Putting America to Work
The Essential Role of Federal Labor Market Statistics

Andrew Reamer, Fellow
Metropolitan Policy Program
The Brookings Institution

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The Federal Government Role in Providing Labor Market Information

Information for Efficient Markets

Labor market participants and policymakers need access to current, accurate, useful information that describes and assesses labor market choices and conditions

Statistics are an important component of labor market information, providing quantitative signals about market conditions and characteristics that participants can use to make decisions

Rationale for Federal Statistical Role

The federal government is a primary provider of labor statistics because the private sector does not have the ability and incentive to provide the data needed for public policy purposes

Only the federal government has the capability to ensure the collection of current, accurate, objective, relevant data that are consistent over time and space and accessible to labor market participants regardless of ability to pay

Reframing the Federal Role

Traditionally, the federal labor market statistical system has been geared primarily to serve federal policy and research purposes, and less the decision-making needs of individuals, businesses, educators, and state and local policy organizations

A mid-20th century innovation – statistics that serve social science, enable "top-down" policymaking and program development, and "fine tune" the economic cycle

This approach seemed complete in a time of limited dissemination capacity and relatively stable economic and labor market structure

Reframing the Federal Role

However, for 30 years, we've experienced ongoing structural change in the economic base and labor markets as well as increasing emphasis on postsecondary education

As a result, labor market participants are faced with decisions more numerous and complex than before

To have a hope of a middle class existence, most individuals now need to manage their occupational path throughout their working lives

Further, ongoing economic restructuring requires the involvement of state and local policymakers

Reframing the Federal Role

This change substantially increases labor market participants' need for information to make sound decisions

Advanced IT allows far more extensive data collection and dissemination that can inform decision-making

In the absence of federal action, the extent of information market failure grows substantially

∴The federal government has an important role in addressing information market failure, and labor market dysfunction, through a statistical system that meets decision-maker needs

Reframing the Federal Role

This role represents a paradigm shift from top-down social engineering—reflecting a view of the economy as a machine—to one of bottom-up enabling and catalyzing of markets, reflecting their dynamism, uncertainty, and uncontrollability

➢ Parallel in economic development – clusters policy
➢ Newtonian vs. quantum physics

As information is an inexpensive public good, the return on the nation's investment in economic statistics is nearly infinite

Federal Labor Market Data Topics

➢ Student enrollments and graduations

➢ Supply of workers

➢ Demand for workers

➢ Interaction between worker supply and demand

➢ Economic context

Types of Federal Labor Market Data

➢ Static – snapshot of labor market characteristics and conditions ("stock") in the present and past

➢ Dynamic – description of the disaggregated gross "flows" that lead to the "stock"

➢ Projections – anticipated labor market characteristics or conditions

The Federal Labor Market Statistics System

The federal system that produces labor market data is decentralized, complex, and idiosyncratic, involving multiple federal agencies (BLS, NCES, ETA, and Census) and sets of state government partners (LMI agencies and SEAs)

At least eleven congressional committees and subcommittees have jurisdiction over authorization, appropriations, and oversight of the efforts of federal agencies responsible for labor market statistics

Bureau of Labor Statistics

Produces an array of labor statistics at the national, state, and local levels

FY2010 budget – $611 million

Oversees federal-state cooperative statistics system

➢ $85 million in labor market statistics grants to the states, FY2009
➢ Cooperative statistics system managed through the Workforce Information Council

National Center for Education Statistics

Produces or finances labor market-relevant data products on secondary and postsecondary enrollments, completions, and credential attainment

FY2010 budget – $108.5 million
➢ From separate account, manages SLDS program

Works with SEAs, LEAs, and postsecondary institutions
➢ Manages National Postsecondary Education Cooperative and National Forum on Education Statistics

Employment and Training Administration

"The mission of the Employment and Training Administration is to contribute to the more efficient functioning of the U.S. labor market by providing high quality job training, employment, labor market information, and income maintenance services primarily through state and local workforce development systems. . . . We will strive to turn individuals into career entrepreneurs by equipping them with the information they need to develop the knowledge, skills and abilities sought after in the new economy."

