

## **Supporting Statement to Request for OMB Approval**

### **Annual Refiling Survey**

#### **A. Justification**

##### **1. Necessity of Collection**

The Quarterly Census of Covered Employment and Wages (QCEW) Program, once 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 nearly 53 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 analyses 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 reviewed and updated periodically. There are approximately 9.25 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. Government establishments are not reviewed. The review is currently conducted on a four-year cycle. Each year, approximately one-fourth of private sector 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. The BLS intends to return to a three-year review cycle from the current four-year cycle that began in FY 2007.

This survey is authorized by Federal law 29 U.S.C. 2 (Attachment A) and Section 15 of the Wagner-Peyser Act (<http://www.doleta.gov/dinap/pdf/wialaw.pdf>). Although employer cooperation is not required by Federal law, twenty-four 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 of a four-year review cycle, 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 year four. The range for FY 2011 is 75-99. 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) and the United States Postal Service (NAICS 491110) are not surveyed. In addition, single establishments classified as private households (NAICS 814110) and multi-unit establishments classified as Professional Employer Organizations (NAICS 814110) are not surveyed.

The BLS has developed three distinct ARS forms which will be described in more detail in the following paragraphs. 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, C, and D) is mailed to employers that have a single worksite within a State. This form was designed to make it easier to record employer responses. All of the items requiring responses are on the front of the form.

Essentially, this form asks employers to verify a 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 describe the business activities and the approximate percentage of the revenue or production derived from each activity.

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

The **BLS 3023-NVM** forms (Attachment E) are 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** forms (Attachments F, G, and H) are used to collect information from those establishments that are in NAICS 999999 (Unclassified Establishments). These are establishments for which no information is available regarding their industrial activities. Employers that receive BLS 3023-NCA forms are asked to provide detailed descriptions of their economic activities. Similar to the BLS 3023-NVS forms, there are three versions of the BLS 3023-NCA forms differentiated by slight variations to Item #2 depending on whether or not establishments have a valid physical location. Several States use the BLS 3023-NCA forms 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 as the basic source of benchmark information for employment by industry and by size class for the Current Employment Statistics (CES) and the Occupational Employment Statistics (OES) programs. The preliminary (estimated) employment data from these programs could not be benchmarked for accuracy without the QCEW data. The QCEW Report containing employer name and address information serves as a sampling frame for BLS establishment-based surveys, such as the National Compensation Survey (NCS), the Employment Cost Index (ECI), the Injuries, Illness, and Fatalities (IIF) program, the Job Openings and Labor Turnover Survey (JOLTS), and the CES and OES programs. Since the QCEW provides a near universe of businesses, these programs can select a statistically accurate sample 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 businesses as well as by public and private research organizations. For additional information and background on the QCEW program, please see the excerpt from the BLS Handbook of Methods (Attachment I) which describes the program in more detail. (The BLS Handbook of Methods is also available online at [http://www.bls.gov/opub/hom/homch5\\_a.htm](http://www.bls.gov/opub/hom/homch5_a.htm) .)

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 reduced, and respondent burden is decreased. In FY2009, BLS provided Census with information on 3.3 million units where Census was missing or had just partial information.

Furthermore, 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 UI 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 51.6 percent of total personal income and 94.6 percent of the wage and salary component of personal income in 2007. QCEW data also are 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.

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 QCEW 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 as well as by State. New data are also available on business births and deaths.

The QCEW data are a major 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 data provide the crucial linkage between the wage records and the industry and geography detail that supports this program. Further, 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.

Finally, 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 wages 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. Please see the chart (Attachment J) that illustrates the myriad uses of the QCEW program data in more detail.

### **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 have been informed of the continuing need to reduce annual funding in the QCEW program. A workload decrease commensurate with a \$500,000 funding cutback began in 2006 with a reduction in the scope of the ARS. The mailing of forms to employers in an active status with 2 or fewer employees for the past 12 months became a permanent cut in the ARS. Previously, the QCEW program excluded employers whose employment was 0 or 1 for the past 12 months.

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 for electronic reporting.

Central review 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 2010 BLS central review included 57 firms representing nearly 46,000 establishments and 3.0 million employees.



Approximately 971,000 employers with a single worksite within a State were identified as potential users of the BLS Touchtone Response System (TRS) in FY 2009. 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. Using the telephone also allows respondents to help BLS reduce survey costs because they do not need to return the form in the business reply envelope provided. All States use the TRS in conducting the ARS.

FY 2009 is the latest complete year for which ARS-processing data related to the TRS are available. Over 29% of TRS-eligible respondents (almost 286,000) used the phone instead of returning their ARS forms by mail. Nearly identical percentages of eligible respondents used the TRS in the twenty-four States that make completion of the ARS mandatory as well as in the remaining States where completion of the ARS is voluntary.

Another 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 2010, 43 States, the District of Columbia, Puerto Rico, and the Virgin Islands 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 one-page BLS 3023-NVS form. Moreover, employers with 2 or fewer employees for the past 12 months are excluded to reduce their burden, State workloads, 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 changed to a four-year cycle primarily for the purpose of developing 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. A less frequent review could eventually jeopardize the quality of the data and diminish the capacity of the BLS to produce meaningful statistical estimates by industrial and geographic classifications. The BLS intends to return to a three-year cycle for the ARS.

## **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 and Consultation with Persons Outside the Agency**

One comment was received as a result of the Federal Register notice published in 75 FR 29782 on May 27, 2010.

