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

Andrew Reamer

> "Well-functioning, data-driven labor markets will help put America to work —enhancing job creation, earnings, and regional and national competitiveness."

The United States faces two challenges in providing the opportunity for gainful and meaningful employment to all its citizens. The first, structural and long-term, requires workers and their communities to adjust to the ongoing shift toward greater skill requirements and higher educational attainment, evidenced by a growing mismatch between worker abilities and employer needs. The second challenge is the cyclical and near-term hurdle of moving the economy out of the Great Recession. To address these twin challenges, well-working labor markets are essential. A component of that functioning is good labor market information, enabling intelligent choices about career paths, hiring, training, and public investment and policy. Unfortunately, today's federal statistical system is not adequately serving the needs of the full array of labor market participants and policymakers. This paper's aim is to provide a vision of a federal labor statistics system that enables Americans to gain productive occupations and a roadmap for implementing that vision.

I. Introduction—America's Challenge

All Americans deserve the opportunity to have an occupation that provides a decent standard of living. For a number of decades, a worker could move from high school into a well-paying manufacturing job or trade for life. That is no longer the case.

Increasingly, earning a middle class income requires that workers have a postsecondary credential and regularly upgrade their skills. The dependence of middle class wages on a postsecondary credential (see figure) is the result of greater reliance on technology, requiring more training, and international competition, which moves lower-skilled jobs overseas. And as technology changes, skills must be upgraded. Most individuals now need to manage their occupational path throughout their working lives–making more numerous and complex decisions than previously.

For the nation's long-term economic well-being, workers and their communities need to adjust to the new realities of the labor market. National competitiveness depends on the ability of regional economies to compete in ever-changing international markets. Regional economic competitiveness in turn depends on the creativity, responsiveness, and adaptability of workers in clusters of related occupations and skills.

However, evidence suggests a growing mismatch between worker capabilities and employer needs. The nation has been producing fewer postsecondary graduates than employers want and is projected to do so for the next decade. Left unchecked, this gap will impair the economic health of the nation and its workforce.

In the near term, the nation must increase employment and move beyond the recession. Persistently high unemployment makes clear that the recession has accelerated occupational transformation. Layoffs have disproportionately hit those workers with fewer skills and less education (see figure) and harmed communities whose economic base has been built on such workers.
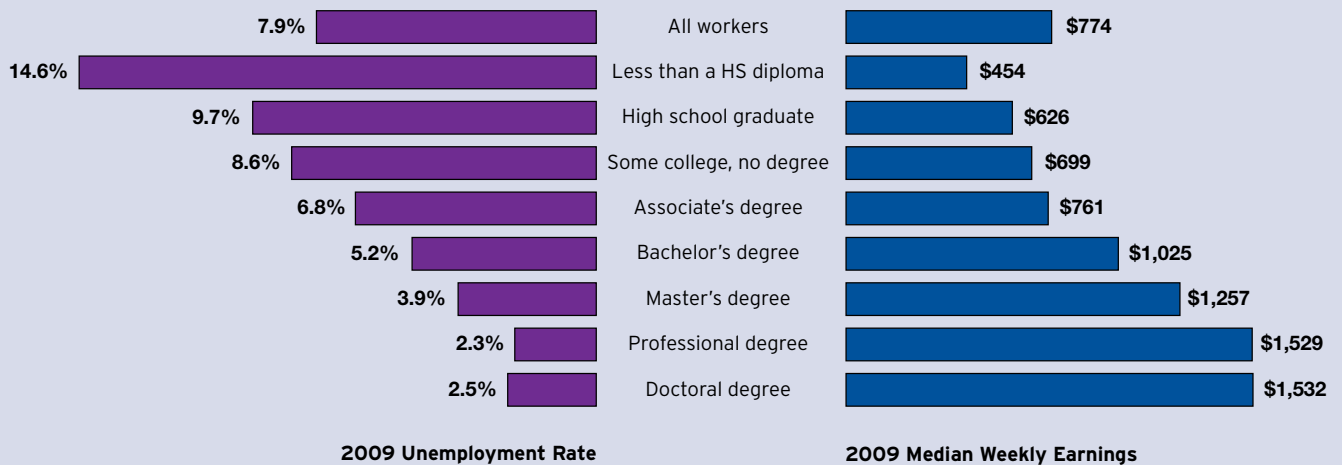
To address these short- and long-term needs, labor markets require good information. Labor market participants—individuals, educators, and employers—and policymakers at all levels of government need current, accurate information to make informed choices about, for example, career paths, training programs, hiring, and public investments (see box).

