

**PUTTING AMERICA TO WORK:  
THE ESSENTIAL ROLE OF FEDERAL LABOR MARKET  
STATISTICS**

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## Executive Summary

For the U.S. economy to sustain full employment with middle-class jobs, workers, students, educators, and employers, and policymakers require access to good data on labor market conditions and characteristics. The federal government should maintain a labor market statistics system that meets those needs.

### America's Challenge

All Americans deserve the opportunity to have an occupation that provides a decent standard of living. Increasingly, earning a middle class income requires that workers have a postsecondary credential and regularly upgrade their skills. The recession has accelerated this occupational transformation. For the nation's economic well-being, workers and their communities need to adjust to the new realities of the labor market. However, evidence suggests a growing mismatch between worker capabilities and employer needs. Left unchecked, this gap will impair the economic health of the nation and its workforce.

To address this issue, U.S. labor markets require access to current, accurate, detailed statistics. Labor market participants—individuals, educators, and employers—and policymakers at all levels of government need good data to make informed choices about, for example, career paths, training programs, hiring, and public investments. At present, however, labor market participants and policymakers do not have the statistics they need.

### Limitations of Existing Federal Policy

The federal government has a major role in providing labor market information, including statistics, to facilitate decision-making. 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.

While offering a large volume of valuable datasets, the federal statistical system is not 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.
- Individual statistical agencies are not sufficiently responsive to labor market participants and non-federal policymakers needs.

- Coordination around a common vision is lacking among federal and state agencies in the decentralized, complex, and idiosyncratic labor markets statistics system.

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

### 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. 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:

- 1) White House commitment to a strong federal labor market statistics system
- 2) Expansion of federal funding for labor market information
- 3) Assessment of the economic and fiscal impacts of labor market statistics
- 4) Determination by the Secretary of Labor that the provision of labor market information is a priority
- 5) Establishment of an interagency forum for coordinating the labor market statistics system

## I. Introduction

All Americans deserve the opportunity to have an occupation that provides a decent standard of living. Fulfilling this aspiration benefits not only individual jobholders—the nation’s economic health very much depends on workers’ ability to sustain productive careers.

The nation faces two challenges in achieving this goal. The first is structural and long-term—enabling workers, and the communities in which they live, to adjust to the ongoing shift in occupational structure towards greater skill and educational requirements. Evidence suggests a growing mismatch between worker abilities and employer demands. Left unchecked, this gap will impair the economic health of the nation and its workforce.

The second challenge is cyclical and near-term—increasing the number of jobs through moving the economy out of the Great Recession. Persistently high unemployment makes clear that the recession has accelerated the occupational transformation. Layoffs have disproportionately hit those workers with fewer skills and less education and harmed communities whose economic base has been built on such workers.

To address these twin challenges, well-working labor markets are essential. In particular, labor market participants—students, workers, employers, educators—and policymakers need good labor market information so they can make intelligent choices about, for example, career paths, hiring, training, and public investment. Poor information leads to disconnections between labor market demand and supply, which in turn results in unemployment, underemployment, and unfilled jobs, some of which head overseas.

Current, accurate, detailed federal statistics lay at the heart of well-functioning labor markets. Such statistics can 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.

Unfortunately, today’s federal statistical system is not adequately serving the needs of the full array of labor market participants. The system is underfunded, operates through disparate silos, and retains a long-standing focus on serving federal policymakers. Consequently, it is not close to providing its potential contribution to well-functioning labor markets.

At the same time, several elements are in place that, if built on, would bring about a more effective, demand-driven federal statistical system. Such a system would provide economic and fiscal contributions to our \$14 trillion economy orders of magnitude greater than its annual cost of under \$1 billion. Such

contributions would include increased jobs and earnings for workers; higher business profits; greater tax revenues; more cost-effective and perhaps less use of federal education, training, employment, and social services programs; and reduced disbursements of unemployment insurance and food, nutrition, and housing assistance.

Further, better functioning labor markets that lead to increased skills and greater supply-demand match would enhance the nation's economic competitiveness. National competitiveness depends on the ability of regional economies to compete in ever-changing international markets. Regional economic competitiveness depends on the creativity, responsiveness, and adaptability of workers in clusters of related occupations and skills. The presence of these characteristics in turn requires well-functioning labor markets.

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. It begins by setting the context—the needs of millions of labor market decision-makers for good information, employers' increased emphasis on hiring workers with postsecondary credentials, and the projected mismatch between labor skills supply and demand. It then describes the federal role in providing labor market information and data and assesses the extent to which the current federal system is meeting decision-maker needs. Finally, it offers a vision and roadmap for a more effective federal effort.

## II. Good Information is Critical for Well-Functioning U.S. Labor Markets

Millions of individuals and organizations regularly make labor market decisions. For example:

- Students choose a career path, whether to obtain additional education and training, and, if so, at which institution
- Workers determine what job openings to seek, what job to take, how to advance in a career, whether to change a career, and how additional education and training would help
- Employers make site location, operational, hiring, and wage and salary decisions
- Educators and trainers decide on program offerings, curricula, and size

Labor markets also are influenced by policymakers at all levels of geography. National, state, and local workforce development organizations affect education and training efforts. Economic development organizations guide regional business activity. And labor markets are greatly influenced by the actions of federal fiscal and monetary policymakers, such as the Office of Management and Budget (OMB), Congress, and the Federal Reserve.

Before making decisions, labor market participants and policymakers often seek the perspective of advisers with relevant knowledge and perspective, such as school counselors, consultants, and researchers.

To grasp the enormity of the nation's labor market operations, consider the figures in the accompanying box.

### **Box 1. 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<sup>1</sup>

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.<sup>2</sup>

- 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.<sup>3</sup>
- In 2007, 3.3 million students dropped out of high school, 3.2 million finished high school, and 3.0 million people received a postsecondary degree.<sup>4</sup> 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.<sup>5</sup>

The nation annually spends \$772 billion (about 5.5 percent of GDP) on postsecondary education and training, with 65 percent spent outside formal postsecondary education institutions.<sup>6</sup>

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 economic well-being.

In order to make good decisions, labor market participants and policymakers need access to current, accurate, useful information that describes or assesses labor market choices and conditions. In traditional microeconomic theory, access to full information is a requirement for efficient markets, ones that allocate scarce resources to their highest and best uses. The absence of full information is considered “information market failure” and, in the terms of the newly named Nobel laureates in economics, leads to “search frictions” in the labor market.

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

The box below describes various types of labor market information. Appendix Chart 1 provides examples of the use of data-based information by various types of labor market participants and policymakers.

The progressive transformation of the U.S. economy towards a reliance on knowledge substantially increases the number and complexity of labor market decisions and the importance of information and data to guide them. Moreover, the fact that this transformation is ongoing means that participants and policymakers will need to continually revisit their decisions. The next section discusses this trend further.

## **Box 2. An Overview of Labor Market Information**

One type of labor market information describes labor market choice and conditions, from which participants and policy makers can make their own assessments. For example, individuals want information on occupational options; educational requirements; schools, programs, and courses that fulfill those requirements; and current job openings. Participants and policymakers find useful relevant data on current and projected labor market conditions, e.g., supply, demand, wages, and unemployment rates for particular occupations.

To assist decision-making, a second type of labor market information assesses these labor market choices and conditions. While, ultimately, all participants are responsible for their decisions, they can benefit from access to evaluations of various decision options, e.g., which school to attend, which programs to offer, which location has the most attractive labor supply, which occupational clusters should be regional priorities.

Descriptions and assessments of labor market options and conditions come in a variety of forms and formats, for example, job listings, guidebooks, data series, web-based assessment tools, published research and analysis, memoranda, verbal advice.

As a form of labor market information, statistics can be used stand-alone (e.g., unemployment rate trends and occupational projections) or within text-based descriptive information products (such as projections within an occupational guidebook). Also, labor market statistics are the raw material for various forms of assessments, such as research, analysis, and web-based decision tools.

### III. Postsecondary Credentials Are Increasingly Required for Economic Well-Being

In today's economy, the large majority of labor market participants find that a postsecondary credential is critical in gaining access to the middle class. Moreover, increasing economic instability, through industrial restructuring, technological change, and economic recession, is more frequently causing those without a postsecondary credential to be left behind. The box below lays out the details.