Employment and Training Administration

Oversees/funds state UI systems

Supports workforce information systems ($52 million in FY2010)

➢ O*NET
➢ Career InfoNet suite of tools
➢ Workforce information grants to the LMI agencies ($32 million in FY2010) for analysis and dissemination
➢ Workforce Data Quality Initiative
➢ BLS Mass Layoff Statistics funding

Census Bureau

The Census Bureau produces labor market-relevant statistics drawn from

➢ Population estimates
➢ Current Population Survey
➢ American Community Survey
➢ Local Employment Dynamics
➢ Small business and self-employment data

National Employment Statistics System

Codified in the Wagner-Peyser Act (29 USC 49l-2) by the Workforce Investment Act of 1998

The section directs the Secretary of Labor, working primarily through BLS, to
a) oversee a national employment statistics system
b) oversee a federal-state cooperative governance structure for the system
c) annually update, in cooperation with the states, a five-year plan for managing the system
d) regularly consult with the states

To receive assistance, states must carry out a number of duties, including consulting with labor market participants (e)

National Employment Statistics System

Key dimensions of law:

➢ Requires timely data and projections on national, state, and local labor markets
➢ Directs that data products meet the needs of students, workers, educators, and employers
➢ Emphasizes the role of statewide employment statistics systems
➢ Uses five-year planning process as a vehicle to evaluate performance and build case for budget request
➢ Mandates coordination with the states and encourages active collaboration with other federal agencies

The Capacity of the Federal Statistics System to Meet Labor Market Participant and Policymaker Needs

Key Findings

While the labor market statistical system produces many valuable datasets and tools, it does not adequately meet labor market participant and policymaker needs. The aim of 29 USC 49l-2 has not been fulfilled.

Reasons:

➢ Inadequate funding
➢ Uneven capacity in the system to identify and respond to participant and policymaker needs
➢ Insufficient collaboration

At the same time, IT-based innovations and new agreements on governance provide hope

Missing Pieces

Education and Training

➢ Educational attainment [certificates, certifications]
➢ Flow of graduates/credential completions
➢ Labor market outcomes
➢ Projection of demand for credentialed workers

Missing Pieces

Occupations and Skills

➢ Occupational structure – timely/time series
➢ Current demand
➢ Detailed, current skills taxonomy
➢ State and local projections
➢ State and local supply/demand analysis [based on actual demand]
➢ Geographic clusters

Missing Pieces

Employment

➢ Lack of geographic/industry detail [JOLTS, BED, CES]
➢ Uncertainties regarding industry classification [BLS/ Census business register differences]
➢ Agreement on methods

Decision-Support Tools

➢ Lack of tools that add value to data to inform participant and policymaker decisions

Opportunities in the Offing

➢ Real-time LMI

➢ Longitudinal data systems

➢ Distributed data systems

Chronic Underfunding

Funding decision-makers do not sufficiently appreciate that a strong labor market data system, at an annual federal cost of about $1 billion, could

➢ dramatically improve labor market decision-making and functioning throughout the $14 trillion economy
➢ boost the impact of annual federal expenditures of $125 billion in human capital formation
➢ reduce the $275 billion in federal expenditures for income security

Key issues – Lack of understanding of data's role, system decentralization, small data budgets in large departments, diffusion of Congressional authority