Statistics are an essential component of labor market information. Statistics show the occupational, employment, and educational trends and projections that allow labor market participants and policymakers to better see truths and understand the likely consequences of irreversible expenditures of two scarce resources—time and money.

National and regional data on current wages and a projected demand by occupation, for instance, help students make career choices and educators determine what credential programs to offer. Data on area workforce characteristics help business managers make location decisions. Regional labor force data guide workforce investment boards and economic developers in making investments for training and business recruitment.

However, labor market participants and policymakers do not have access to the statistics they need to make intelligent decisions. Lack of current, accurate, detailed data at all geographic levels is leading to disconnections between labor market demand and supply, which in turn adds to unemployment, underemployment, and unfilled jobs. While the federal government has primary responsibility for the production of labor market statistics, for several reasons it has not been providing the types of data needed by market actors.

Unemployment and Earnings by Educational Attainment, 2009

	2009 Unemployment Rate	2009 Median Weekly Earnings
All workers	7.9%	$774
Less than a HS diploma	14.6%	$454
High school graduate	9.7%	$626
Some college, no degree	8.6%	$699
Associate's degree	6.8%	$761
Bachelor's degree	5.2%	$1,025
Master's degree	3.9%	$1,257
Professional degree	2.3%	$1,529
Doctoral degree	2.5%	$1,532

Source: Bureau of Labor Statistics, Current Population Survey

Orders of Magnitude: Labor Market Participants and Decisions

The number of participants in the U.S. labor market is massive:
- 140 million jobholders are determining next career and education steps
- 39 million secondary and postsecondary students are making education and career decisions
- 14 million unemployed people are actively looking for work
- 6 million businesses are making location, operations, hiring, and compensation decisions
- 19 thousand business and technical training institutions and 4,400 degree-granting postsecondary institutions are making program decisions.

The magnitude of labor market entry, exit, and participation decisions is extraordinary:
- In 2009, employers hired 49 million workers and laid off or discharged 28 million others. Another 22 million workers quit their jobs. So 50 million workers involuntarily or voluntarily came to a determination about what to do next in terms of work
- In 2005, 70 million workers were involved in formal work-related learning activities, primarily work-related courses but also degree and certificate programs and apprenticeships
- In 2007, 3.3 million students dropped out of high school, 3.2 million finished high school, and 3 million people received a postsecondary degree. All had to decide if and how to proceed in the labor market.

There are 275,800 educational, vocational, and school counselors to guide students and 11,000 private educational support organizations (testing, guidance, consulting) to aid educational institutions in their decision-making efforts.

The nation annually spends $772 billion (about 5.5 percent of GDP) on postsecondary education and training, with 65 percent spent outside formal postsecondary institutions.

Over 600 workforce investment boards and more than 7,000 economic development organizations make decisions in the hopes of encouraging good jobs, sustainable businesses, and regional economic well-being.

Sources: Census Bureau, Bureau of Labor Statistics, National Center for Education Statistics, Georgetown University Center for Education and the Workforce

II. Limitations of Existing Federal Policy

The federal government has a major role in providing labor market information, including statistics, to facilitate decision-making. The private sector does not have the ability or incentive to provide wide access to data needed for public policy purposes. Only the federal government has the capability to offer current, accurate, objective, relevant data at all levels of geography, consistent over time and space, and available to labor market participants regardless of ability to pay.

Examples of Labor Market Statistics

- Student enrollments and graduations in particular institutions, programs, and geographies and by demographic and socioeconomic characteristics
- Supply of workers in particular occupations, industries, and geographies and by particular demographic and socioeconomic characteristics
- Demand for workers in those same categories
- Interaction between worker supply and demand, e.g., wage levels, unemployment, in those same categories
- Economic context, e.g., economic growth, productivity, inflation rate.

