

March 10, 2016

NOTE TO THE
REVIEWER OF:

OMB CLEARANCE 1220-0141
“Cognitive and Psychological Research”

FROM:

Brandon Kopp
Research Psychologist
Office of Survey Methods Research

SUBJECT:

Submission of Materials for the a study of
FGP Outsourcing

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 hours for this study is 43 hours.

If there are any questions regarding this project, please contact Brandon Kopp at 202-691-7514.

1. Introduction and Purpose

Since Fiscal Year 2014, BLS has been involved in an interagency effort to identify businesses considered to be “Factoryless Goods Producers” (FGPs). FGPs are establishments that are responsible for all aspects of the manufacturing process but do not do the manufacturing themselves. Instead, they contract for manufacturing services to be done elsewhere, either by another company or by a foreign establishment within their own company.

Staff from the Office of Survey Methods Research (OSMR), the Quarterly Census of Employment and Wages (QCEW), and the Producer Price Index (PPI) have engaged in a number of research efforts over the past two years to better understand how companies handle their manufacturing processes and how to write effective questions for a survey to collect information about FGP behaviors. In one study, the contractor Westat mailed questionnaire forms to 1,100 establishments in two rounds of 550. The response rate for the first round was 21.7% and the response rate for the second round was 39.1%. The questionnaires identified 21 companies that seemed to engage in some sort of FGP activity. This number is especially low when considering that the original sample of 1,100 establishments was drawn to increase the probability of finding FGPs, including the addition of establishments from enterprises that are commonly known to be FGPs.

The reason for the low number of FGPs is not entirely clear, but two possible factors are (1) the subject of contracting out labor, especially to foreign companies, is a sensitive one and FGPs were less likely to return the form and (2) the questions used to identify establishments as FGPs were not written in such a way to identify FGP activities. The two main questions used to identify FGPs in Phase 2 of the mail survey were:

- Does the worksite listed in Question 2 arrange for the manufacture of any products or the production of any goods outside of the U.S., either by a manufacturing facility owned by your company or by an independent manufacturer? [Yes/No]
- Does the worksite listed in Question 2 arrange for the manufacture of any products or the production of any goods inside the U.S. by an independent manufacturer? Exclude products manufactured by facilities owned by your company. [Yes/No]

Both of these questions are complex and may have led to some confusion over whether the described activities were applicable to the respondents’ establishments.

These questions could possibly be simplified by using terms like “outsourcing” or “offshoring,” which may reduce the complexity of the question and directly address the topic of interest, but staff at BLS and the Census Bureau have voiced concerns that the terms “outsourcing” and “offshoring” may be too direct and may lead to item nonresponse or socially desirable responding.

2. Research Design

This project is being proposed to help BLS and its interagency partners better understand how sensitive the topic of outsourcing is for our establishment respondents. It would help to identify possible obstacles in fielding the FGP survey. Specifically, it would help determine whether the topic of outsourcing labor is sensitive enough that we are likely to see low response rates and perhaps see nonresponse bias. It would also help determine if more simplistic, yet direct, wording is better when attempting to identify establishments that engage in FGP activities.

To accomplish these goals, staff from the National Compensation Survey (NCS) at BLS will either re-contact current respondents to the NCS survey by phone and ask them to answer an additional set of questions or they will ask the respondent to answer some additional questions at the end of a regular NCS interview. The introductory scripts for phone and in-person interviews are in Appendix A and the full questionnaire is in Appendix B.

3. Participants

Three hundred participants from the current set of production cases in the NCS survey will be contacted. The establishment sampling design is based on classifications in the North American Industry Classification System (NAICS). One-quarter of establishments will be contacted from the manufacturing (Sectors 31-33), wholesale trade (Sector 42), and management of companies and enterprises (Sector 55) subsectors. These proportions may change depending on the availability of respondents in these industry subsectors during the data collection period. An additional one-quarter of the sample will be selected from all other NAICS subsectors. Efforts will be made to select establishments within each of these subsectors with a range of establishment size class.

4. Burden Hours

The total burden for this study will be **43 hours**. Potential respondents will be contacted by phone or as part of a regular NCS interview. For phone interviews, the interviewer will introduce him/herself and explain the purpose and voluntary nature of the study as well as the time we are asking for (approximately 8 minutes). The procedure for in-person interviews will be the same minus the introduction because that will have occurred prior to the NCS interview. The beginning of the interview should take less than 2 minutes. Some potential respondents may choose not to continue at this point. Given the brief duration of the survey and the preexisting relationship from the NCS survey, we expect a high acceptance rate (80%). The introductory material will contribute **10 burden hours** (300 potential respondents X 0.0333 hours) to this study. For those who agree to participate, the administration of the survey questions will take an additional 8 minutes. The survey will contribute **33 burden hours** (250 respondents X 0.1333 hours) to this study.