The respondent mentioned that the ARS is of critical importance to the labor market statistics for the States as well as for the Nation as a whole. In addition, the respondent supported the return to a three-year review cycle for the ARS.

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

- Daily contact between BLS Regional Offices 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 Federal Data Users Advisory Committee (DUAC).

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 Unemployment Insurance, Employment and Training Administration, U.S. Department of Labor, contact: Ms. Gay Gilbert, 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. Payment or Gifts to Respondents**

There will be no gifts or payments to respondents.

## **10. Confidential Responses**

The Confidential Information Protection and Statistical Efficiency Act of 2002 (CIPSEA) safeguards the confidentiality of individually identifiable information acquired under a pledge of confidentiality for exclusively statistical purposes by controlling access to, and uses made of, such information. CIPSEA includes fines and penalties for any knowing and willful disclosure of individually identifiable information by an officer, employee, or agent of the BLS.

The Bureau of Labor Statistics Commissioner's Order No. 1-06, "Confidential Nature of BLS Statistical Data," explains the Bureau's policy on confidentiality: "In conformance with existing law and Departmental regulations, it is the policy of the BLS that 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."

This policy remains in effect; however, the confidentiality statement that appears on the ARS 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. However, information collected for the QCEW Program that is furnished to the Bureau, and in the Bureau's possession, is considered confidential and are covered by the Confidential Information Protection and Statistical Efficiency Act (CIPSEA) and by the BLS Commissioner's Order No.1-06 which requires BLS to hold these data in confidence to the full extent permitted by Federal law.

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. Statements on the individual forms indicate that the States will use the

information for statistical and Unemployment Insurance program purposes and other purposes permitted by State law.

## **11. Sensitive Questions**

No sensitive questions are asked.

## **12. Estimates of the Hour Burden of Collection**

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

- |                                 |  |
|---------------------------------|--|
| a. Number of respondents:       | 536,155  |
| b. Frequency of response:       | Annually   |
| c. Estimated time per response: | 5 minutes  |
| d. Annual burden:               | 44,680 hours   |
| e. Estimation of burden:        | Based on 2009/3 Quarterly<br>Unemployment Insurance<br>Address Files Record Counts |

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

- |                           |          |
|---------------------------|----------|
| a. Number of respondents: | 538,827  |
| b. Frequency of response: | Annually |

- c. Estimated time per response: 5 minutes
- d. Annual burden: 44,902 hours
- e. Estimation of burden: Based on 2009/3 Quarterly  
Unemployment Insurance  
Address Files Record Counts

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

- a. Number of respondents: 12,390
- b. Frequency of response: Annually
- c. Estimated time per response: 15 minutes
- d. Annual burden: 3,098 hours
- e. Estimation of burden: Based on 2009/3 Quarterly  
Unemployment Insurance  
Address Files Record Counts

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

- a. Number of respondents: 15,972
- b. Frequency of response: Annually
- c. Estimated time per response: 15 minutes
- d. Annual burden: 3,993 hours

e. Estimation of burden: Based on 2009/3 Quarterly  
Unemployment Insurance  
Address Files Record Counts

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

a. Number of respondents: 109,736  
b. Frequency of response: Annually  
c. Estimated time per response: 10 minutes  
d. Annual burden: 18,289 hours  
e. Estimation of burden: Based on 2009/3 Quarterly  
Unemployment Insurance  
Address Files Record Counts

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

a. Number of respondents: 83,254  
b. Frequency of response: Annually  
c. Estimated time per response: 10 minutes  
d. Annual burden: 13,876 hours



e. Estimation of burden:                      Based on 2009/3 Quarterly  
Unemployment Insurance  
Address Files Record Counts

Estimated FY 2011 total burden hours are 128,838.

Estimated FY 2011 total annual responses are 1,296,334.

### **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 \$1,861,709. This amount was derived by multiplying the total annual burden hours to complete the form by the wages for a worker in a representative occupation that completes the survey. The cost figure used the mean hourly rate for a Payroll and Timekeeping Clerk (Level 3) obtained from the National Compensation Survey. This rate was \$14.45/hour based on the July 2008 survey reference period and adjusted to the present for inflation.

Calculation:  $\$14.45 \times 128,838 \text{ hours} = \$1,861,709$

There are no costs to SWAs for collecting information on the ARS above the money funded by BLS as part of the overall QCEW program.

#### **14. Annualized Cost to the Federal Government**

Listed below are the FY 2010 Federal government costs for the QCEW program (rounded). Costs associated with other QCEW-related forms previously approved by OMB are included.

Personnel	\$11,500,000
Other	\$7,400,000
SWA funding	<u>\$34,800,000</u>
TOTAL	<u>\$53,700,000</u>

#### **15. Changes in Burden:**

The decrease in burden is the result of a four-year cycle for ARS collection along with the fact that BLS no longer mails ARS forms to establishments with 2 or fewer employees for the past 12 months. Moreover, BLS staff began reviewing selected, large multi-worksite national employers rather than surveying them with traditional ARS forms.

#### **16. Publication Plans/Schedule:**

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, State total private data, and data on business births and deaths.
- (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, the BLS public database, 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**

OMB approval for permission to suppress the expiration date is being requested. A waiver has been granted in the past 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**

There are no exceptions to the “Certification for Paperwork Reduction Act.”

Although twenty-four 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.