Agencies in the Federal Labor Market Statistics System

■ The Labor Department's **Bureau of Labor Statistics** produces an array of labor data at the national and subnational levels, including employment and unemployment of individuals, jobs and earnings by industry and occupation, job openings and labor turnover, mass layoffs, occupational projections (national only), prices, and consumer expenditures.
   BLS manages a federal-state cooperative statistics system with the state LMI agencies. The LMI agencies gather jobs data and forward them to BLS for integration, analysis, and dissemination; the LMI agencies also analyze and disseminate the data. BLS provides labor market statistics grants to the states, totaling $85 million in FY2009. The cooperative statistics system is managed through the Workforce Information Council, reflecting a mandate of the Wagner-Peyser Act.

■ The Education Department's **National Center for Education Statistics** produces or finances labor market-relevant data products and tools on secondary and postsecondary enrollments, completions, and credential attainment. NCES works closely with state education agencies in data collection. NCES provides grants to SEAs to support a network of statewide longitudinal data systems (SLDS) that track student progression from K-12 into postsecondary and the workforce.

■ As part of a wider mission to support efficient labor markets, the Labor Department's **Employment and Training Administration** promotes improved data and information for decision-making by individuals and local and state policy organizations. In particular, it provides career management tools on the CareerOneStop website; O*NET, a detailed online occupational database; workforce information grants to state LMI agencies ($31.8 million in FY2010); Recovery Act funding to state LMI consortia and other organizations for structural improvements, such as better state occupational projections, and experiments, such as real-time LMI (the scraping of electronic job boards to measure vacancies and identify job tasks and requirements, by occupation); support for LMI agencies to add workforce outcomes data to SLDS; and tools that identify or integrate local data from multiple sources to facilitate regional decision-making.

■ The Commerce Department's **Census Bureau** provides a series of datasets that describe population characteristics, household conditions, and economic activities. Key efforts include population estimates, Current Population Survey, American Community Survey, self-employment data, and the Local Employment Dynamics program, a partnership with state LMI agencies that tracks flows of workers over time and space.

The federal system that produces labor market data is decentralized, complex, and idiosyncratic, involving multiple federal agencies and sets of state government partners. The two primary federal agencies that produce labor market statistics are the Bureau of Labor Statistics (BLS) and the National Center for Education Statistics (NCES). The Employment and Training Administration (ETA) and the Census Bureau play valuable supporting roles. State partners include labor market information (LMI) agencies and state education agencies (SEAs).
   As important context, a 1998 amendment to the Wagner-Peyser Act gives the Secretary of Labor responsibility for maintaining, through BLS, a "national employment statistics system"

that addresses the "needs of Congress, States, localities, employers, jobseekers, and other consumers . . ." as well as local workforce investment boards and students. Wagner-Peyser mandates data products, regular consultations with LMI agencies to manage the system, and processes for planning, budgeting, and evaluation.

   While offering a large volume of valuable datasets, the statistical system is not adequately meeting labor market participant and policymaker needs with regard to the availability of current, accurate, geographically detailed data on education and training, occupations and skills, employment, and population; the easy accessibility and usability of datasets; the availability of web-based data analysis tools; and adequate access to technical assistance for data analysis.

   The system does not meet user needs for three reasons:

   Appropriations requested by departments and OMB and approved by Congress have been inadequate. Funding decisionmakers in the Labor, Commerce, and Education departments, at OMB, and in Congress do not sufficiently appreciate that the return on investment in federal labor market data is nearly infinite. At an annual federal cost of under $1 billion, the system serves to
   • dramatically improve labor market decision-making and functioning throughout the $14 trillion economy, leading to increased jobs and earnings for workers, higher business profits, and greater tax revenues
   • boost the impact of the billions the federal government invests in human capital formation ($126.4 billion proposed for education, training, employment, and social services programs in FY2011)
   • reduce expenditures by income security programs (unemployment benefits, food and nutrition assistance, housing assistance, collectively budgeted at $274.3 billion for FY2011), more than paying for statistical system costs.

   Of particular concern is the extraordinary drop in ETA's core workforce information budget over the past decade (from $150 million to $52 million) and the underfunding of BLS and ETA assistance to state LMI agencies. In FY2010, the Department of Labor only provided $118 million annually to cover the work of 51 LMI shops. As the figure shows, federal assistance to these agencies has been flat for years.

LMI Grants to States from BLS and ETA, 2001-2009
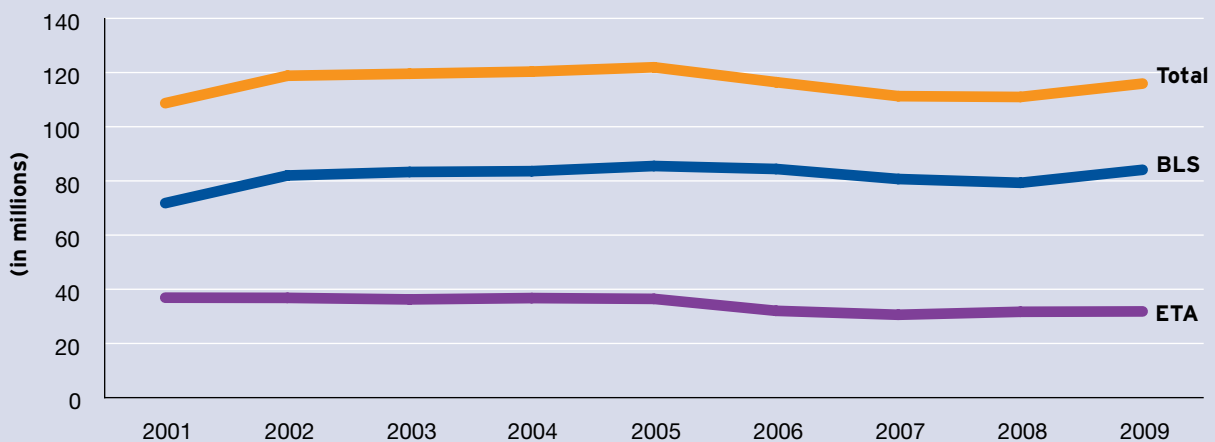
Note: BLS totals are for the fiscal year; ETA totals are for program year

Source: Office of Management and budget

The approach taken by individual statistical agencies is not sufficiently demand-driven, that is, responsive to the needs of labor market participants and non-federal policymakers. Historically, the labor market statistics system is a production-oriented, supply-driven operation focused largely on stand-alone legacy products. It is not structured to readily respond to changing data user demand. Consequently, the Wagner-Peyser Act mandate for a "national employment statistics system" is not being fulfilled. In particular:

- It has not been part of BLS' mission, culture, and experience to support the breadth of labor market participant decision-making needs. Traditionally, the agency has been concerned with satisfying the data needs of federal macroeconomic decision-makers and funding formulas for federal domestic assistance
- State LMI agencies and SEAs are highly uneven in their interest in and capacity to meet the needs of labor market participants and policymakers
- While ETA is strategically investing one-time Recovery Act funds to develop new and improved data tools, it has not articulated a strategy for workforce information, pushed for greater annual appropriations to fund that strategy, or directed each of its various programs, such as Employment Services and Job Corps, to use and help fund workforce information.

Coordination among statistical system agencies in service to a common vision is lacking. The Workforce Information Council (WIC) created to fulfill Wagner-Peyser has not provided the inclusive planning and coordination process needed by the labor market statistics system. Shortcomings include:

- The WIC does not include a number of key labor market statistical agencies—only BLS and state LMI representatives are members. ETA is an observer; NCES and the Census LED Program are not members, and SEAs are not represented
- For more than a decade, the Office of the Secretary of Labor has not demonstrated interest in making workforce information a priority and, for example, ensuring the implementation of Wagner-Peyser requirements, directing BLS and ETA to collaborate through the WIC, adding other members to the WIC, and taking seriously the mandate to publish and act on the secretary's annual plan (not published since 2001)
- A fully trusting relationship between BLS and the state LMI agencies is not in place at present.

At the same time, a number of elements are in place around which to build a strong labor market data system.

- The Wagner-Peyser Act provides the legal basis for creating a strong system
- Three innovative data efforts in the early stages of development—real-time LMI, SLDS, and LED—have the capacity to transform the understanding of national and regional labor market dynamics (see box)
- The WIC has released a mission and priorities statement list, and a draft annual plan, that address a number of issues mentioned above, including participation in the WIC by ETA, NCES and Census and support for greater ETA appropriations, improved data products, and state-of-the-art LMI internet delivery systems.

