods Producers Early Stage Scoping
Interviews*

Please accept the enclosed materials for approval under the OMB clearance package 1220-0141 “Cognitive and Psychological Research.” In accordance with our agreement with OMB, I am submitting a brief description of the study.

The total estimated respondent burden hours for this study are 52 hours.

If there are any questions regarding this project, please direct them to Jennifer Edgar (202-691-7528).

I. Introduction and Purpose

The Economic Classification Policy Committee has made a recommendation that factoryless goods producers (FGPs) in the manufacturing sector of the economy should be classified. A FGP establishment outsources all of the transformation steps traditionally considered manufacturing (i.e., the actual physical, chemical, or mechanical transformation of inputs into new outputs), but undertakes all of the entrepreneurial steps and arranges for all required capital, labor, and material inputs required to make a good. In an inter-agency group with the Census Bureau and the Bureau of Economic Analysis, BLS has been working on how to collect the data needed to classify FGP establishments.

This study is a first step to explore how FGP establishments operate, how they are structured, and how they think and talk about their manufacturing status. The information collected in this set of exploratory interviews will be used, along with input from industry experts and the interagency group, to draft questions that could be implemented on Census and/or BLS surveys to classify FGP establishments.

II. Research Design

The Office of Survey Methods Research (OSMR) at BLS will conduct up to 35 interviews with establishments. As permitted by funding and time, interviews will be conducted at the establishment, scheduled with the respondent in advance. When in-person visits are not possible, interviews will be conducted over the phone.

For both modes, a protocol will be followed (Attachment A), but as these are exploratory interviews, the interviewer will ask additional questions as necessary given the participants' response. Sessions will be audio-taped with the consent of the participant. Observers from the interagency group and/or BLS program offices may attend the interviews.

III. Participants

A list of establishments will be provided by BLS staff from the offices of Quarterly Census of Employment and Wages (QCEW) and Producer Price Index (PPI). They will identify

establishments that they believe are likely FGPs, or likely to have characteristics of FGPs. The priority of identification is FGP, however we will aim to select establishments from the Manufacturing, Headquarters, and Wholesale industries. We will also aim to contact small, medium, and large establishments, as well as both single and multi-units. The target sample sizes are shown in Table 1, though the priority will be FGP characteristics; if we cannot identify establishments in each cell who are likely FGPs, those cells will not be interviewed.

Table 1. Establishment Characteristic Targets

| | Single units | | | Multi units | | | Total |
|---------------|--------------|----------------|--------------|--------------|----------------|--------------|-------|
| | Small (0-19) | Medium (20-99) | Large (100+) | Small (0-19) | Medium (20-99) | Large (100+) | |
| Manufacturing | 1 | 2 | 3 | 1 | 2 | 3 | 12 |
| Headquarters | 0 | 2 | 3 | 1 | 2 | 3 | 11 |
| Wholesale | 1 | 2 | 3 | 1 | 2 | 3 | 12 |
| <i>Total</i> | 2 | 6 | 9 | 3 | 6 | 9 | 35 |

IV. Burden Hours

We anticipate that each session will average 60 minutes. We expect recruitment to take approximately 10 minutes, with up to 100 establishments contacted. Total burden is 50.67 hours.

| | |
|----------------------------|---------------|
| Establishments contacted | 100 |
| Total Recruitment Minutes | 1,000 minutes |
| Establishments interviewed | 35 |
| Total Interviewing Minutes | 2,100 minutes |
| Total Minutes | 3,100 |
| Total burden hours | 51.67 |

V. Payment

Participants will not receive payment for this study.

VI. Confidentiality

For face-to-face interviews, participants will be asked to sign a consent form (Attachment_B).

For telephone interviews, the following Privacy Act statement and confidentiality assurance will be relayed to the respondent during recruitment as well as in the introduction script at the beginning of the interview. Respondents will be informed the interview is voluntary and the information collected will be used for internal research purposes only.