Table 1. Summary of Study Burden

Category	N	Hours/Participant	Total Hours
Introduction	300	0.0333	10
Survey	250	0.1333	33
	TOTAL	10 minutes	43 hours

5. Payment to Participants

Participants in this study will not receive an incentive.

6. Data Confidentiality

Participants will be informed as to the voluntary nature of the study. Participants will also be informed that the study will be used for internal purposes to improve industry classification in BLS surveys. Since many of these interviews are being conducted over the phone, consent for both phone and in-person interviews will be obtained verbally using the script in Appendix A. Information related to this study will not be released to the public in any way that would allow identification of individuals except as prescribed under the conditions of the confidentiality pledge.

Appendix A: Introductory Script

These scripts provide interviewers with the baseline information that they need to convey to study participants prior to obtaining their verbal consent and beginning the survey. Individual situations may differ and slight changes may need to be made to the wording.

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Phone Interview:

Hello, my name is _____. I work on the National Compensation Survey at the U.S. Bureau of Labor Statistics. Your place of business is currently part of the National Compensation Survey. You may know [INSERT FIELD ECONOMIST NAME]. He/she administers the survey for us in your area.

I am calling because I would like to ask for 10 more minutes of your time to answer some additional questions. These questions are not for the NCS survey. These questions are for a research project that will help us develop future surveys aimed at improving the way businesses are classified into industries.

Answering these questions is voluntary. It does *not* affect your participation in the National Compensation Survey. Any answers you give us will be kept confidential. No one, aside from the researchers involved in the project, will see your responses.

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.

If there are any questions you would rather not answer, you can let me know and I will move on to the next one. This research is being done under OMB Control Number 1220-0141.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. Public reporting burden for this collection of information is estimated to average 10 minutes per response. The obligation to respond to this collection is voluntary. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the U.S. Department of Labor, OASAM/OCIO 200 C Street NW Washington DC 20210 and reference the OMB Control Number 1220-0141.

1. Would you be willing to participate in this short survey? (It won't take more than 10 minutes)
 - Yes (Go To Survey)
 - No (Exit)

[Exit] OK. Thank you for your time.

In-Person Interview:

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Can I get 10 more minutes of your time to answer some additional questions? These questions are not for the NCS survey. These questions are for a research project that will help us develop future surveys aimed at improving the way businesses are classified into industries.

Answering these questions is voluntary. It does *not* affect your participation in the National Compensation Survey. Any answers you give us will be kept confidential. No one, aside from the researchers involved in the project, will see your responses.

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1. Would you be willing to participate in this short survey? (It won't take more than 10 minutes)
 - Yes (Go To Survey)
 - No (Exit)

[Exit] OK. Thank you for your time.

Appendix B: Survey

Thank you for agreeing to participate. I'll get started. If you have any questions as we are going through, let me know. To begin, let's talk about how you think about outsourcing:

2. In your own words, what does the term "outsourcing" mean to you?

- Don't know

3. Does your company do any outsourcing?

- Yes (Go To #4)
- No (Go To #4)
- Don't Know (Go To #4)
- Refused (Go To #4)

4. We are trying to identify companies that design and sell a product but don't do all of the actual manufacturing themselves. Does this apply to your company?

- Yes (Go To #5)
- No (Go To #5)
- Don't Know (Go To #5)
- Refused (Go To #5)

5. Is discussing outsourcing a sensitive topic for your company?

- Yes (Go To #6)
- No (Go To #7)
- Don't Know (Go To #7)
- Refused (Go To #7)

6. How sensitive of a topic is it? Would you say:

- A Little Sensitive (Go To #7)
- Somewhat Sensitive (Go To #7)
- Very Sensitive (Go To #7)
- Extremely Sensitive (Go To #7)
- Don't Know (Go To #7)
- Refused (Go To #7)

7. Have you heard of the term "offshoring?"

- Yes (Go To #8)
- No (Go To #10)
- Don't Know (Go To #10)
- Refused (Go To #10)

8. Is "offshoring" the same or different as "outsourcing"?

- It is the same (Go To #10)
- Don't Know (Go To #7)

- It is different (Go To #9)
- Refused (Go To #7)

9. How is it different?

- Don't know

10. Would your company participate in a future government survey about outsourcing and offshoring?

- Yes
- No
- Not sure
- It depends – please explain

Thank you for your participation. That was very helpful.

Additional Space for Question 2 and Notes: