

## Supporting Statement

### Employment, Wages, and Contributions Report (QCEW Program)

#### A. Justification

##### 1. Necessity of the Collection

The QCEW program, a Federal/State cooperative effort, produces monthly employment and quarterly wage information. It is based on quarterly reports submitted to State Workforce Agencies (SWAs) by employers subject to State Unemployment Insurance (UI) laws. The collection of these data is authorized by 29 USC 1 and 2 and Section 15 of the Wagner-Peyser Act. The QCEW data, which are compiled for each calendar quarter, provide a comprehensive business name and address file with employment and wage information for employers subject to State UI laws. Similar data for Federal Government employees covered by the Unemployment Compensation for Federal Employees program (UCFE) also are included. These data are submitted to the Bureau of Labor Statistics (BLS) by all 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands. The BLS then summarizes these data to produce totals for all counties, Metropolitan Statistical Areas (MSAs), the States, and the Nation. The QCEW program provides a virtual census of nonagricultural employees and their wages, with about 44 percent of the workers in agriculture covered as well.

The QCEW program is a comprehensive and accurate source of data on the number of establishments, monthly employment, and quarterly wages, by industry, at the six-digit North American Industry Classification System (NAICS) level, and at the national, State, MSA, and county levels. The QCEW series has broad economic significance in measuring labor trends and major industry developments, in time series analyses and industry comparisons, and in special studies such as analyses of establishments, employment, and wages by size of establishment.

##### 2. Use of Information

The QCEW program is unique in the Federal statistical system. It provides the most current and only universe of monthly employment and quarterly wage information by industry, county, MSA, State, and the nation, covering both private and public sectors. It serves as the BLS business register and sampling frame and employment benchmark. It serves the other two major federal economic statistical agencies (the Bureau of Economic Analysis (BEA) and the U.S. Census Bureau) in significant and quantifiable ways. It directly supports other agencies including the Department of Labor's Employment Training Administration (ETA) and the Social Security Administration. The QCEW survey is estimated to cover approximately 9.52 million establishments in 2015. The series have broad economic significance in evaluating labor trends and major industry developments in time-series analyses and industry comparisons, and in special studies such as analyses of wages by size of establishment. It also is used to provide new data products, such as the Business Employment Dynamics (BED), and other products are under research work including foreign direct investment and the role of multi-national corporations.

Within the BLS, the QCEW serves five major purposes. First, it is the BLS business register and business sampling frame for the Current Employment Statistics (CES), the Occupational Employment Statistics (OES), the Occupational Safety and Health Statistics/Survey of Occupational Injuries and Illnesses (OSHS/SOII), the National Compensation Survey (NCS), the Job Openings and Labor Turnover Survey (JOLTS), and portions of the Producer Price Index (PPI). Second, the QCEW data are used as the basic employment benchmark information by industry, and geographical area in the CES, OES, and OSHS programs. Third, it is a major source of published data, providing both quarterly releases on cross-sectional data and quarterly BED data from the longitudinally linked microdata stretching from 1990 to the present. BED data measure quarterly employer dynamics for establishment openings, closings, expansions, and contractions for the U.S. by major industry, by size of firm, for each state. In addition, data are also available for industries at the 3-digit NAICS level, for annual data, by size of employment change, and for business births and deaths. New data on business age and survival are also available for the states and nation. Fourth, the QCEW is a highly prized research database attracting projects ranging from minimum wage studies to data on non-profits, measuring the “ocean economy” to studying offshoring. Fifth, the business establishment locations are geocoded, which provides precise latitude and longitude coordinates allowing special mapping capabilities as well as research in the Consumer Price Index (CPI) on location substitution. Thus, the investment in its data accuracy and timeliness is critical to meeting the demands of a wide range of internal uses and users.

Within the Department of Labor, the QCEW supports the ETA in two major ways. First, the QCEW provides data necessary to both the ETA and the State UI agencies in administering the employment security program. The data accurately reflect the extent of coverage of the State unemployment 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 an 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 funds. Secondly, the QCEW is the sampling frame for the ETA National Agricultural Worker Survey (NAWS).

Within the US statistical system, the BEA and the Census Bureau are major users. The BEA uses QCEW wage data as a base for estimating a large part of the wage and salary component of national income and gross domestic product. A subdivision of these accounts, personal income, is instrumental in determining Federal allocation of program grants to State and local governments.

The Census Bureau relies on the QCEW quarterly files of business industry codes, addresses, and other useful information where existing codes are incomplete or missing. The Census Bureau uses these industry data in their Business Register that serves as a source of sampling frames for frequent business surveys (such as the Annual Survey of Manufacturers) and as a basis for statistical tabulations. In FY 2016, the BLS provided 4.4 million industry codes, addresses, geocodes, and employment data to the Census Bureau, mostly for new and small businesses, thus improving the accuracy and consistency of Census Bureau products and County Business Patterns. This work was expanded to provide more address information to improve the accuracy of mailings for the Economic Census. The most important benefits of this quarterly data sharing project are relieving American businesses of unnecessary response burden; improving industry

coding for the Census Bureau; improving usability and promoting consistency between Federal statistical products; and avoiding redundancy between agency statistical programs. Further, the Census Bureau's Local Economic Dynamics program relies on the QCEW as its major input basing its detailed industry, geography, addresses, and geocodes from the QCEW.

The Department of Health and Human Services (HHS) uses the QCEW wage data as part of the formula for determining allotments to States for the Child Health Insurance program. HHS similarly uses QCEW wages as part of the formula for determining allotments to States for temporary high-risk pools under the Affordable Care Act.

The Social Security Administration (SSA) uses QCEW data as a quality check against data provided by the Internal Revenue Service (IRS). This allows SSA to improve its estimates of Old Age and Survivors and Disability Insurance (OASDI) and Hospital Insurance (HI) covered and taxable wages and employment for the most recent historical periods. This, in turn, allows the Treasury to make more accurate transfers from the general fund to the OASDI and HI trust funds. For the annual Trustees Reports, this provides legislators and the general public with more accurate estimates of the effects of present and proposed legislation on the future status of the OASDI and HI trust funds.

SSA also uses QCEW data as a quality check against data provided by employers on Forms W-2. This allows them to improve their estimates of the average U.S. wage for the latest prior historical year. Each October, the SSA estimates the annual U.S. wage for the prior year to set the Average Wage Index (AWI) for that year. This, in turn, is used to set automatic adjustments in the contribution and benefit base, bend points, earnings test exempt amounts, and other wage-indexed amounts for the upcoming year.

Finally, business and public and private research organizations find the QCEW program one of the best sources of detailed employment and wage statistics by county and detailed industry. Among other major users are transportation planners and local economic development agencies and specialists.

### 3. Use of Electronic Collection Methods

The BLS sponsored the development of exportable software systems for States to use in processing QCEW data according to program standards. These systems have been installed and used in all the States since 2000. In support of these exportable software systems in the States, the BLS is operating a service center that is available for State use.

The BLS has continued to expand the centralized collection of data for the respondent States. This activity is conducted by the BLS Electronic Data Interchange Center.

Forms are not used to collect the data from the State agency respondents. Each State sends the BLS a computer file known as the Enhanced Quarterly Unemployment Insurance (EQUI) file. Instructions on sending the EQUI files to the BLS are contained in the QCEW State Operating Manual which is updated occasionally.

#### 4. Efforts to Identify Duplication

As a result of contacts and meetings with the National Association of State Workforce Agencies (NASWA) and the ETA, the BLS determined that it is the only Federal agency that requests such data.

The QCEW program is the only Federal statistical program that provides information on establishments, wages, tax contributions, and the number of employees subject to State UI and UCFE programs. Similar employment and wage data for workers covered by the Federal Insurance Contributions Act (FICA) in private industry are released by the Census Bureau in its County Business Patterns publications. These publications frequently lag the release of the QCEW data by one year or more and do not cover 21.1 million government workers (2012 annual average).

#### 5. Impact on Small Businesses

The BLS collection of the QCEW data does not involve small businesses or other small facilities.

#### 6. Consequences of Less Frequent Collection

The quarterly frequency of the QCEW data is based on the State UI quarterly reporting requirements.

The consequences of not collecting the QCEW data would be grave to the Federal statistical community. The BLS would not have a sampling frame for its establishment surveys; it would not be able to publish as accurate current estimates of employment for the US, States, and metropolitan areas; and it would not be able to publish quarterly census totals of local establishment counts, employment, and wages at the county or equivalent level. The BEA would not be able to publish as accurate personal income data in a timely manner for the US, States, and local areas. Finally, the ETA would not have the information it needs to administer the UI program. Elimination of the QCEW program would require Federal agencies to engage in duplicative efforts to obtain establishment, employment, and wages data.

