

28 October 2014

NOTE TO THE OMB CLEARANCE 1220-0141
REVIEWER OF: “Cognitive and Psychological Research”
FROM: Jennifer Edgar
Office of Survey Methods Research
SUBJECT: Submission of Materials for the FGP Pilot Test

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, we are submitting a brief description of the study.

The total estimated respondent burden for this study is 212.5 hours.

If there are any questions regarding this project, please contact Jennifer Edgar at 202-691-7528.

I. Introduction

The North American Industry Classification System (NAICS) is used to classify and assign 6-digit industry codes to business establishments in the United States economy. As part of the NAICS 2012 revision, a new classification was created for establishments that outsource all transformational activities (the actual physical, chemical or mechanical transformation of inputs into new outputs). These establishments are referred to as “factoryless goods producers” (FGPs). These establishments are thought to currently exist in the NAICS sectors of manufacturing, wholesale trade, and the management of companies and enterprises (often called the “headquarters” sector).

The BLS is attempting to identify and classify these FGP establishments for the first time. BLS needs to determine if it is feasible to identify and properly classify FGP establishments using a self-administered mail survey. In addition, the survey will also attempt to identify establishments that are classified as “manufacturing service providers” (MSPs) and as “integrated manufacturer(s)” (IMs).

A manufacturing service provider (MSP) provides contract manufacturing services that utilize inputs such as capital, labor, and energy to transform material inputs according to the contract specifications. The growth of MSPs (foreign and domestic) is the result of traditional integrated manufacturers switching from direct expenditures on capital and labor (i.e., factories, equipment, and production workers) to purchases of capital services and labor services. MSPs provide the capital and labor services. An integrated manufacturer (IM) utilizes inputs such as capital, labor, and energy to transform material inputs into a new product to be sold. The factoryless goods producer outsources all of the transformation steps that traditionally have been considered manufacturing, but undertakes all of the entrepreneurial steps and arranges for all required capital, labor, and material inputs required to make a good.

This research project is the first in a series of projects aimed at exploring the feasibility of classifying establishments as factoryless goods producers, manufacturing service providers (MSPs), and integrated manufacturers (IMs) through use of a single mailed survey.

II. Methodology

Westat, under contract with the BLS, will conduct this two-phase study. In the first phase, 550 establishments will be sent a cover letter (Attachment A) and paper questionnaire (attached as a separate file). They will be given two weeks to complete it, and then sent a non-response follow-up letter (Attachment B). A second non-response follow-up letter will be sent if a response hasn't been received after an additional two weeks. Starting one week after surveys are received, up to 50 establishments will be contacted for a telephone debriefing. Once recruited, participants

will be sent, either by email or standard mail based on their preference, a blank copy of the survey form to refer to during the debriefing interview. The telephone debriefing will be conducted using a semi-structured protocol (Attachment C).

Based on the information collected from the survey and debriefing interviews, the survey form and debriefing protocol will be revised to address potential response and measurement issues. A revised form will be submitted to OMB after Phase 1. Using the revised form, 550 different establishments will be sent a cover letter and survey. The same, two-stage, non-response follow up mailing process will be followed, and another 50 establishments will be contacted for a telephone debriefing.

III. Participants

The sample for the mail survey will come from the Quarterly Census of Employment and Wages (QCEW). Half of the sample will be purposefully selected from a list of suspected FGPs, both single establishments and multi-unit enterprises. This list has been developed based on prior research, both within BLS and externally. From that list we will select either the single location of the single-unit establishments or up to six establishments from the enterprises. The establishments selected from the multi-unit enterprises will also be purposefully selected, to meet the following criteria:

- In the manufacturing, wholesale trade, and/or headquarters industries
- Diverse geographic locations

The other half of the sample will be comprised of:

- 2/3 multi-unit enterprises, 1/3 single unit establishments
 - o Up to 3 establishments from each enterprise, in the manufacturing, wholesale trade, or headquarters industries
- Distributed evenly across the manufacturing, wholesale trade, or headquarters industries
- Has a complete QCEW record, including contact information for the previous respondent
- Government units will be excluded from the selection process.

