DEPARTMENT OF LABOR

Bureau of Labor Statistics

Notice of Decision To Revise Method for Estimation of Monthly Labor Force Statistics for Certain Subnational Areas

AGENCY: Bureau of Labor Statistics, Labor.

ACTION: Statement of Policy.

SUMMARY: The Department of Labor, through the Bureau of Labor Statistics (BLS), is responsible for the development and publication of local area labor force statistics. This program includes the issuance of monthly estimates of the labor force, employment, unemployment, and the unemployment rate for each State and labor market area in the nation. Beginning with estimates for January 1996, monthly labor force statistics for 11 large States (California, Florida, Illinois, Massachusetts, Michigan, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Texas) and two large areas (New York City, and the Los Angeles Metropolitan Area), are being developed according to the time series model approach used in the 39 other States and the District of Columbia. This action is in response to a reduction in the number of households in the Current Population Survey (CPS) undertaken to address lower funding levels for BLS and excessive volatility in the monthly CPS estimates for these large States and areas. Historically, the CPS sample in these States and areas was sufficiently large to meet the BLS standard for direct use and the monthly estimates were taken directly from the survey. The BLS will publish monthly estimates for these subnational areas based on the time series modeling approach starting in March 1996.

DATES: These changes were effective on January 7, 1996.

FOR FURTHER INFORMATION CONTACT: Sharon P. Brown, Chief, Division of Local Area Unemployment Statistics, Bureau of Labor Statistics, telephone 202–606–6390.

SUPPLEMENTARY INFORMATION:

Summary of Comments

The BLS received 5 comments in response to the proposal to revise the method of labor force estimation for certain large States and areas which was published November 3, 1995 [60 FR 55855]. Two commenters expressed support of the proposal; 2 were opposed. The fifth commenter expressed support for model-based estimation, but had reservations about

the characterization of the model approach and reduction in sample size.'

Three commenters expressed concern that detailed demographic statistics from the CPS be preserved. The BLS will continue to make CPS demographic estimates available, although the variance of the monthly estimates will rise, with a negative impact on analytical uses, because of the sample size reduction. These monthly State characteristics data will not add up to the official labor force totals which are produced by the models.

Detailed characteristics will continue to be published in the annual Geographic Profile of Employment and Unemployment publication. These estimates will be consistent with annual totals, but the reliability of these estimates will be reduced, and a few may no longer be of publishable quality.

Two commenters asked that parallel estimates be prepared for a minimum of one year, to explore other options to maintain the sample size and to simulate the effect on the estimates and on federal fund allocations. The decision to reduce the sample size of the CPS was made because of the anticipated lower funding levels for BLS. Other options to achieve commensurate savings were not available. Since the modeling approach has been used successfully in the 39 smaller States and the District of Columbia, simulation in the larger States was not required.

One commenter noted that the CPS sample size cut and switch to model-based estimation appears to run counter to the purposes of the major redesign of the CPS implemented in 1994. BLS does not agree, as the models will benefit from the improvements in data accuracy and definitional changes stemming from the redesign. A similar concern was expressed by a commenter who felt that the models were portrayed as a fall-back method. The BLS strongly supports the statistical modeling modeling methodology. The models are designed to adapt to changes in trend and seasonality in the CPS while using historical relationships in the data to smooth current estimates and explicitly removing an estimate of the CPS noise. The resultant estimates exhibit considerably lower volatility as compared to the sample-based estimates.

A commenter noted that the CPS estimates have a statistical measure of reliability, while the models at this time do not. BLS is researching the development of monthly reliability measures for the modeled estimates.

The issue of revision of estimates was raised. Under the model methodology,

State-wide estimates are revised monthly as well as at year-end.

Operational concerns were expressed by two commenters on the delay in the release of data. While the BLS will not publish the State labor force estimates until 3–4 weeks after the national release, BLS will update the estimating system immediately. Therefore, States will be able to make estimates as early as the day that the monthly national statistics are released, if they so desire.

Additional Information

The BLS has been responsible for the Local Area Unemployment Statistics (LAUS) program since 1972. In 1978, the BLS broadened the use of data from the CPS in the LAUS program by extending the annual reliability criterion to monthly data. This action was within the context of a budget proposal to expand the CPS to yield monthly employment and unemployment data for all States by June 1981. Under the expanded criterion, monthly CPS levels were used directly for the 10 largest States, two sub-States areas, and the respective balance-of-State areas. The use of annual average CPS data continued for the other 40 States and the District of Columbia. Ultimately, the budget proposal which initiated the direct use of monthly State CPS data was rejected as too costly. Based on population ranking, the State of North Carolina joined the group of direct-use States in 1985, bringing the group to a total size of 11 States. Also in 1985, sample redesign and other efficiencies improved the reliability of CPS data at the State level, resulting in the criterion on monthly and annual average data of an 8 percent coefficient of variation on the level of unemployment when the unemployment rate is 6 percent.

Especially in regard to the monthly direct use of State CPS data, concern had been expressed as to the volatility of the statistics. In the typical direct-use State, a month-to-month change in the unemployment rate had to exceed 0.7 percentage point to be considered significantly. Often, States experienced consecutive, offsetting large movements in the unemployment rate.

For the other 39 States and the District of Columbia, after extensive research and simulation, variable coefficient time series models for monthly estimation of State employment and unemployment were introduced in 1989. Further improvements was effected with the implementation of signal-plus-noise models in 1994. These models rely heavily on monthly CPS data, as well as current wage and salary employment

and unemployment insurance statistics. At the end of each year, the monthly model estimates are rebenchmarked so that the annual averages for each State match the annual averages derived directly from the CPS.

Because of budget reductions, the CPS sample is not of sufficient size to provide monthly data directly for the 11 large States, New York City, and the Los Angeles Metropolitan Area. Monthly estimates will continue to be produced, based on the time series modeling method currently used for the other States and the District of Columbia. Data for the current direct-use States and areas are no longer released by the BLS at the same time as the monthly national labor force statistics, but are published about four weeks later in the State and Metropolitan Area Employment and Unemployment news release. States that are able to do so have the option of releasing these data earlier, perhaps even simultaneously with the release of national data. Monthly data for these States also are subject to end-of-year benchmarking.

The impact of the CPS sample cut on the national statistics is to increase the variability of most national estimates by about 5 percent. For example, under the current sample, a month-to-month change of 0.19 percentage points in the national unemployment rate represents a statistically significant change at the 90-percent confidence level; the corresponding change under the former design was 0.18 percent.

Detailed descriptions of the estimating methods are available at the above address.

Signed at Washington, D.C., this 1st day of March, 1996.

Thomas J. Plewes,

Associate Commissioner for Employment and Unemployment Statistics, Bureau of Labor Statistics.

[FR Doc. 96–5549 Filed 3–7–96; 8:45 am]

BILLING CODE 4510–24–M