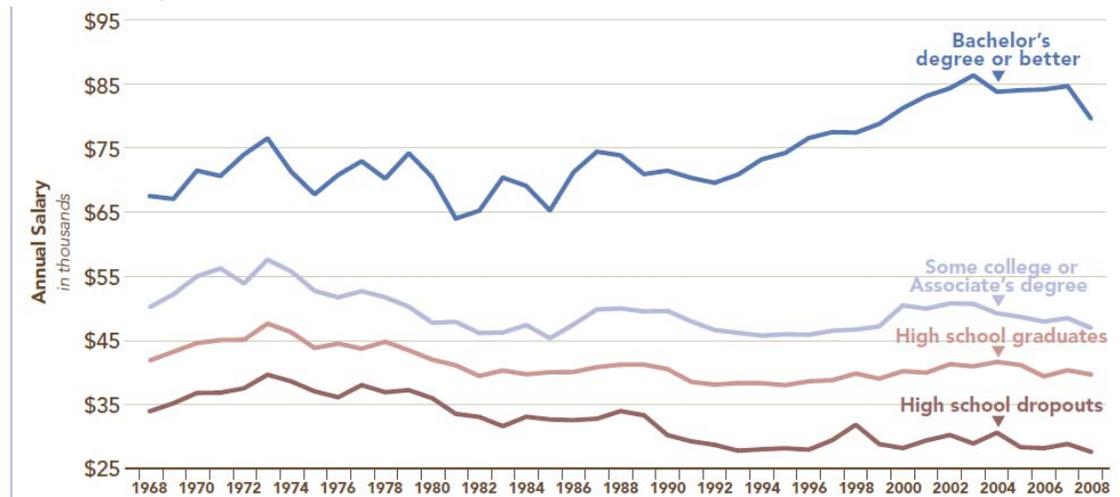
#### Box 3. The Critical Importance of Postsecondary Credentials<sup>7</sup>

Postsecondary education is increasingly required for access to jobs, particularly ones that pay well.

- In 1973, only 28 percent of jobs required some college education. In 2007, the figure was up to 59 percent. It is projected to be 62 percent in 2018.
- These numbers exclude non-degree postsecondary requirements such as industry certifications, licenses, and apprenticeships. In 2003, 42 percent of the workforce needed some form of occupational certification, registration, or licensure.
- Workers' wages increase with education and that wage premium has been rising over time. (See Figure 1). While real wages for high school dropouts and graduates have fallen since the early 1980s, those for workers with a bachelor's degree have climbed significantly.

**Figure 1**

Wage premium by education. Compared to high school graduates, holders of Bachelor's degrees and better have earned a substantial wage premium since the 1990s. (makes no control for full-time or full-year status of workers)



Moreover, a postsecondary credential is becoming an essential ticket to the middle class.<sup>8</sup>

[T]he middle class is dispersing into two opposing streams of upwardly mobile college-haves and downwardly mobile college-have-nots. Dropouts, high school graduates, and people with some college but no degree are on the down escalator of social mobility, falling out of the middle-income class and into the lower three deciles of family income. . . . [P]eople with college degrees (Bachelor's and graduate degrees) have either stayed in the middle class or boarded the escalator upwards to the highest three family income deciles. . . . Essentially, postsecondary education or training has become the threshold requirement for access to middle-class status and earnings in good times and in bad. It is no longer the preferred pathway to middle-class jobs—it is, increasingly, the only pathway.”<sup>9</sup>

Experience and analysis make clear that community college associate's degrees and certificates and industry certifications for skills and occupations in demand are valuable career development assets.<sup>10</sup>

Growing occupations have a greater intensity of non-routine analytic and interactive tasks, which in turn tend to require workers with postsecondary education. Conversely, declining occupations are more likely to involve routine and manual tasks and less likely to require postsecondary education.<sup>11</sup> It is expected that by 2018, 63 percent of job openings will require workers with at least some college education.

As a result, individuals, educators, and employers are faced with labor market decisions more numerous and complex than was the case when a person could move from high school into a well-paying factory or trades job for life. To have a hope of a middle class existence, most individuals now need to manage their occupational path throughout their working lives. More specifically, they need to determine how best to maintain and advance in a career and make sound education and training choices to gain and regularly upgrade the skills in the face of an ever-transforming occupational landscape.<sup>12</sup>

This dynamic can be seen in data on enrollments in adult education and community colleges.

- In 2005, 52 million workers took career- or job-related courses, 39 percent of all workers<sup>13</sup>
- In community colleges
  - 4.2 million degree students attended part-time, 58 percent of all students (fall 2008)<sup>14</sup>
  - 54 percent of degree students were age 22 or older, including 66 percent of part-time students (fall 2008)<sup>15</sup>

- 80 percent of full-time students and 87 percent of part-time students were employed (including 21 percent and 40 percent, respectively, with full-time jobs) (fall 2007)
- 5 million students were enrolled in noncredit courses (fall 2007)<sup>16</sup>

The increasing dependence of middle class wages on a postsecondary credential is the result of technological change and international competition. Technology enhances the productivity of workers with higher skills, through desktop computers or flexible machine tools, for example, and replaces those with fewer skills. Job-replacing technologies usually require more highly educated workers to manage them. Moreover, technology is enabling the devolution of decision-making within firms, which increasingly prize worker creativity and flexibility.<sup>17</sup> Such attributes are in large part a function of knowledge and education. In addition, lower-skilled jobs are more vulnerable to replacement by workers outside the U.S. A postsecondary education credential provides access to wage-enhancing technologies.<sup>18</sup>

As industries and companies constantly are restructuring and as occupations tend to have similar educational requirements regardless of industry, increasingly workers and educators are rightly focusing on training for occupations, not industries. The challenge, then, is to provide the information needed by labor market decision-makers—students, workers, educators, trainers, employers, and policymakers—so that workers can develop successful career paths, beginning with obtaining postsecondary credentials with labor market value.

#### **IV. The Ability of Markets to Match Labor Skills Supply and Demand is Challenged**

In the face of the rising demand for workers with postsecondary education, trends suggest that labor markets are not working well. There is a growing mismatch between the supply of and demand for labor skills, with negative implications for employment, workers' earnings, and economic competitiveness.

The U.S. has been experiencing a shortfall of educated workers for some time. For thirty years, the increase in the educational attainment of U.S. workers, particularly males, has not been adequate to meet the rise in demand for skilled workers (hence the expanding wage differential).<sup>19</sup>

Looking ahead, continued insufficient supply is expected. Georgetown University estimates that "By 2018, the postsecondary system will have produced 3 million fewer college graduates [with an associate's degree or higher] than demanded by the labor market."<sup>20</sup> The College Board Commission on Access, Admissions and Success in Higher Education "called for the United States to take immediate action to reverse its fall from the top ranks of countries with a college-educated workforce [associate's degree or higher]. It warned that if postsecondary success were not made a national priority, our country's economic and social health would continue to weaken."<sup>21</sup> President Obama has repeated this view, also with an emphasis on community colleges.<sup>22</sup> A recently convened White House Summit on Community Colleges discussed "how community colleges can help meet the job training and education needs of the nation's evolving workforce, as well as the critical role these institutions play in achieving the President's goal to lead the world with the highest proportion of college graduates by 2020."<sup>23</sup>

One problem is the failure of a substantial number of college students to graduate. Only 57 percent of full-time undergraduates starting a four-year program in 2001 graduated within six years. And only 28 percent of full-time students starting a community college certificate or degree program in 2004 graduated within 150 percent of "normal time."<sup>24</sup>

At issue is not simply the size of the headcount of workers with a postsecondary credential. Also of concern is a mismatch between the knowledge, skills, and abilities required by employers and those available in the workforce.

In the near term, the recession is accelerating the shift to occupations with postsecondary credentials and accentuating the differences in labor market opportunities between those with and without such credentials.<sup>25</sup> The recession's effects are highly concentrated on workers with little education, particularly the young and men in physical work occupations.<sup>26</sup> At the same time, the number of employed college graduates actually has increased during the recession.

As a number of lower-skilled jobs have been sent off-shore or replaced by technology-enhanced ones that require greater education, many laid-off workers have experienced great difficulties in finding new jobs. Yet some employers cannot find enough skilled workers. Consequently, the nation is experiencing a structural unemployment bottleneck.<sup>27</sup> (See box for key points in the argument.)