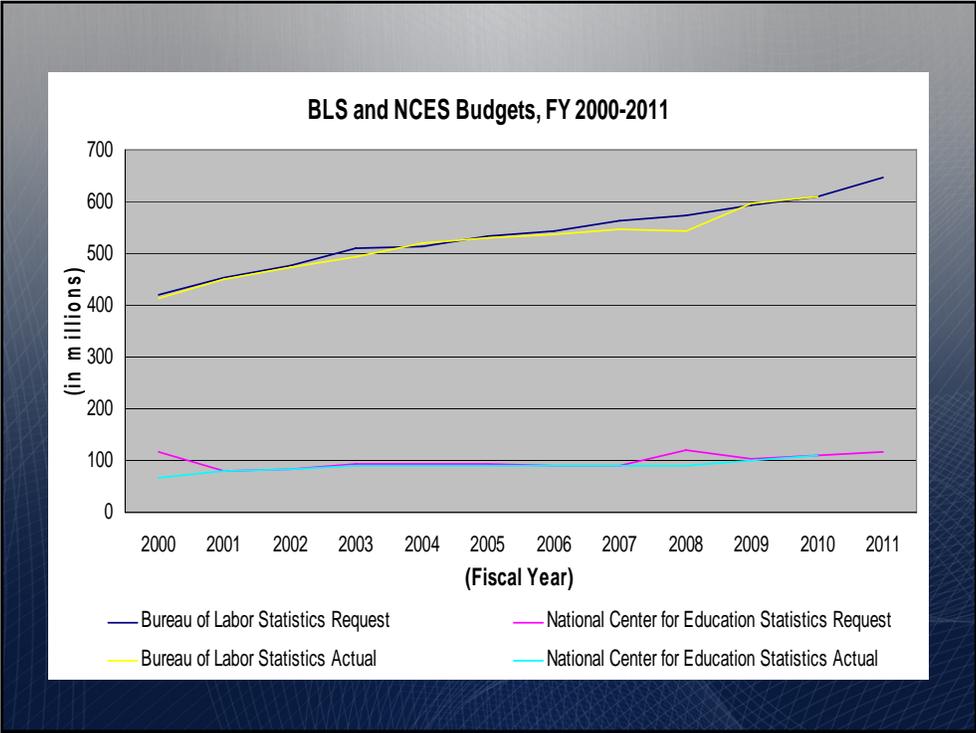**ETA Budget for Workforce Information/National E-Tools/System Building, 2001-2011**
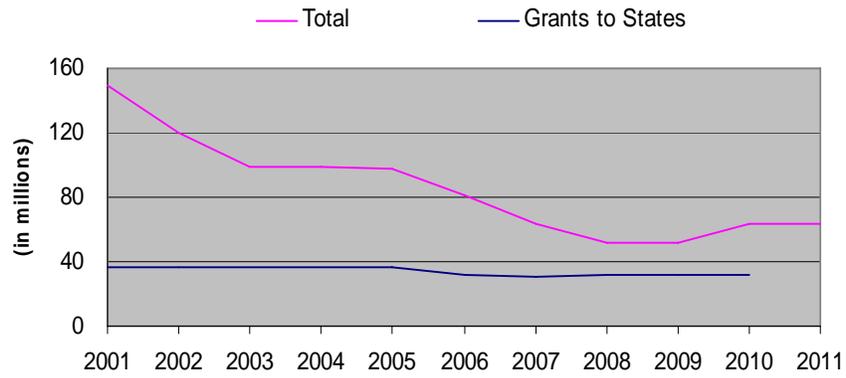
Note: The FY2010 actual and F2011 requested total figures include $12 million for a Disability Employment Coordination Initiative

BLS and ETA Grants to States and DC
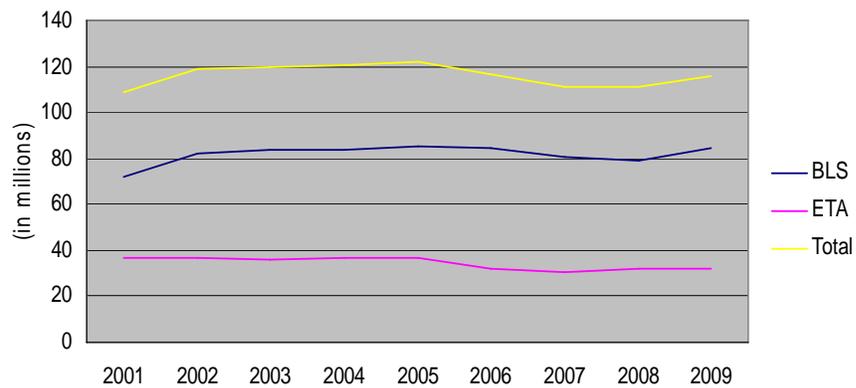
Note: BLS totals are for the fiscal year; ETA totals are for program year

BLS and NCES Budgets, FY 2000-2011

Greater Funding Needed

To fulfill the vision of using statistics to improve labor market functioning, federal appropriations for labor market statistics must increase substantially

As the funding base is relatively small and the economic and fiscal return on investment substantial, such an increase is both feasible and highly justifiable

Addressing User Needs: BLS

Traditionally, BLS' primary focus is satisfying two federal needs: for macroeconomic decision-making and for the allocation of federal program funds

To this point, 29 USC 49l-1 authorizes BLS funding for states to participate in the cooperative statistics system so that they can operate statistical programs

> "which are essential for the development of estimates of gross national product and other national statistical series, including those related to employment and unemployment."