“Your voluntary participation is requested to help BLS understand business records and their use in designing a more effective long-term approach to collecting and publishing these new data types. The purpose of this call is for internal purposes only. Information related to this study is confidential and will not be released to the public in any way that would allow identification of individuals or establishments. The BLS, its employees, agents, and partner statistical agencies, will use the information you provide for statistical purposes only and will hold the information in confidence to the full extent permitted by law. In accordance with the Confidential Information Protection and Statistical Efficiency Act of 2002 (Title 5 of Public Law 107-347) and other applicable Federal laws, your responses will not be disclosed in identifiable form without your informed consent.”

VII. Attachments

| | |
|---------------------|--------------------|
| <u>Attachment A</u> | Interview Protocol |
| <u>Attachment B</u> | Consent Form |

Attachment A: Interview Protocol

Interviewer Notes

- As much information about establishments should be obtained prior to the interview if possible
 - o Industry
 - o Product lines
 - o Establishment / enterprise structure
- This protocol is to be a guide only, the key FGP characteristics should be addressed, but the interview may follow whatever order and flow works for the interviewer and respondent
 - o Probe as much as necessary to gain a full understanding of their FGP characteristics
 - o Many of the questions won't need to be asked explicitly if the respondent and interviewer engage in a discussion about the company, practices, etc.
- Choose the term company/establishment/business based on the preliminary discussion. Single-unit establishments can be called companies, multi's need to be called establishment, and it needs to be made clear throughout the interview which location the questions are about
- Emphasize that we want their initial gut response – could be 'I don't know that information'.
- Make note of their apparent confidence in the responses
- If establishment is not a manufacturer, be sure to ask the key concepts section

A. Introduction: (3 minutes)

Thank you very much for assisting us in this effort.

This is a research effort led by the US Bureau of Labor Statistics and the US Census Bureau, who are looking to understand how companies such as yours manage your manufacturing activities. Specifically, we're looking to learn about your ownership of product design, how you manufacture those products, and if you contract out any of your manufacturing.

Our goals include understanding your manufacturing practices, and to get your feedback on related concepts.

If you think there are other people in your company who should join in the conversation, please let me know if they're available. I'm also happy to follow up with them separately later.

Read if by phone

Your voluntary participation is requested to help BLS understand business records and their use in designing a more effective long-term approach to collecting and publishing these new data types. The purpose of this call is for internal purposes only. We estimate it will take you 60 minutes to respond to this collection of information and this collection is authorized under OMB Number 1220-0141.

Information related to this study is confidential and will not be released to the public in any way that would allow identification of individuals or establishments. The BLS, its employees, agents, and partner statistical agencies, will use the information you provide for statistical purposes only and will hold the information in confidence to the full extent permitted by law. In accordance with the Confidential Information Protection and Statistical Efficiency Act of 2002 (Title 5 of Public

Law 107-347) and other applicable Federal laws, your responses will not be disclosed in identifiable form without your informed consent.

Results of this project will be used to evaluate the feasibility of asking new questions. Information discussed in our meeting will be strictly confidential. We will not be sharing this information with anyone outside the BLS and the Census Bureau. Our report will only summarize the findings without identifying the companies and people who participated. The report will be available to you if you wish.

I apologize in advance, but as we proceed, I may have to interrupt you and move on to another question, in order to make the best use of our limited time together. Please also be aware that some questions may sound repetitive or similar.

B. Permission to Record (3 minutes)

May I have your permission to record this conversation? This will allow me to devote my full attention to the discussion.

No one outside the project team will have access to the recording, and it will be deleted after the project is finished.

C. Interviewee and Company Characteristics (5 minutes)

Before we start with more specific questions, I would like to ask you a few questions about your company and your role in it.

1. What is your job title?
 - a. What are your main responsibilities?
 - b. How long have you been working at this company?

D. Establishment Characteristics (10 minutes)

Now I'd like to hear some background about your company.

1. Please summarize the manufacturing work done by your company.
 - a. Note: Probe enough to get a clear understanding of what their company does/makes.
 - b. NOTE: If they do not include manufacturing, probe to see if they do any. FGP may not consider themselves as doing any 'transformational activities' as such but we do want to capture them.
2. Is your company part of a corporation/enterprise? (that is, are there other locations or offices?)