Innovations in Federal Labor Market Statistics

Local Employment Dynamics: LED links and analyzes millions of workforce administrative records, particularly establishment and employee wage records from state unemployment insurance systems. An experimental program for a decade, Congress approved permanent status for the program in 2009. With annual funding of $14 million, LED is in the first of a three-year expansion plan.

LED's Quarterly Workforce Indicators analyzes workforce dynamics such as hires, fires, turnover, and wage levels by geography (state, metro, county, workforce investment board) and demographic characteristics (age, sex). OnTheMap visualizes the relationship between where people work and reside. A third product, a job-to-job flows tool, will show how defined groups of workers (e.g., in a particular industry and geography, with particular demographic characteristics) move through the economy over time.

LED is close to having 50-state coverage. Over the next two years, with proper funding, it plans to add worker characteristics of occupation, educational attainment, race, and ethnicity.

Statewide Longitudinal Data Systems: Statewide longitudinal data systems are NCES-supported, state-managed efforts that track individual progress through formal education programs (pre-kindergarten to postsecondary) and into the workforce. Forty-one states and DC have received NCES grants, totaling $515 million since FY2006.

NCES and ETA are encouraging the matching of worker job, wage, and training history with academic history. The Census Bureau's LED offers the potential to link education data with workforce outcomes across state lines. A complete set of 51 SLDS that link education and workforce microdata would greatly aid understanding of educational program outcomes and career path patterns and so inform student choices of careers and schools, employer choice of workers, educational program design, and public policies.

Real-Time LMI: Using $4 million in Recovery Act funds, ETA is supporting an eight-state consortium's development of an innovative real-time LMI project for green jobs in the Northeast. Through use of intelligent software, job ads on the web are regularly "scraped" and analyzed to collect current and trend information about job vacancies by geography, occupation, industry, required levels of education and experience, and earnings levels. The information is auto-coded (into standard occupational and industry coding structures) and parsed (to categorize and understand the meaning of the words/phrases contained in the ads). The technology eliminates the time lag between data collection and data production common to most publicly-produced data sources.

Real-time LMI will enable vacancy rate estimation, six- and 12-month projections of occupational demand, and better understanding of the demand for and supply of community college certificates and industry certifications.

If successful, and with proper funding, real-time LMI technology could be applied to all regions and occupations.

III. A New Federal Approach

The mission of the federal labor market statistics system should be to provide the data needed by students, workers, educators, employers, and policymakers to make well-informed labor market-related decisions.

Ultimately, the stock of human capital is determined by the decisions of individuals, employers, and educators. Individual decisions to change jobs reallocate human capital in ways that can be influenced in only limited ways by macroeconomic levers, but which can be made significantly more efficient if individuals have access to high quality labor market information, including data, packaged in user-friendly and intuitive web-based tools.

Fulfilling this mission requires that the administration request and Congress approve adequate appropriations for the statistical system, that the system be responsive to data user needs, and that it have mechanisms to coordinate among all of its federal and state participants.

Consistent with these principles, the federal government should embark on a major effort to build a statistics system that supports well-functioning labor markets and leads to increased jobs, earning, and competitiveness. Priority actions include the following:

1) White House commitment to a strong federal labor market statistics system

Ultimately, the White House is responsible for seeing to that the federal statistical system meets labor market participant and policymaker needs. It should make a commitment to building such a system, indicating that
- full employment requires efficient functioning of labor markets
- persistent unemployment in the context of a shortfall in workers with postsecondary credentials makes clear that markets currently are not functioning well, in part due to lack of data and information
- the federal labor market data system is an important and underutilized resource for improved labor market functioning
- the system provides an extraordinarily high return on a small investment—in terms of greater employment and wages, increased tax revenues, and reduced spending on income security programs
- these qualities are particularly attractive in this time of tight budgets

Fulfilling this commitment will require actions, including those discussed below, on the part of four White House organizations—the National Economic Council (NEC), the Domestic Policy Council (DPC), OMB, and the Council of Economic Advisers (CEA). The White House also should instruct the secretaries of Labor, Education, and Commerce to make implementation a priority.