IV. Burden Hours

On average, we expect the survey to take 15 minutes to complete, and we anticipate a 50% response rate; so up to 550 will be completed across the two phases, for a total of 137.5 hours.

The debriefing interviews are expected to last 45 minutes on average, across 100 establishments, for a total of 75 hours.

V. Data Confidentiality

Standard assurances of data confidentiality will be provided in the advance letter (Attachment A). For the debriefing, participants will be asked for their consent verbally.

VI. Attachments

1. Attachment A: Cover Letter
2. Attachment B: Non-response follow-up letter
3. Attachment C: Debriefing Protocol
4. Attachment D: Industry Classification Report

Attachment A: Cover Letter

U.S. Department of Labor

Bureau of Labor Statistics
2 Massachusetts Avenue, NE, Room 4840
Washington, DC 20212



Date

Attn: Contact_name (if missing use "Department of Accounting/Finance")

T_name

BM_addr1

BM_addr2

BM_city, BM_state BM_zip-BM_zip_ext

Dear Employer:

The Bureau of Labor Statistics (BLS) of the U.S. Department of Labor is conducting a study to verify your business's classification in the North American Industry Classification System (NAICS).

What are we asking you to do? Please help us ensure that our statistical information is accurate by completing and returning the attached form by December xx, 2014. The form should take less than fifteen minutes to complete.

What is NAICS? NAICS is used to collect, analyze, and publish statistical data related to the economy. NAICS classifies businesses based on their primary activities, and allows for a high level of comparability in business statistics among the U.S., Canada, and Mexico.

What if I have a question? If you have any questions, please contact us at:
NAICSHelp@bls.gov

Your information will be kept confidential. Please see the back of this letter for the relevant legal assurances.

Thank you for your help.

Sincerely yours,

Richard Clayton
Chief, Division of Administrative Statistics
Office of Employment and Unemployment Statistics

Confidentiality Statement. The Bureau of Labor Statistics, 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.

Paperwork Reduction Act Statement. Your voluntary cooperation is needed to make the results of this survey comprehensive, accurate, and timely. This collection is authorized by law 29 U.S.C. 2. We estimate that completing this form will take an average of 15 minutes. This estimate takes into account time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the information. If you have any comments regarding this survey, including suggestions for reducing the burden, send them to the Bureau of Labor Statistics, Office of Industry Employment Statistics, Paperwork Reduction Project, 2 Massachusetts Avenue, N.E., Room 4840, Washington, DC 20212. The OMB control number for this voluntary survey is 1220-0141 and expires on February 28, 2015. Without a currently valid number BLS would not be able to conduct this survey.

Attachment B: Non-response follow-up letter

Date

Attn: Contact_name (if missing use "Department of Accounting/Finance")

T_name

BM_addr1

BM_addr2

BM_city, BM_state BM_zip-BM_zip_ext

Dear Employer:

The Bureau of Labor Statistics (BLS) of the U.S. Department of Labor recently sent you a form to verify your business's classification in the North American Industry Classification System (NAICS).

Given the importance of classifying business enterprises accurately, we request that you complete and submit the enclosed form at your earliest convenience.

What are we asking you to do? Please help us ensure that our statistical information is accurate by completing and returning the attached form. The form should take less than fifteen minutes to complete.

What is NAICS? NAICS is used to collect, analyze, and publish statistical data related to the economy. NAICS classifies businesses based on their primary activities, and allows for a high level of comparability in business statistics among the U.S., Canada, and Mexico.

What if I have a question? If you have any questions, please contact us at NAICSHelp@bls.gov.

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Attachment C: Debriefing Protocol

Introduction

1. Confirm correct respondent, as listed on the form
2. Project overview
 - a. Exploratory research to understand how companies handle their manufacturing, especially manufacturing that is contracted out
 - b. This research will inform future research projects looking at how to most accurately classify different types of manufacturers
3. Confidentiality assurances
 - a. All information will be kept confidential, used to inform the research results
 - b. No identifying information will be stored or shared
 - c. Can decline to answer any questions
 - d. Answers will be used for research only, no updates to their official information will be made
4. Debriefing overview
 - a. Using the completed form, will go through the questions one by one
 - b. Goal is to talk about how respondent answered the question and identify anything that was confusing or difficult on the form

Background Questions

1. Respondent position, tenure and location
2. Establishment background
 - a. Is this location part of a larger company/an enterprise?
 - a. What role does your worksite play within the enterprise?
 - b. Where are other offices located? Where is HQ?
 - b. Can you tell me briefly about what you do there?
3. Response process
 - a. Are you the person listed in Q1?
 - a. (If not): Who gave it to you?
 - b. *Probe to find out if they are in HQ and were sent the form from a different location. If so, additional probes need to be added throughout to ensure the answers referred to the original establishment and not HQ or the firm as a whole*
 - b. Did you consult anyone else to answer the questions?
 - a. (If yes): Were they at the same location?
 - c. Do you think you were the best person to complete this form?
 - d. How long did it take you to complete the form?

Question Debriefing

#5. Read question aloud

4. *If yes.* You said yes, what manufacturing is done at your exact location?
5. (If yes): What types of products do you manufacture at that location?
 - a. Are these final products that go out for sale, or intermediate products that you or other companies use to make other products?

5a. Read question aloud

6. What does this question mean to you?
 - a. How did you arrive at the percent of revenue from manufacturing for other companies?
 - a. Did you consult any records in formulating your response to this item?
 - b. Is this information you had yourself, or did you have to go to another part of your company
 - c. (If multi-unit): Is this information tracked by your individual worksite?
7. Does your company track sales revenue by the different products sold, by who/where manufactured, or something else?
 - a. (If multi-unit): Does the headquarters of your company track this information by your location individually?

5b. Read question aloud

8. What does this question mean to you?
 - a. (If multi-unit): Did you include products made for other locations or branches of the company, or just for your own individual location?
 - b. How did you arrive at the percent of revenue from manufacturing for your company?
 - a. Did you look at any records?
 - b. Is this information you had yourself, or did you have to go to another part of your company
 - c. (If multi-unit): Is this information tracked by your individual worksite?
9. Does your company track sales revenue by the different products sold, by who/where manufactured, or something else?
 - a. (If multi-unit): Does the headquarters of your company track this information by your location individually?

#6. Read question aloud

10. What does “arrange for any products to be manufactured...” mean to you?
 - a. (If response was yes): Please tell me about the way your establishment does this
 - b. Where are the facilities that manufactures products for you?
 - c. (If multi-unit): Does your company as a whole have any international manufacturing facilities?
 - a. (If yes): How does your specific location interact with the international manufacturing facilities?
11. What does ‘independent manufacturer’ mean to you?

- a. Does your company use any ‘independent manufacturers’?
 - a. Where are they located?
 - b. (If multi-unit): What relationship does this specific location have with the independent manufacturers?
- 12. (If multi-unit): How does HQ play a role in your manufacturing?
 - a. Does this location determine what and how much gets made or is that determined at HQ?
- 13. Was this question easy or difficult to answer?

#6a. Read question aloud

- 14. You said [X%], how did you calculate that answer?
- 15. Did you have to consult any records to answer this question?
 - a. What records?
 - b. What department generally creates or manages those records?
- a. Does your company track sales revenue by the different products sold, by who/where manufactured, or by some other method?
- 16. (If a multi-unit): Do you track this information yourself or is it tracked at HQ?
 - a. (If track self): Does your companies HQ also have this information at the same level of detail?
- 17. Was this question easy or difficult to answer?

#7. Read question aloud

- 18. Repeat the question. You said [yes/no], can you tell me about your answer?
- 19. Does your specific location have contracts with any manufacturing facilities within the US to produce products for you?
 - a. Where are those manufacturing facilities located?
 - b. Did you include them in the question?
 - a. (If no): Why not?
 - c. (If multi-unit): What roles does this location play with those contract manufactures?
- 20. Looking at question 6 and 7, are those two questions asking the same thing or something different? How so?
- 21. The question says “exclude products manufactured by domestic facilities owned by your company” what do you think that means?
 - a. Does your company have any manufacturing facilities within the US?
 - b. Did you include them in this question?