Addressing User Needs: BLS

Consequently, it has not been part of BLS mission, culture, and experience to support the breadth of labor market participant decision-making needs

That said, BLS

➢ has created a Data User Advisory Committee
➢ recently changed its mission statement to read "Our mission is to collect, analyze, and disseminate essential economic information to support public and private decision–making."
➢ is assessing user needs as part of its program reviews
➢ through the WIC, agreed with states on priorities that include data program improvements, customer consultations, and state-of-the-art LMI web delivery systems

Addressing User Needs: ETA

Consistent with its mission, ETA is selectively investing in prototypes of new IT-based tools

However, ETA has not treated workforce information as a priority. It has not
➢ articulated a strategy for a national workforce information system
➢ sought to make the collection and use of workforce information a priority for all ETA programs, e.g., Job Corps

Addressing User Needs: NCES

The Department of Education 2007-2012 strategic plan says the "Institute of Education Sciences will. . . provide policy-makers, educators, parents and other concerned citizens with ready access to . . . information that allow more informed and effective decisions . . . ."

NCES' support of SLDS (with workforce outcomes) and the web-based College Navigator tool suggests it increasingly seeks to build datasets and tools to aid labor market decision-makers

Addressing User Needs: Census

Census Bureau programs operate independently for the most part, so their focus on meeting user needs varies

➢ While historically a supply-driven organization, the Economics Directorate recently created an Office of Product Development and Strategic Planning
➢ The LED program actively reaches out to customers
➢ The Population Estimates Program is in the process of reinventing itself

Addressing User Needs: States

Historically, state LMI agencies acted as data production shops for BLS. At present, states are uneven in their interest and capacity to support a broader mission

➢ Maine, Florida, and Washington State actively look to aid public and private decision-makers

SEAs also are uneven in their interest in and capacity to support a broader mission

➢ States that offer data-based decision-making tools include Minnesota, Texas, and Washington State

The Need for a Demand-Driven System

If the statistics system is to effectively contribute to labor market efficiency, each federal and state agency in the system needs to affirm and implement a demand-driven approach (and have the resources to do so)

Towards this end, the WIC priorities statement and draft annual plan represent important movement forward

System Coordination

Until now: The WIC has not been able to provide the inclusive planning and coordination process needed by the labor market statistics system

➢ The WIC does not include ETA, NCES, Census, or SEAs as members
➢ A fully collaborative relationship between BLS and the state LMI agencies is not in place at present
➢ The Secretary's annual plan required by law has not been published since 2001

Reasons – 29 USC 49l-2 design flaws, BLS traditional mission, lack of interest by Secretary of Labor

System Coordination

Looking forward: The WIC priorities statement (December 2009) and draft annual plan (July 2010) indicate the WIC's mission is to provide direction for the improvement of the nation's workforce information system, widely defined

To that end, WIC priorities and draft plan include

➢ expanding membership to include ETA, the Department of Education, and the Census Bureau
➢ creating a committee to support the implementation of SLDS, with linkages to workforce outcomes

A Vision for the Federal Labor Market Statistics System

Mission

The mission of the federal labor market statistics system should be to provide the data needed by students, workers, educators and trainers, employers and public policy organizations to make well-informed labor market decisions

Means

This mission would be achieved through

➤ better data (improved existing programs, new IT-based efforts)
➤ web-based data analysis tools that facilitate decision-making through integrating and adding value to data
➤ increased capacity of statistical agencies, particularly at the state level, to serve participants

Achieving the mission relies on three principles . . .

Principle - 1

Federal and state labor market statistical agencies should be demand-driven – have the mission and capacity to identify and respond to the needs of labor market participants and policymakers

Means include

➢ agency statements – strategic plans, congressional budget justifications, performance plans, web site
➢ regular outreach to representatives of data users
➢ a culture that encourages responsiveness and innovation
➢ departmental leadership invested in the value of information

Principle - 2

The Administration should request and Congress should approve appropriations sufficient to enable federal and state agencies to meet labor market participant and policymaker needs

Principle – 3

The statistical system should have appropriate organization and governance, including an interagency forum that has

➢ the four federal and two sets of state agencies as members
➢ coordinated priority setting
➢ project-specific collaborations among federal agencies
➢ good working relations between federal and state partners
➢ coordinated communications with representatives of data users
➢ regular program performance evaluation

In addition, Congress should develop means to coordinate congressional appropriations and oversight

A Roadmap for Achieving the Vision

Priorities for Action

➤ The White House should coordinate the development of a demand-driven federal labor market statistics system, particularly through the departments of Labor, Education, and Commerce

➤ OMB should support expansion of system funding by $300 million, including substantially increased funding to state LMI agencies

➤ OMB and Congress, through GAO, should assess the economic and fiscal impacts of improved labor market statistics

➤ Through executive order or WIA reauthorization, the WIC should be reshaped to broaden membership and sponsorship

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areamer@brookings.edu
(202) 797-4398