#### **Box 4. The Recession Accelerates Need for Postsecondary Credentials**

The recession is accentuating the differences in labor market opportunities between workers with and without postsecondary credentials. Here are the details:

- Workers with less education have borne the brunt of increased unemployment (Figure 2). Over the last three and a half years, the number of employed workers 25 years and older with less than a high school diploma fell by a remarkable 17.3 percent, compared to a 3.9 percent increase in those with a four-year college degree.<sup>28</sup>
- Not surprisingly, those working in physical labor occupations have been hit particularly hard (Figure 3).<sup>29</sup> While physical labor occupations provided only 23 percent of employment three years ago, they suffered 62 percent of the employment loss since then (4.2 million out of 6.7 million total fewer workers). The number of employed workers in physical occupations has fallen by 12.2 percent, compared to 2.3 percent for office-based workers.<sup>30</sup>
- As men dominate physical labor occupations, they are experiencing greater job loss than women (10.5 percent unemployment vs. 8.6 percent). Over half of unemployed men are in physical labor occupations; they find it particular difficult to get work because of the decline in the number of physical labor jobs and a lack of qualifications for office-based work. In contrast, just 12 percent of unemployed women are in physical occupations.<sup>31</sup>
- The recession has instigated the replacement of lower-skilled jobs by workers overseas or by higher-skilled, technology-enhanced positions at the same company.<sup>32</sup> Employers appear determined to meet returning demand by boosting productivity with existing staff.<sup>33</sup>
- As employers emphasize higher-skilled jobs, many cannot find the skilled workers they need among the large pool of unemployed, even in the midst of the recession.<sup>34</sup>
- Laid-off workers face difficulties in developing the skill sets required for occupations in demand. In particular, those in physical work occupations have problems in getting the education and training needed for employment in office-based ones.<sup>35</sup>
- Compared to the last severe recession, in 1980, the effects of the current recession are hitting a smaller percent of the workforce for a longer period of time.<sup>36</sup> Observers believe occupational change is

partly responsible for the record median length of unemployment (25.3 weeks in June 2010, compared to 7.9 weeks in June 2007).<sup>37</sup> In the second quarter of 2010, 31 percent of the unemployed were out of work for a year or more.<sup>38</sup> The toll of persistent unemployment goes beyond individuals to the economy at large in terms of skills development, productivity, and economic timidity.<sup>39</sup>

- Unemployment hits the youngest workers the hardest, particularly those without postsecondary education.<sup>40</sup> Twenty-six percent of 16-19 year-olds and 15 percent of 20-24 year-olds are unemployed.<sup>41</sup>
- Consensus is that full recovery could take another five years.<sup>42</sup> As future employment and wages are inversely related to length of unemployment, many Americans without valued skills face bleak futures.<sup>43</sup> Compounding the difficulty in recovering is the nation's need to create 150,000 jobs per month to keep up with working age population growth.<sup>44</sup>

The recession, then, is increasing the likelihood that a number of American workers, particularly blue-collar men, will be economically stuck, out of sync with employer needs and without the resources to help bridge the chasm.

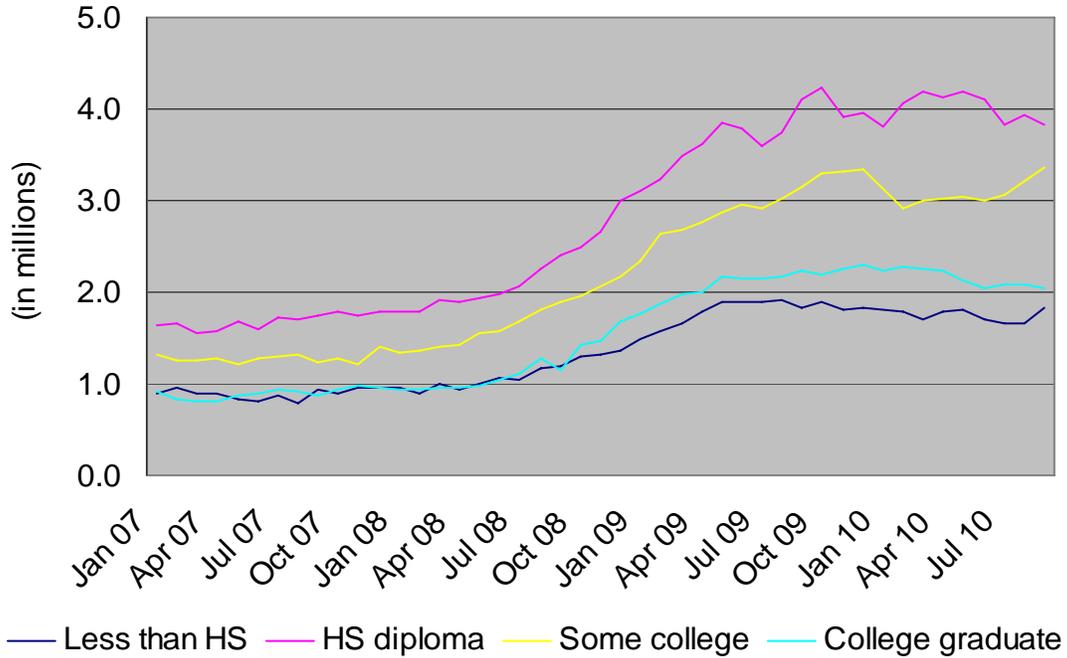
In recognition of the need to boost postsecondary educational attainment, the Recovery Act funded the Community College and Career Training Grant Program, through which the Department of Labor will award \$2 billion to community colleges over four years to help increase completion of degrees, certificates, and other industry-recognized credentials. In April 2010, community college-related associations collectively pledged to boost the number of Americans with postsecondary degrees and certifications.<sup>45</sup> In the last month, several philanthropic and nonprofit organizations announced programs to promote community college completion.<sup>46</sup> At the same time, new proposals were made to build community college-industry partnerships that better prepare workers for well-paying, skilled jobs, through efforts such as “learn and earn.”<sup>47</sup>

However, if these valuable initiatives are to achieve the president's goal and if labor markets at large are to provide the skilled workforce the nation requires to be economically competitive and fully employed, then workers, educators, and employers must have good information and data as they make decisions.

Without current, accurate labor market statistics, the likelihood is that billions of taxpayer funds will be wasted and, more importantly, millions of working lives will be diminished.<sup>48</sup> If America is to get back to work and stay there, a federal labor market statistics system that meets the needs of labor market participants and policymakers is essential.

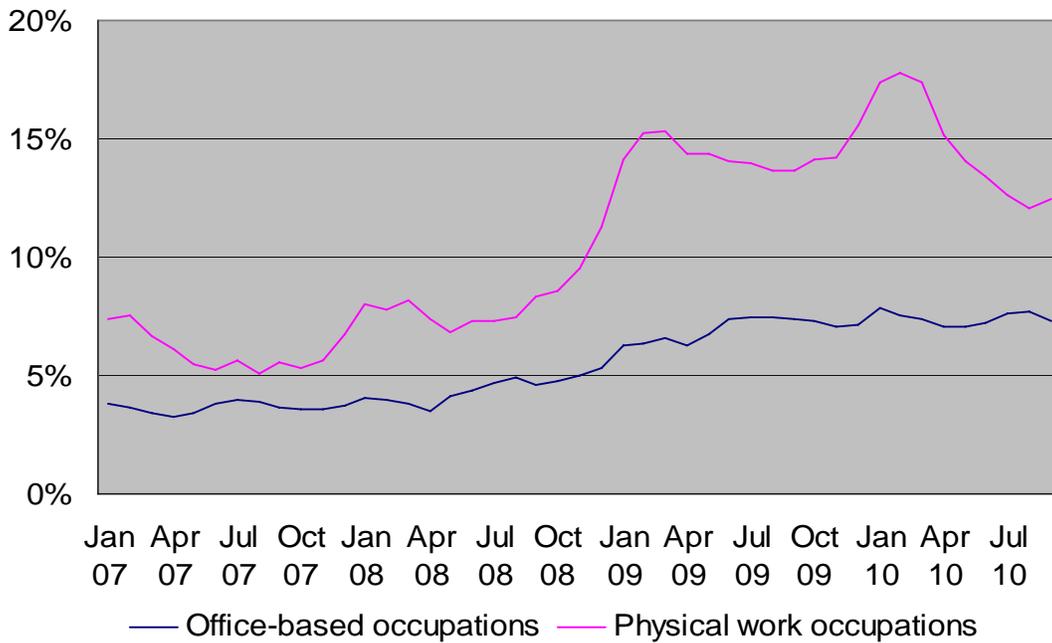
**Figure 2**

**Number of Unemployed by Educational Attainment**  
2007-2010, seasonally adjusted



**Figure 3**

**Unemployment Rate by Occupation Group**  
2007-2010, not seasonally adjusted



Source: Bureau of Labor Statistics

## V. The Federal Government Plays a Central Role in Providing Labor Market Statistics

The federal government has a major role in providing labor market statistics to facilitate decision-making. The private sector does not have the ability and incentive to provide wide access to data needed for public policy purposes. Only the federal government has the capability to collect current, accurate, objective, relevant data that are consistent over time and space and accessible to labor market participants regardless of ability to pay.<sup>49</sup>

Traditionally, however, the federal labor market statistical system has been geared primarily to serve public policy and research purposes, and less so the decision-making needs of individuals, businesses, educators, and state and local policy organizations. The federal economic statistical system was a remarkable mid-20<sup>th</sup> century innovation—one that enabled “top-down” federal policymaking and program development on the basis of social science, including the Keynesian “fine tuning” of the economic cycle. This approach seemed complete in a time of limited dissemination capacity to labor market participants, relatively stable industry and occupational structure, and greater reliance on physical labor than on postsecondary education.