- a. (if applicable) Who is the parent company?
- b. (if applicable) Where is the corporate headquarters located?
- c. (if applicable) Do you have any international branches or offices?
1. Is there a central office or person that tracks information about the revenue produced by each major product line for all the establishments that are part of your firm?
 - a. (if yes) Would you be able to provide us with a contact person at that location who might be able to help us answer our questions?
3. How many employees are in your company?
 - a. (if applicable) In the entire corporation/enterprise?
4. What is the main activity of your company?
 - a. NOTE: If they do not mention the production, design, or sale of goods, probe to see if they do any, even a minor fraction of their overall manufacturing activities. If not, then skip ahead to the Key Concepts section
 - b. NOTE: If they mention design or sale, probe to determine what happens with the goods after design or before sale.
5. (if applicable, reword as necessary) For all the questions I'll be asking, please think only of this location. Don't include things that might be done at other sites/locations, or at the headquarters of this company.

E. Transformation Activity (10 minutes)

1. You said that your company does some manufacturing. What do you manufacture?
 - a. Where are the product(s) physically made?
 - i. Where are their components physically made?
 - b. Are they made directly by this establishment, another establishment within the parent corporation/enterprise, or is there a contractor involved?
 - i. (if contractor involved, then ask FLAG question about unaffiliated establishments) Does your company change anything about the product once you receive it? (e.g., do you assemble components, do you paint, add your logo, or otherwise decorate the product?)
 1. (if yes) Do you consider the changes your company makes manufacturing?
 - a. (if no) what do you consider it?
2. (if applicable) Do any other branches or offices within your corporation/enterprise manufacture any products?
 - a. (if yes) where are they located
 - i. (if abroad) would you consider your company to have a contract with that branch/location? (e.g. "contract with affiliated non-US establishment")
 - b. (if yes) what do they manufacture?

If DK to any: Who in your company would know about that? (i.e., what is their title and do they work at this location).

F. Control the IP or Design (10 minutes)

1. Who would you say controls the design of the products that your company makes?
 - i. Is this for all or some of the products?
 - ii. How do you make this determination?

2. Who makes decisions about how the product(s) should be designed? (i.e., your company, or someone else?)
3. What does intellectual property mean to you?
4. Do you have any intellectual property patents for your products?
 - i. For all or some of the products?
5. *(If some)* About what percentage of your products? Would you be able to give or find out the amount of revenue associated with the products that you do control the IP or design?
 - i. Where did you get that answer?
 - ii. For the assembled product only or for the component parts?
 1. (if component parts) For all or some of the component parts?

If DK to any: Who in your company would know about that? (i.e., what is their title and do they work at this location).

G. Control the Production (5 minutes)

6. For the products that your company manufactures, who makes decisions about (e.g. your company, or someone else):
 - i. What supplies/materials should be used to make these products?
 1. Is this for all or some of the products?
7. For the products that your company manufactures, who owns the materials that are used to make them?
8. *(If some)* About what percentage of your products? Would you be able to give or find out the amount of revenue associated with the products for which you do control the production?
 - i. Where would you get that information? *(note: make sure it's not at the enterprise level)*

If DK to any: Who in your company would know about that? (i.e., what is their title and do they work at this location).

H. Control the Sale (5 minutes)

9. For the products that your company manufactures, who makes decisions about (e.g., your company, or someone else):
 - i. Where the product will be sold?
 - ii. How much the product will be sold for?
 - iii. Is this for all or some of the products?
10. *(If some)* About what percentage of your products? Would you be able to give or find out the amount of revenue associated with the products that you do control the sale?
 - i. Where would you get that information? *(note: make sure it's not at the enterprise level)*

If DK to any: Who in your company would know about that? (i.e., what is their title and do they work at this location).

I. Entrepreneurial Risk (5 minutes)

11. If a product that your company makes goes unsold, who loses money?
12. If a product that your company makes is returned because a customer is unsatisfied, who loses money?
13. Who is responsible if there are legal problems related to problems with the products?
14. *If some:* About what percentage of your products? Would you be able to give or find out the amount of revenue associated with the products that you do assume the risk for a product?
 - i. Where would you get that information? (*note: make sure it's not at the enterprise level*)

If DK to any: Who in your company would know about that? (i.e., what is their title and do they work at this location).