2) Expansion of federal funding for labor market information

For FY2012, the White House should propose a $350 million increase in spending for labor market information. In particular:
- The BLS budget should be increased by $100 million to provide needed improvements in existing data programs and a more than doubling of support for state LMI shops
- ETA's workforce information budget should be increased by $120 million (bringing the total back to the inflation-adjusted FY2001 level) to support real-time LMI, SLDS links to workforce data, improved state occupational projections, a more current and comprehensive O*NET, web-based career management tools, and substantially increased funding to state LMI agencies
- The NCES budget, including the SLDS grants program, should be increased by $80 million
- The Census Bureau budget should rise by $50 million to improve and expand the variety of relevant data programs under its purview.

For the departments of Labor and Education, the White House should consider funding the budget increases in part through set-asides from the department's program agencies.

OMB should indicate to federal departments that it stands ready to approve additional budget initiatives in labor market statistics if they can make a strong case that these initiatives will lead to economic improvements that result in positive fiscal impacts.

Congressional appropriations committees should recognize the substantial return on investment in labor market statistics and be prepared to approve administration requests for significantly higher appropriations. They also should consider opportunities to fund statistical programs through labor and education program set-asides.

3) Assessment of the economic and fiscal impacts of labor market statistics

Determining the value of labor market statistics to the economy and the public purse should provide evidence that supports public investment in the statistical system.

To this end, OMB's new program performance measurement effort should include rigorous analysis of the economic return (including effect on employment, tax revenues, and program expenditures) on investment in the federal statistical programs in general and labor market statistics in particular.

In addition, the NEC or the CEA should prepare a report that describes the value of federal statistics for public and private decision-making and the need for federal statistical agencies to expand their missions to serve such users.

A committee or subcommittee of Congress with appropriate jurisdiction should request that GAO carry out a study that identifies the economic and fiscal return on the nation's investment in labor market statistics, with case examples.

4) Determination by the Secretary of Labor that the provision of labor market information is a priority

Through responsibilities specified by the Wagner-Peyser Act, the Secretary of Labor plays a central role in the management of the federal labor market statistics system. To achieve well-functioning labor markets, it is imperative that the secretary fulfill these responsibilities.

Consistent with the above budget recommendations, the secretary should direct that the department's budget proposal be substantially increased. She should direct BLS and ETA to clearly state in their congressional budget justifications how their programs will promote more efficient labor markets and economic improvement.

The secretary also should direct that the department consistently and explicitly affirm the mission of the statistical system to serve labor market participants and policymakers in department and agency five-year strategic plans, annual performance plans, budget request justifications, literature, and websites.

The secretary should direct BLS and ETA to coordinate and collaborate, particularly regarding the connection between ETA-funded decision support tools and BLS and state LMI datasets and the expansion of state LMI capacity to meet data user needs.

5) Establishment of an interagency forum for coordinating the labor market statistics system

To ensure coordination across the agencies in the labor market statistics system (BLS, NCES, ETA, Census, state LMI agencies, and SEAs), the White House should see that the WIC is either reorganized or replaced. Options include
- issuing an executive order to establish a standing Interagency Forum on Labor Market Information, while keeping the WIC as the means for managing the BLS-LMI grant program
- giving the Secretary of Labor guidance to expand the WIC within existing law
- having OMB convene an interagency working group separate from the WIC
- proposing changes in the Wagner-Peyser Act as part of any upcoming reauthorization of the Workforce Investment Act.

Each of these options has advantages and disadvantages in terms of control, flexibility, legal standing, and speed of implementation.

IV. Conclusion

The proposed actions aim to bring about a federal statistical system that enables labor market participants and policymakers to make informed decisions in the face of constant industrial restructuring and technology-driven demand for postsecondary credentials. American workers, in particular, must be able to make informed decisions if they are to gain and maintain access to the middle class. In the short run and over the long haul, well-functioning, data-driven labor markets will help put America to work–enhancing job creation, earnings, and regional and national competitiveness.

BROOKINGS

1775 Massachusetts Avenue, NW
Washington D.C. 20036-2188
telephone 202.797.6000
fax 202.797.6004
web site www.brookings.edu

Metropolitan Policy Program
at BROOKINGS

telephone 202.797.6139
fax 202.797.2965
web site www.brookings.edu/metro