#### 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 Consultation Outside the Agency

One comment was received as a result of the Federal Register notice published at 82 FR 35825 on August 1, 2017. The comment, in support of the BLS QCEW program, noted that the program is BEA's only source of wage, employment, and establishment data and is critical to key components of economic statistics of the Bureau of Economic Analysis.

## 9. Payment to Respondents

None.

## 10. Assurance of Confidentiality

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.

Based on this law, the BLS provides respondents with the following confidentiality pledge/informed consent statement:

*Upon receipt by the BLS of the QCEW files, the BLS will use the QCEW data for exclusively statistical purposes and will hold this information in confidence to the full extent permitted by law.*

BLS policy on the confidential nature of respondent identifiable information (RII) states that “RII acquired or maintained by the BLS for exclusively statistical purposes and under a pledge of confidentiality shall be treated in a manner that ensures the information will be used only for statistical purposes and will be accessible only to authorized individuals with a need-to-know.”

This policy remains in effect; however, the extent to which each State maintains confidentiality differs according to the laws of each State. Information collected for the QCEW Program that is furnished to the BLS, and in the BLS' possession, is considered confidential and are covered by CIPSEA and by BLS policy.

The BLS has a long-standing arrangement to provide QCEW data to the BEA for the purpose of developing the Personal Income Accounts. The States for which these data are shared with the BEA are aware of this arrangement. In a March 1998 BLS - Interstate Conference of Employment Security Agencies working group meeting, the BLS agreed not to share establishment-identifying QCEW data without the specific written authorization of the respective SWA.

## 11. Justification for Sensitive Questions

No sensitive questions are asked.

## 12. Estimates of Respondent Burden

- a. Number of respondents: 53
- b. Frequency of response: Quarterly
- c. Total responses: 212
- d. Annual hour burden: 890,240 hours -- 428 staff years times 2,080 hours per year in FY 2016 (The annual hour burden differs slightly from the estimate published in the 60-day Federal Register Notice due to rounding.)
- e. Explanation of burden: Based on positions funded in SWAs for the estimate estimate QCEW program
- f. Range of burden hours: The funding formula is based primarily on the number of establishments which range from 3,379 in the Virgin Islands to 1,416,493 in California for 2015, the most current final annual average available.

## 13. Estimate of Cost Burden to Respondents

Annualized costs to respondents are covered in the SWA funding listed in item 14.

## 14. Cost to the Government

Listed below are the estimated FY 2016 Federal government costs for the QCEW program. Costs associated with other QCEW related forms previously approved by OMB are included.

Personnel	\$13,000,000
Other	\$13,000,000
SWA funding	<u>\$31,000,000</u>
<b>TOTAL</b>	<u><b>\$57,000,000</b></u>

## 15. Changes in Respondent Burden

The burden decreased by 101,920 hours. A reduction in funding for states reduced positions in the states.

## 16. Publication Plans

Six BLS reports as well as LABSTAT, BLS's public data repository, will receive data from the QCEW program:

- (A) Quarterly news releases on county and national employment and wages with industry detail are issued 6 months after the reference quarter (<http://www.bls.gov/news.release/cewqtr.toc.htm>),
- (B) Quarterly news releases on business employment dynamics at the national and state level are published 7 months after the reference quarter (<http://www.bls.gov/news.release/cewbd.toc.htm>),
- (C) An annual comprehensive Employment and Wages bulletin is published 9 months after the reference year (<http://www.bls.gov/cew/cewbultns.htm>),
- (D) Quarterly employment and wages data with industry detail at the national, state, MSA, and county levels are released on LABSTAT 6 months after the reference quarter (<http://www.bls.gov/cew/data.htm>),
- (E) Annual employment and wages data with industry detail at the national, state, MSA, and county levels are released on LABSTAT 6 months after the reference year (<http://www.bls.gov/cew/data.htm>),
- (F) SWAs issue quarterly and/or annual reports on QCEW data in an aggregate form (<http://www.bls.gov/bls/ofolist.htm>).

## 17. OMB Expiration Date Display

BLS is requesting OMB approval for permission to suppress the expiration date on the QCEW Manual. The manual does not require updates very often, but BLS does occasionally issue updates. Approval is necessary to reduce the costs associated with the additional staff time associated with preparing and distributing updated pages for the QCEW manual for the purpose of revising the expiration date.

## 18. Exceptions to Certification Statement

There are no exceptions to the "Certification for Paperwork Reduction Act Submissions."