However, changes in labor market structure and advances in information technologies make the statistical system’s current orientation anachronistic and unsatisfactory. For 30 years, the nation has experienced ongoing structural change in the nation’s economic base and labor markets as well as increasing emphasis on postsecondary education. To address the resulting vulnerabilities and opportunities, labor market participants and local, state, and non-macroeconomic federal policymakers are faced with an ongoing stream of decisions and need good data to make sound ones.

Consequently, the federal statistical system now has a “bottom-up” role of facilitating daily labor market activity.<sup>50</sup> In this context, the potential for information market failure grows substantially. And the potential for the government to address such failure is just as great. Two factors are particularly important. Advanced IT allows far more extensive data collection (particularly through the use of administrative records) and dissemination than was the case just two decades ago. In addition, information is a very inexpensive public good, which makes the return on the nation’s investment in economic statistics nearly infinite.

To set the stage for examining how the federal labor market statistical system can help put America to work, the remainder of this section provides a brief overview of that system as currently organized.

Federal labor market statistics describe

- student enrollments and graduations in particular institutions, programs, and geographies and by demographic and socioeconomic characteristics
- the supply of workers in particular occupations, industries, and geographies and by particular demographic and socioeconomic characteristics
- the demand for workers in those same categories
- the interaction between worker supply and demand (e.g., wage levels, unemployment)
- the economic context (e.g., economic growth, productivity, inflation rate)

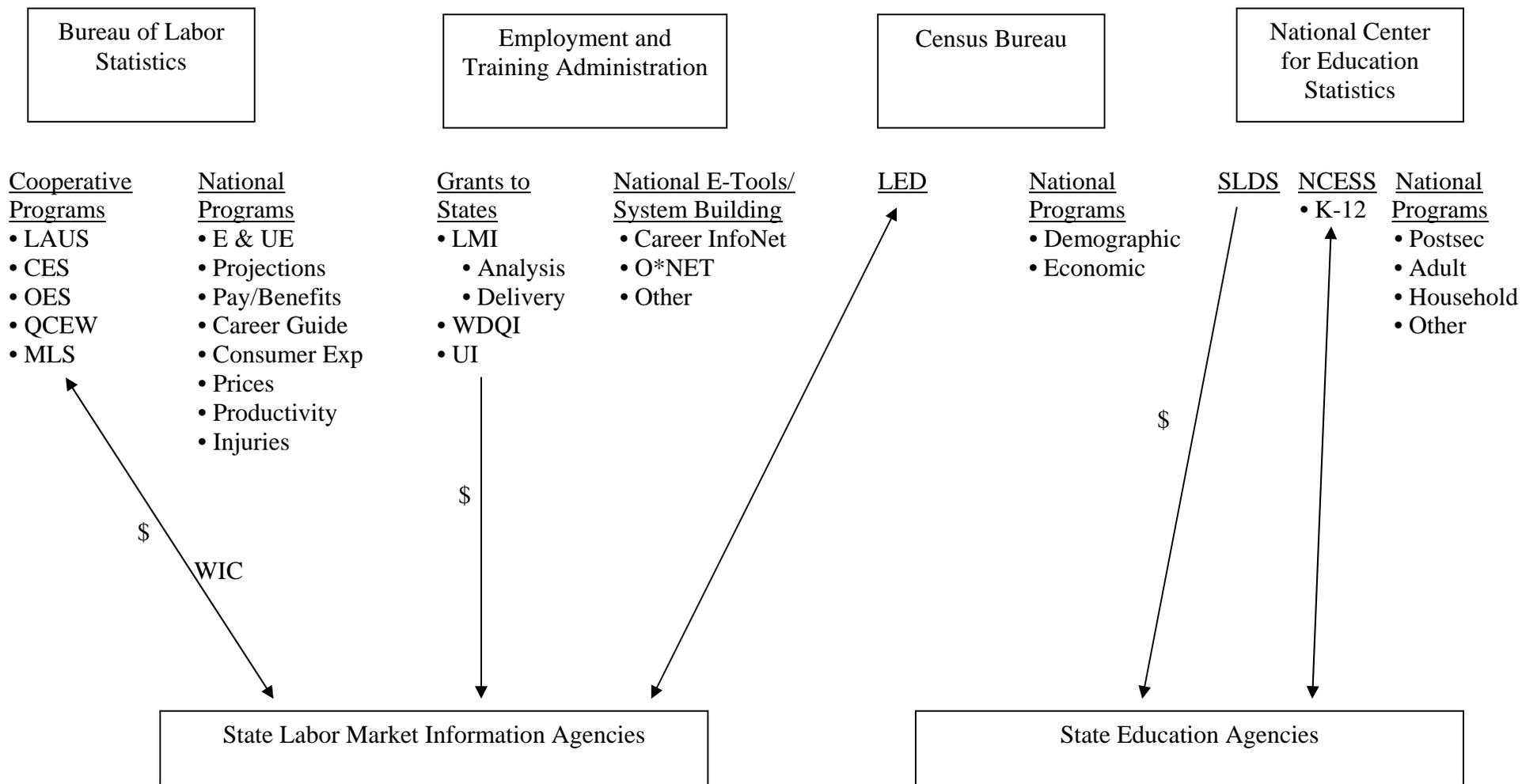
Federal labor market statistics can be categorized into three types—static, dynamic and projections (see box).

#### **Box 5. Types of Federal Labor Market Statistics**

- **Static**—a snapshot of labor market characteristics and conditions (“stock”) in the present and past. Examples of static data include the number of employed and unemployed workers by occupation, earnings by occupation, the number of mass layoffs, and unemployment insurance claims. Comparing static numbers at different points in time provides net change, for example, over the past month or year.
- **Dynamic**—a description of the disaggregated gross “flows” that lead to the “stock” at a point in time. One example of dynamic data is the numbers of hires and separations that underlies net job change between one month and the next. Another is measures of student progress and outcomes as they move through the K-12 system to postsecondary education and then to the workforce.
- **Projections**—anticipated labor market characteristics or conditions, such as projected demand for production workers. While static and dynamic data are drawn from administrative records and surveys, projections are prepared through trends research and modeling. Of most interest are short- and long-term projections by occupation.

The federal system that produces labor market data is decentralized, complex, and idiosyncratic, involving multiple federal agencies and sets of state government partners. Figure 4 provides a schematic view of the key federal and state statistical agencies and their various programs. Each of the agencies is described in general terms below, along with a description of several innovative products. Certain individual programs will be discussed later in the paper.

**Figure 4. Federal Labor Market Statistics System**



Guide to abbreviations:

LAUS: Local Area Unemployment Statistics

CES: Current Employment Statistics

OES: Occupational Employment Statistics

QCEW: Quarterly Census of Employment and Wages

MLS: Mass Layoff Statistics

E & UE: employment and unemployment data programs (e.g., Current Population Survey, Job Openings and Labor Turnover Survey, Business Employment Dynamics)

WIC: Workforce Information Council

WDQI: Workforce Data Quality Initiative

UI: unemployment insurance

LED: Local Employment Dynamics

SLDS: State Longitudinal Data Systems

NCESS: National Cooperative Education Statistics System

The two primary federal agencies that produce labor market statistics are the Bureau of Labor Statistics (BLS), in the Department of Labor, and the National Center for Education Statistics (NCES), in the Department of Education. The Employment and Training Administration (ETA), in Labor, and the Census Bureau, in the Department of Commerce, play valuable supporting roles.

BLS produces an array of labor statistics 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. The FY2010 annual budget for BLS was \$611 million.