J. Contract with Unaffiliated Establishments and affiliated establishments outside the US (5 minutes)

15. *If answered yes to FLAG question.* You said that contractors physically make some of your products. How are these contractors related to your company?
 - i. Are they part of your corporation/enterprise?
 - ii. Are they domestic or foreign?
 - iii. How are they managed?
16. *If establishment has foreign locations:* Do any of your foreign branches manufacture products for you?
 - i. (if yes) would you say that you have a contract with them?

If DK to any: Who in your company would know about that? (i.e., what is their title and do they work at this location).

K. Key Concepts (10 minutes)

Thank you for your help so far! As part of our research, we're asking other businesses to complete a survey that covers some of the topics we talked about. I'd like to give you some terms, which you may or may not be familiar with, and ask you

1. If you've heard of them before and
2. What they mean to you

This will help us figure out how best to word the questions on our survey. Probe as necessary for each item:

- Have you heard of this this before?
- What does that mean to you?)
 - a. Factoryless goods producer?
 - b. Transformation activity?
 - c. Entrepreneurial risk ?
 - d. Unaffiliated establishment?
 - e. Integrated manufacturer?

- f. Manufacturing service provider?
- g. To control the intellectual property?
- h. To control the design?
- i. To control the sales?
- j. To control the production?

Ultimately, we're trying to measure outsourcing without using the words 'outsourcing'. To some people, this words have negative connotations and we don't want businesses to think we're making any judgments. We're just trying to measure this concept that the U.S. government currently does not measure.

Are you familiar with 'outsourcing'? Would you say that your company outsources the production of goods?

What about 'offshoring'? Would you say that your company has an offshoring practice for the production of goods?

How do you talk about this concept?

L. Final Thoughts (5 minutes)

Thank you for your help, we're almost done. As you may have gathered from my questions, we're trying to understand the relationship that manufacturing companies may have with contractors and international companies. Specifically, there are some types of companies who are responsible for the manufacturing of products – they control the design and all the materials used to make it – but they don't physically make the products themselves. This is a phenomena that the US government does not currently measure, but would like to as it could be very informative about the US economy.

1. Do you have any thoughts about this?
2. Do you think your company falls into this group?
3. What sorts of records would your company have to help you answer these types of questions?
4. Who in your company would be the best person to ask about these things?

M. Closing

That is all of the questions I had for you today. Thank you for your help!

Attachment B: Consent Form

CONSENT FORM

The BLS, its employees, agents, and partner statistical agencies, will use the information you provide for statistical purposes only and will hold the information in confidence to the full extent permitted by law. In accordance with the Confidential Information Protection and Statistical Efficiency Act of 2002 (Title 5 of Public Law 107-347) and other applicable Federal laws, your responses will not be disclosed in identifiable form without your informed consent. The Privacy Act notice on the back of this form describes the conditions under which information related to this study will be used by BLS employees and agents.

During this research you may be audio and/or videotaped, or you may be observed. If you do not wish to be taped, you still may participate in this research.

We estimate it will take you an average of 60 minutes to participate in this research.

Your participation in this research project is voluntary, and you have the right to stop at any time. If you agree to participate, please sign below.

Persons are not required to respond to the collection of information unless it displays a currently valid OMB control number. OMB control number is 1220-0141, and expires February 28, 2015.

I have read and understand the statements above. I consent to participate in this study.

Participant's signature

Date

Participant's printed name

Researcher's signature

OMB Control Number: 1220-0141
Expiration Date: February 28, 2015

PRIVACY ACT STATEMENT

In accordance with the Privacy Act of 1974, as amended (5 U.S.C. 552a), you are hereby notified that this study is sponsored by the U.S. Department of Labor, Bureau of Labor Statistics (BLS), under authority of 29 U.S.C. 2. Your voluntary participation is important to the success of this study and will enable the BLS to better understand the behavioral and psychological processes of individuals, as they reflect on the accuracy of BLS information collections. The BLS, its employees, agents, and partner statistical agencies, will use the information you provide for statistical purposes only and will hold the information in confidence to the full extent permitted by law. In accordance with the Confidential Information Protection and Statistical Efficiency Act of 2002 (Title 5 of Public Law 107-347) and other applicable Federal laws, your responses will not be disclosed in identifiable form without your informed consent.