#7a. Read question aloud

- 22. Repeat the question. You said [X%], how did you calculate that answer?
- 23. Did you have to consult any records to answer this question?
 - a. What records?
 - b. What department generally creates or manages those records?
- 24. Was this question easy or difficult to answer?

Read Skip Instruction Aloud

25. There is instructional text in the red box. Did you notice that when you filled out the form?
26. Was it clear whether you should answer question 8 or not?
27. *Probe on any navigational errors found*

#8a. Control IP: Read question aloud

28. You said [____]. Can you explain your answer?
 - a. What does 'intellectual property' mean to you?
 - b. (If some or all): How does your location control the IP?
 - c. (If some):
 - a. How does the control of IP vary by product?
 - b. Would you be able to give a percent of products for which you control the IP?

#8b. Control design: Read question aloud

29. You said [____]. Can you explain your answer?
 - a. (If some): How does this vary by product?
30. What aspects of design were you thinking of when you answered this question?
31. Is controlling the design and controlling the intellectual property the same or different?

#8c. Control or Direct Production: Read question aloud

32. You said [____]. Can you explain your answer?
33. How do you control or direct production within your location?
 - a. *Probe*: Does this include day-to-day management of the manufacturing facility?
 - b. *Probe*: Does this include scheduling or coordination of the manufacturing facility?
34. Does your control over production vary depending if it's your own manufacturing facility or manufacturing that you've contracted out to another facility?

#8d. Own product: Read question aloud

35. You said [____]. Can you explain your answer?
36. What products are you including in this question?

#8e. Set price: Read question aloud

37. You said [____]. Can you explain your answer?
38. Do you set the final retail price? The wholesale price? Something else?

#8f. Arrange for sale: Read question aloud

39. You said [____]. Can you explain your answer?
40. How does your specific location arrange for the sale of products?

#8g. Assume any loss: Read question aloud

41. You said [____]. Can you explain your answer?
42. Are you familiar with the term ‘entrepreneurial risk’? What does that mean to you?
 - b. (If yes): Is this question asking about entrepreneurial risk, or something else?

#9. Probe for inconsistencies with information provided earlier in debriefing#9a. Probe for multi-units: Read question aloud

43. This question asks for the same type of information as 8a, but instead of asking about your specific location, it’s asking about any worksite in the entire company. Was the difference between the questions clear to you?
44. *Probe for differences been 8a and 9a*
 - a. For 9a, what products did you include? Just those manufactured in your specific location or those manufactured anywhere in the company/enterprise?
 - a. Did you include products that are made for the company by an independent manufacturing facility?

#10. Read question aloud

45. What is this question asking for?
46. How did you determine the top three selling product lines?
47. Are these the top three products for just your individual location only, or for the full company?
48. How did you calculate the percent of sales revenue?
49. *(For manufacturing plants):* Do you track the revenue of the products you produce at your location by their final sales price? Something else?

Comments

50. Ask about any comments the respondent included

EGP Concepts Debriefing

51. One of the main goals of this research is to identify companies that contract out their manufacturing, otherwise known as ‘outsourcing.’ Would you say that your company engages in outsourcing? Tell me about that
 - a. (If multi-unit): Would you say that your specific location engages in outsourcing, or is it something that your company does as a whole?
52. (If multi-unit): Another main goal is to determine if individual locations of a larger company can answer these questions, or if the questions should be sent only to headquarter locations.
 - a. Did it make sense to you to answer these questions overall?
 - b. Were there any that you felt that would be better answered at HQ?
 - c. Do you think that HQ would be able to answer these questions for your individual location?
 - d. Where would be the best place to send this survey? Your location or HQ?

Interviewer notes

- Will have to introduce worksite concept upfront and ensure that they are answering the debriefing questions about their individual location; but also want to find out where they answered the survey questions about originally, so will need to figure out how best to do that.
- For multi-units, want to find out how they think about, and talk about, their 'parent company,' 'headquarters,' 'firm,' 'enterprise, as a whole, and understand their relationship with them.
- Probe on any errors or inconsistencies found in reviewing the returned form, or any missing items.