Since the Great Depression, BLS has managed a federal-state cooperative statistics system with the state labor market information (LMI) agencies. The LMI agencies gather jobs data through establishment surveys and unemployment insurance (UI) system records and forward them to BLS for nationwide integration, analysis, and dissemination (see box). The LMI agencies also analyze and disseminate the data. To support this cooperative system, BLS provides labor market statistics grants to the states, totaling \$85 million in FY2009.<sup>51</sup> The cooperative statistics system is managed through the Workforce Information Council (WIC), with BLS and representatives of state LMI agencies as members.<sup>52</sup>

#### **Box 6. BLS-State Cooperative Statistics Programs**

BLS and the state LMI agencies cooperatively administer five data programs:

- Local Area Unemployment Statistics (LAUS)—monthly estimates of total employment and unemployment for states, metros, counties, places, and other local areas
- Current Employment Statistics (CES)—monthly job data by industry on worker employment, hours, and earnings for nonfarm payrolls for states and metro areas
- Quarterly Census of Employment and Wages (QCEW)—quarterly count of employment and wages by detailed industry for states, metro areas, and counties, based on UI system records
- Occupational Employment Statistics (OES)—annual employment and wage estimates for over 800 occupations by state and metro and nonmetro areas
- Mass Layoff Statistics (MLS)—monthly and quarterly reports on mass layoff actions that result in workers being separated from their jobs, by state and industry.

The Workforce Investment Act of 1998 (WIA) gives the Secretary of Labor, working primarily through BLS, responsibility for managing a “national

employment statistics system.” The law (section 15 of the Wagner-Peyser Act, 29 USC 491-2) says the system should provide timely data and projections on national, state, and local labor markets that meet the needs of students, workers, educators, employers, and policymakers. In other words, section 15 mandates the “bottom up” role for labor market statistics identified earlier. The law emphasizes the important uses of state employment statistics systems in serving labor markets, mandates coordination and consultation with the states (which led to the creation of the WIC), and encourages active collaboration with other federal agencies. The law’s high points are in the box below, a fuller summary is provided in the Appendix. Current implementation of the law and its value as a foundation for an improved federal statistical system will be discussed in forthcoming sections.

#### **Box 7. Mandated National Employment Statistics System**

- Mission— address the “needs of Congress, States, localities, employers, jobseekers, and other consumers . . .” as well as local workforce investment boards and students
- Responsibility—Secretary of Labor
- Management—BLS in collaboration with state LMI agencies (including quarterly consultations)
- Content—“statistical data . . . that . . . enumerate, estimate, and project employment opportunities and conditions at national, State, and local levels in a timely manner . . . .”
- Data collection—by BLS and states, “actively seek cooperation of other Federal agencies” to ensure “complementarity and nonduplication”
- Data dissemination—wide, user-friendly; reliance on statewide statistical systems
- Identification of user needs—through user surveys and state consultations with users
- Strategic planning—joint BLS-state development of an annually updated five-year plan
- Appropriations—budget requests based on the five-year plan

NCES, part of the Department of Education’s Institute of Education Sciences, produces or finances a variety of labor market-relevant data products on secondary and postsecondary enrollments, completions, and credential attainment. Examples include College Navigator (a college search tool) and the Integrated Postsecondary Education Data System (IPEDS).

In FY2010, the NCES operating budget was \$108.5 million. NCES works closely with state education agencies (SEAs), local education agencies (LEAs), and postsecondary institutions. Data collection from these organizations typically is a requirement of participation in federal assistance programs. To support these efforts, NCES hosts the National Cooperative Education Statistics System for

elementary and secondary education (involving NCES, states, and education associations) and the National Postsecondary Education Cooperative (involving NCES, postsecondary institutions, and associations).

In addition, NCES manages a grants program to support a network of statewide longitudinal data systems (SLDS) with the eventual capacity to track student progress through postsecondary and into the workforce (see box).

### **Box 8. 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). 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 Local Employment Dynamics Program (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.

ETA's mission is to promote efficient labor markets, largely by working through state and local workforce development systems.<sup>53</sup> Part of this mission is "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." Information includes, but is not limited to, data. ETA seeks to improve workforce access to information through a series of tools available on the CareerOneStop website.<sup>54</sup> Of particular importance is O\*NET, a detailed online occupational database important to labor market participants and analysts.<sup>55</sup> ETA also sponsors experimentation and dissemination of new decision support tools, e.g., to aid workers in identifying skill gaps and the training available to address those gaps.<sup>56</sup> ETA's Program Year (PY) 2010 workforce information budget was \$63.7 million, down from \$150 million in PY2001.<sup>57</sup>

ETA's role in federal labor statistics is multi-faceted. ETA

- oversees state management of the UI system, including the establishment and employee wage records that are relied on heavily for statistical purposes<sup>58</sup>
- provides workforce information grants to the LMI agencies (\$31.8 million in FY2010) to augment data product development, including state occupational projections

- provides Recovery Act funding to state LMI consortia and other organizations for one-time structural improvements and experiments in LMI, including better state occupational projections and real-time LMI (see box)
- helps fund the BLS Mass Layoff Statistics data series
- through the Workforce Data Quality Initiative (WDQI, \$12 million in FY2010), supports state LMI-SEA cooperation to add workforce data to SLDS
- supports the development of tools that identify or integrate local data from multiple sources to facilitate regional decision-making<sup>59</sup>
- makes extensive use of BLS and other federal statistics in its various information tools<sup>60</sup>

### **Box 9. Real-Time LMI**

Using \$4 million in Recovery Act funds, ETA is supporting an eight-state consortium's development of innovative real-time LMI project for green jobs in the Northeast.<sup>61</sup>

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 occupation, industry, and geography; 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.

Auto-review analysis of resumes would provide better understanding of the nature of labor supply for particular occupations, including educational paths and career experience. However, unlike job openings, creating comprehensive databases of resumes is difficult unless workers are encouraged to submit resumes when they touch a public system like applying for unemployment insurance or a student loan, or exiting from the military.

Real-time LMI would enable vacancy rate estimation, 6- and 12-month projections of occupational demand, and better understanding regarding 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 more broadly. The opportunity exists for real-time LMI to replace state job vacancy surveys.

Essentially, to the extent its resources allow, ETA aims to act as a “workforce information systems entrepreneur,” seeking opportunities to promote improved data and information for decision-making by individuals and local and state policy organizations.

In 1993, Congress asked the Department of Labor to assess the nation’s labor market information system. In 1995, the department sent Congress a report, jointly prepared by ETA and BLS, on “the Nation’s labor market information needs and products.” The report called for an America’s Labor Market Information System (ALMIS) that served the needs of market participants and policymakers through information, data, and decision-making tools, governed through collaboration among federal and state agencies with clear roles and responsibilities. Very importantly, the report recognized that labor market participants tend not to be direct users of labor market statistics; rather they rely on decision support tools that organize, analyze, and interpret the data for laypeople.

The report led to the building of ALMIS, ETA’s ambitious approach during the Clinton Administration to provide students and workers with an integrated suite of data-based decision tools. The report also provided the basis for the development of Wagner-Peyser section 15 and that portion of the ETA mission statement concerning workforce information. Relevant excerpts are in the Appendix.

The Census Bureau plays several key roles regarding labor market statistics.

- With BLS, Census carries out the Current Population Survey, which provides monthly and annual data on labor force status and household member characteristics such as educational attainment.<sup>62</sup>
- It publishes annual population estimates with basic characteristics (age, sex, race/ethnicity) that provides context for state and local labor markets.
- Through the American Community Survey (ACS), it provides annual demographic and socioeconomic data collected from households, including on occupation, industry, earnings, and educational attainment, down to the neighborhood level.
- Through the Local Employment Dynamics (LED) program in partnership with state LMI agencies, Census tracks a variety of labor market flows for small geographic areas—hires and fires, where people live in relation to work, and, eventually, worker trajectories from job to job (see box).
- Census also provides detailed information on small business owners and non-employer businesses, important options for a significant component of the labor market.

### **Box 10. Local Employment Dynamics**

In the late 1990s, the Census Bureau created an experimental effort to link and analyze millions of workforce administrative records, particularly establishment and employee wage records from state UI systems. Congress approved permanent status for the program in 2009. The Local Employment Dynamics (LED) program (funding \$14 million) is in the first of a three-year plan to substantially expand and upgrade.

At present, LED has two primary products. The first is Quarterly Workforce Indicators (QWI), which analyzes workforce dynamics such as hires, fires, turnover, and wage levels by geography (state, metro, county, workforce investment board) and demographic characteristics (age, sex). The second is OnTheMap, which visualizes the relationship between where people work and reside. A third planned 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 demographic characteristics of occupation, educational attainment, race, and ethnicity. It also plans to expand to cover the self-employed and federal workers.<sup>63</sup>

Once, state LMI agencies looked relatively similar, serving largely as collection/dissemination partners with BLS. However, in reaction to the increase in economic change and opportunity, some LMI agencies have become more involved in informing and advising on policy. Stimulated to be more demand-driven organizations, they are carrying out data analyses independent of BLS (e.g., job vacancy surveys), actively working with the Census Bureau (LED), and using private sector data sources (e.g., the Conference Board's Help Wanted OnLine, a real-time LMI service) and tools (e.g., TORQ, which measures the extent to which occupations have related skills). LMI agencies form consortia to use ETA workforce information grants for system-wide benefit, e.g., state occupational projections. One result of these trends is that a number of states are more amenable to a "good enough" statistical system, one that provides data sufficient for state policymaking. BLS by tradition adheres to more exacting social science research standards.

At least eleven congressional committees and subcommittees have jurisdiction over authorization, appropriations, and oversight of the efforts of BLS, ETA, NCES, and Census. This diffusion is the result of the division of duties between appropriations and authorization/oversight committees and a committee structure that divides responsibilities by department.

The federal labor market statistical system has played a valuable public policy role since the Great Depression. The question is: In light of dramatic changes in economic structure and job content, how well does the system serve the needs of labor market participants and policymakers today? The next section provides an assessment.

## VI. The Nation's Labor Market Statistics System Does Not Meet Decisionmakers' Needs

The present labor market statistical system is not adequately meeting labor market participant and policymaker needs with regard to the availability of current, accurate, detailed data; the easy accessibility and usability of datasets, particularly for simultaneous use of multiple datasets; the availability of web-based data analysis tools; and adequate access, particularly at the state level, to technical assistance for data analysis.

While the system publishes valuable datasets, a number of existing statistical programs

- do not sufficiently cover topics and variables of interest
- have sample sizes too small to provide adequate frequency and detail by industry, occupation, and geography
- collect or analyze some data too slowly to provide immediate, actionable intelligence for labor market participants
- have difficulty incorporating the impacts of market changes, such as emerging occupations and business births and deaths
- are in need of methodological improvements

At the same time, efforts are underway, or tangible opportunities exist, to address several of these shortcomings. Most of the efforts are tentative.

In consequence, the present reality is that Wagner-Peyser Act mandate for a “national employment statistics system” is not being fulfilled.

The box below lists system shortcomings and efforts or opportunities to address them, by topic.

### **Box 11. Labor Market Statistics Programs—Areas of Concern**

#### Education and Training

- Educational attainment – while the statistical system does a good job of measuring attainment of degrees, it does not capture non-degree credentials, particularly community college certificates and occupational certifications
  - An interagency working group convened by NCES is addressing this issue
- Flow of graduates/credential completions – IPEDS does not capture graduation rates for non-traditional students<sup>64</sup>
  - SLDS has the potential to correct this problem
- Labor market outcomes – at present, most states do not have the capacity to capture the workforce outcomes of graduates, particularly those that take place across state lines<sup>65</sup>

- Working with SLDS, the Census Bureau's LED has the potential to correct this problem
- Projection of demand for credentialed workers – short-term and long-term projections are not available, particularly at the subnational level
  - Real-time LMI has the potential to provide short-term projections; planned improvements in state projection methods and BLS education/training categories has the potential to improve long-term projections

### Occupations and Skills

- Occupational structure – the small sample size of the BLS Occupation Employment Statistics (OES) program limits it to three-year rolling estimates and no time series<sup>66</sup>
  - BLS has an FY2011 budget initiative to increase the OES sample to produce one-year estimates, which would allow time series
- Current demand – at the state and local level, it is difficult to ascertain current demand for specific occupations
  - Real-time LMI and more frequent job vacancy surveys have the potential to provide such data
- Detailed, current skills taxonomy – O\*NET's budget limitations mean that occupations can be only updated every seven years<sup>67</sup>; a comprehensive, detailed skills taxonomy is needed to allow linkage between workforce development and education and training activities
- State and local projections – useful projections currently are not available
  - With Recovery Act funds, ETA is funding the development of state and local skills-based projection methodology<sup>68</sup>
- State and local supply/demand analysis – the current Occupational Supply Demand System funded by ETA at Georgia State University is based on projected, not actual, demand<sup>69</sup>
  - Real-time LMI has the potential to provide actual demand data
- Geographic clusters – data on the geographic concentration of skills and related occupations are not readily available; such data are important for regional economic and workforce development<sup>70</sup>

### Employment

- Geographic/industry detail for local labor market dynamics – BLS' Job Openings and Labor Turnover Survey (JOLTS) and Business Employment Dynamics (BED) lack desirable geographic detail<sup>71</sup>
- Industry classification – Due to IRS-related confidentiality restrictions, the Census Bureau and BLS cannot compare their business registers, resulting in a significant number of establishments being coded differently by each agency
  - Interagency efforts are under way to bring a proposal to Congress to allow the Census Bureau to share its business register with BLS

- Firm changes – employment series have difficulty picking up establishment births and deaths and firm mergers and acquisitions, reducing estimates reliability. As new company formation is the primary driver of job creation, capturing these births is important<sup>72</sup>
- Agreement on methods – BLS and the states differ on the most appropriate approach for determining CES estimates; BLS has moved to standardize the methodology; some states find that the numbers do not match reality<sup>73</sup>

#### Population

- Concerns about accuracy – the Census Bureau’s Population Estimates Program’s method has raised concerns about accuracy<sup>74</sup>; the sample size for the agency’s American Community Survey has been fixed while the population has grown, reducing reliability for small areas
  - The Population Estimates Program is undergoing a major revamping; Census has an FY2011 budget initiative to increase the ACS sample size

#### Data Integration and Analysis

- Datasets often are not easily integrated due to lack of common definitions, classifications, and categories, reducing their overall value to and increasing the burden on users
  - Federal statistical agencies, including BLS and NCES, have requested funding to develop a Statistical Community of Practice (SCOP) that would, among other things, harmonize definition<sup>75</sup>
- Datasets are not easily, usefully available through value-added web tools that facilitate analysis and decision-making
  - Through SCOP, federal statistical agencies would explore cloud-based computing and joint development of new web-based data tools and techniques

While federal agencies drive the labor market statistics system, state agencies are important partners. The capacity of state LMI agency staff to effectively aid state, local, nonprofit, and private decision-makers in data collection, analysis, and dissemination is uneven. Some, such as Oregon, Maine, and Washington State, actively look to aid public and private decision-makers in-state. However, others do little to serve labor market participants and state and local policymakers beyond posting data on their websites.<sup>76</sup>

Similarly, the capacity of SEAs to serve labor market participants is unequal. While some, such as Texas, Minnesota, and Florida, offer access to extensive datasets regarding postsecondary education and helpful career decision tools, in other states data availability is minimal and tool access nonexistent.

An additional challenge faced by the federal statistical system is determining how, if at all, to take advantage of relatively new private sector data, such as the Conference Board's Help Wanted OnLine (HWOL), and tools, such as TORQ. Among some federal agencies, there is a concern that privately-provided data will not be adequately reliable. As noted earlier, because state LMI agencies play a policy role that BLS does not, many states are exploring how to use private sector capabilities such as HWOL and TORQ in light of immediate needs for labor market assessment.

The federal labor market statistics system does not meet user needs for three reasons:

- Appropriations requested by departments and OMB and approved by Congress have been inadequate to fulfill the vision.
- 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.
- Coordination among statistical system agencies in service to a common vision is lacking.

*The labor market data system is significantly underfunded.* Funding decision-makers in the Labor, Commerce, and Education departments, at OMB, and in Congress do not sufficiently appreciate that good labor market data, at an annual federal cost of under \$1 billion, serves to

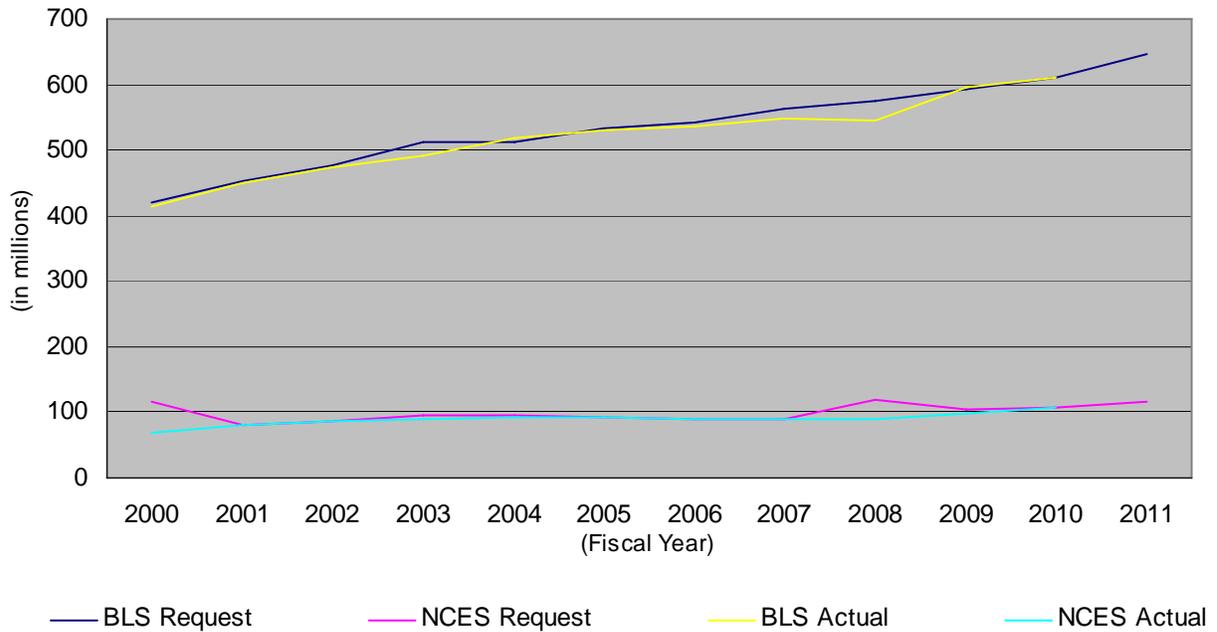
- dramatically improve labor market decision-making and functioning throughout the \$14 trillion economy, leading to increased jobs and earnings for workers, higher business profits, and greater tax revenues
- boost the impact of the billions the federal government invests in human capital formation (\$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

Further, policymakers tend not to recognize that very small amounts of additional funds—a few million dollars strategically placed (e.g., \$4 million for state and local skills-based projections)—can have enormous impacts.

As Figure 5 shows, the BLS budget hit a stall in the middle part of the past decade, going up less than five percent between FY2004 and FY2008, culminating in an actual drop as the result of the congressional decision to cut non-defense discretionary spending by five percent. The FY2008 cut resulted in a reduction in the number and quality of BLS data offerings, including a 20 percent reduction in the occupational employment statistics sample, the

**Figure 5**

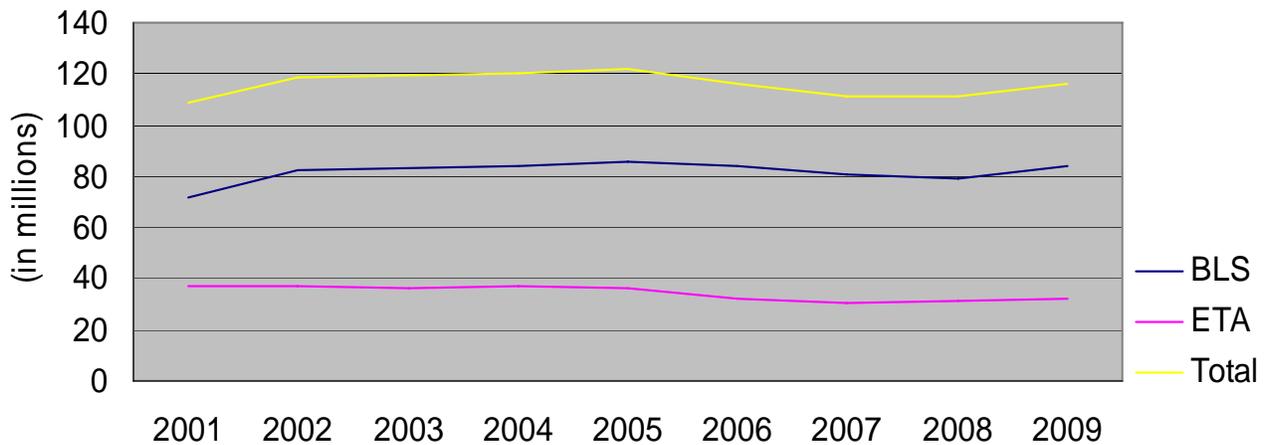
**BLS and NCES Budgets, FY 2000-2011**



Source: Council of Professional Associations for Federal Statistics

**Figure 6**

**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: Bureau of Labor Statistics and Employment and Training Administration

elimination of job counts for 65 metropolitan areas, and the inability to update the sampling frame for the housing portion of the Consumer Price Index from the 1990 to the 2000 Census.<sup>77</sup> Since 2008, the BLS budget has grown substantially, to the point that it has recovered from the mid-decade plateau. That said, BLS remains vulnerable to budget cuts in an environment concerned about the size of the federal deficit.

The NCES budget shows a similar pattern. It essentially was flat from FY2003 to FY2007, fell in FY2008, and then rose the past two years. The graph shows that the lack of budget increases for BLS and NCES were due to some pattern of low OMB requests and congressional cuts when OMB did ask for a substantial increase.

ETA's overall workforce information budget fell from \$150.0 million in FY2001, enacted to implement ALMIS based on the 1995 report, to \$51.7 million in FY2010.<sup>78</sup> ETA is proposing the same budget level for FY2011. (The \$12 million increase in the enacted FY2010 budget and proposed FY2011 budget is entirely for a new disability employment initiative.) This decline of two-thirds has largely wiped out the Clinton-era effort to build a suite of tools to aid workers and students in finding jobs, learning, and assistance.

Of particular concern is the extraordinary underfunding of BLS and ETA assistance to state LMI agencies. In FY2010, the federal government only provided about \$118 million annually (\$86 million from BLS, \$32 million from ETA) to cover the work of 51 LMI shops.<sup>79</sup> As Figure 6 shows, federal assistance to states has been flat for years. The amounts provided are far too little for states to fulfill their responsibilities under Wagner-Peyser section 15 and creatively assess and meet the needs of labor market participants and policymakers. Complicating matters is the fact that BLS and ETA do not coordinate their state grant efforts. The situation is exacerbated by recession-driven state budget cutbacks that have resulted in LMI staff terminations and furloughs.<sup>80</sup>

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 return on investment enormous, such an increase is both feasible and highly justifiable.

*Federal and state statistical entities vary significantly in their affirmation and implementation of the mission to serve the needs of labor market participants and 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. A discussion by agency follows.

Traditionally, BLS has been concerned with satisfying two types of needs for labor market data. First, it provides federal macroeconomic decision-makers—in the Office of Management and Budget, the Council of Economic Advisers, the Joint Economic Committee, and the Federal Reserve—with labor market data (e.g., employment, unemployment, inflation) for determining appropriate fiscal and monetary policy. Priority use of labor market data for this purpose dates from policy structures created in the 1930s and 1940s to manage the nation’s economic cycle.

The federal-state cooperative system was a 1930s innovation that reimbursed the states for collecting data needed for national economic policy. Tellingly, the long-standing section 14 of Wagner-Peyser authorizes appropriations for BLS “agreements with States to 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.” Thus, a design flaw of WIA is that it did not amend section 14 to make the purpose of the grants program consistent with the intent of section 15 to make labor markets more efficient.

Second, the BLS-managed system provides state and local labor market data used to determine the allocation of billions of dollars from federal and state domestic assistance programs. In FY2008, 27 assistance programs from seven federal departments distributed \$8.5 billion on the basis of local area unemployment levels and rates.<sup>81</sup>

Consequently, it has not been part of BLS mission, culture, and experience to support the breadth of labor market participant decision-making needs. BLS does not entirely ignore these needs, as it does support national (but not state) occupational projections and career guides. Further, in 2009, BLS created a new Data User Advisory Committee (DUAC) to advise it around specific data programs.<sup>82</sup>

There is nothing in BLS’ own authorizing legislation or, until recently, in other public documents that reflect a sense of broader mission.<sup>83</sup> However, in April 2010, BLS revised its mission statement to say: “Our mission is to collect, analyze, and disseminate essential economic information to support public and private decision-making.”<sup>84</sup> Conversations with senior staff indicate that BLS is open to exploring ways to better meet non-federal user needs and that a forthcoming strategic plan should reflect this change.

At present, BLS and its state partners do not have structured means for interacting with and responding to data users across the U.S. The DUAC’s existence is a valuable, but insufficient, step. While Wagner-Peyser section 15 requires an annual customer satisfaction survey of the employment statistics system to be carried out, a formal customer satisfaction effort has not been put in place. In December 2009, WIC members agreed to a list of priorities that

includes data program improvements, customer consultations, and state-of-the-art LMI web delivery systems.

As part of its mission “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”, ETA has an interest in encouraging the development and dissemination of state and local labor market data. As noted earlier, ETA is selectively investing in new IT-based tools—including a skills transferability assessment tool, real-time LMI (for green jobs), learning exchange and career management accounts (for healthcare occupations), linking workforce outcomes to SLDS, and skills-based projections. Several of these initiatives were only made possible with one-time Recovery Act funding.

While ETA leadership has shown some interest in fulfilling the long-standing information mission, they have not taken actions that indicate it is a priority. In particular, they have not articulated a strategy for workforce information, pushed for 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. Indicative of the problem, ETA’s information principle is not reflected in the discussion of the agency in the Labor Department’s FY2011 performance plan or its draft 2011-2016 strategic plan.<sup>85</sup>

While the NCES mission statement on its website and in its budget justification indicates that the agency focuses on serving the needs of policy and research, the Department of Education 2007-2012 strategic plan says “The Department’s Institute of Education Sciences (parent of NCES) will . . . provide policy-makers, educators, parents and other concerned citizens with ready access to . . . information that allow more informed and effective decisions . . . .” (Note this statement does not mention students and employers.) Further, its support of SLDS and College Navigator suggest that NCES increasingly sees part of its mission as building datasets and tools to aid labor market decision-makers.

As a result of the current recession, state LMI agencies indicate an upsurge in demand for their services at a time of staff cutbacks. Notes Greg Weeks, LMI Director for Washington State, “(W)e have seen an explosion in request for information, electronic tool and dashboard development, and other important information demands from not only our ‘usual’ customers, but to an increasing extent, by the one-stop system, the WIA system, and the legislature, as all try to deal with the greatest fall in the demand for labor in 70 years.”<sup>86</sup>

However, state LMI agencies are highly uneven in their interest in supporting a broad mission. While some, such as Oregon, Maine, Florida, and Washington State, actively look to aid public and private decision-makers in-state, others are content to do the minimum required by their grants from BLS and ETA, that is, collect and disseminate the data. This unevenness is only in part due to lack of funding and technical assistance from BLS and ETA.

Wagner-Peyser section 15 gives the state LMI agencies the responsibility for identifying and addressing employment data needs of non-federal users, which they are then to communicate through the WIC. For a variety of reasons—including lack of state and BLS skill and interest in divining data needs—this system has not worked as intended.

SEAs also are uneven in their interest in supporting a broad mission. As noted, examples of states that have expanded their mission include Minnesota, Florida, and Washington State. Hopefully, more states will do so as they develop and implement their SLDS.

The Census Bureau's responsiveness to user needs varies by program. That said, all labor market-related efforts do have some form of user outreach. The Economics Directorate, which oversees LED, recently created an Office of Product Development and Strategic Planning. Having lived on soft money for many years, the Census Bureau's LED program is highly demand-driven and actively seeks to understand and address data user needs. It is actively looking to use its job-to-job flow capabilities to link workforce outcomes data to SLDS.

In sum, the federal labor market statistics system has an uneven commitment to being demand-driven. If the system is to effectively contribute to labor market efficiency, each federal and state agency needs to more consistently affirm and implement a demand-driven approach.

*Labor market statistical system agencies are not well coordinated in service to a common vision.* Wagner-Peyser section 15 specifies a federal-state consultation process to oversee the “national employment statistics system.” However, for several reasons, the WIC has not provided the inclusive planning and coordination process needed by the labor market statistics system.

The WIC does not include a number of key labor market statistical agencies. At present, only BLS and state LMI representatives are members. ETA is an observer; NCES and the Census LED Program are not members. Given the growing importance of postsecondary education, the absence of NCES is of particular concern.

Essentially, the WIC has functioned as the forum for managing the BLS-sponsored federal-state cooperative statistics program rather than the broader system mandated by Congress.

Further, a fully trusting relationship between BLS and the state LMI agencies is not in place at present. Disagreements exist regarding the appropriate federal-state division of roles and responsibilities for data collection, production, dissemination, and analysis. Driving the tensions are several factors. With IT advances, BLS has greater ability to centralize programs and less need to rely on

states for data collection and analysis. On the other hand, states are becoming increasingly active in policy work and so want more, not less, involvement in data development. States want greater freedom of movement in program management because the cooperative statistical system is no longer their sole data source.

LMI agencies were surprised by the FY2011 BLS budget request that sought substantial changes in the Current Employment Statistics program, including a \$12 million reduction in state funding and a change in method and responsibilities. While the WIC plays a useful coordinating function at the technical level, state participants say that policy activities have been dominated by BLS.

Because of the difficulties in getting both BLS and ETA to sign off, the Secretary's annual five-year plan required by law has not been published since 2001. A draft was last prepared in 2004.

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 section 15 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.

The good news is that the WIC approved a new consensus statement of mission and priorities in December 2009 that aims to address a number of the issues noted above.<sup>87</sup> On the basis of the statement, the WIC produced a new draft Secretary's annual plan, the first in six years. These documents

- acknowledge that the labor market statistics system includes BLS, ETA, the LMI shops, the Department of Education, and the Census Bureau
- say the WIC intends to expand its scope and collaboration beyond the BLS-state cooperative statistics system to include "other components of the workforce information system," including ETA, the Department of Education, and the Census Bureau
- affirm that the aim of the system, at least the state LMI portion of it, is to serve labor market participants and policymakers
- encourage ETA to seek "appropriate levels of funding" to meet "customer expectations and demands" through the Workforce Information Grant program, particularly for occupational projections
- propose to create a committee to support the implementation of SLDS, with linkages to workforce outcomes
- seek to support the development of state-of-the-art LMI internet delivery systems, "incorporating data analysis across State and other boundaries, state-of-the-art mapping tools, and embracing 'new' communication technologies"

- propose to establish a study group to recommend methods for conducting customer satisfaction analyses

Absent from the WIC documents is any discussion of the possible inclusion of the SEAs in the WIC. SEAs are particularly important because they manage SLDS.

Also absent from these documents, and section 15, is recognition that most labor market participants are not direct users of datasets and statistical tables. Rather, they seek intermediary products such as guidebooks and web-based decision support tools that integrate data with other forms of information. An important topic for systemwide consideration, then, one that was recognized by the ALMIS report, is the development of such products and tools.

In any case, statements of the WIC's good intentions, largely about process, are a necessary and welcome first step. They provide the basis for developing a common vision on substance. However, the Secretary's annual planning process has not, to date, shown itself to be an effective framework for action. The documents clearly reflect substantial input from, and the interests of, the states. The questions are: In the near-term, will the Secretary of Labor deem workforce information a priority? Will the Secretary agree to the good intentions expressed in the draft plan? For the longer-term, how might section 15 be revised as part of WIA reauthorization to provide a better mechanism for coordinating a multi-part labor market statistical system?

## **VII. The Current Situation Suggests an Appropriate Federal Approach to Building a Labor Market Statistics System**

The federal statistical system's difficulties in meeting labor market needs for good information, and the implications of the resulting market failures for employment and the economy, indicates that the system would benefit from a reframing of purpose, substance, and process. This is particularly true in the midst of persistent unemployment and an occupational structure that increasingly demands postsecondary education and skills upgrade. This section offers a vision for a statistical system that addresses information market failures and enables America to go back to work.

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.

A statistical system mission to support better decision-making reflects a broader approach to federal economic policy, one that seeks not only to manage the national economic cycle through "top down" macroeconomic policies but also to promote improvements in the nation's economic assets, such as workforce, innovation, and infrastructure, through a "bottom up" approach, providing the information, incentives, and other resources needed by millions of market actors to make more informed choices.

Ultimately, the stock of human capital is determined by the decisions of individuals, employers, and educators. Further, individual decisions to pursue particular courses of study in turn determine the allocation of billions of dollars in education subsidies, student loans, and Pell grants. 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.

Articulation of this mission is not new. It is consistent with the one identified in the 1995 ALMIS report and that Congress gave to the Department of Labor with the passage of WIA in 1998. However, for the various reasons noted earlier, the mission has not yet been fulfilled. That said, the mission's legal foundation is in the law books and can be pursued now.

The labor market statistics system should address user needs through

- better data—in terms of the availability of dynamic data that indicates the outcomes of education and job decisions; coverage of topics, firms, and workers; detail by industry, occupation, and geography; accuracy; frequency and timeliness of data releases; accessibility on the web

- 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 users and their advisers

Better data should be delivered through addressing existing program issues identified in the previous section and bringing to scale the new IT-based initiatives now in early stages of development (real-time LMI, SLDS-workforce linkages, LED, SCOP).

New and improved data products will allow the development of innovative data tools that rely on advanced IT capabilities to analyze huge volumes of records, instantaneously access and integrate data from multiple sources, allow user customization, and provide informative data visualizations (see box).

### **Box 12. Innovative Data Tools**

**Web-based distributed data tools:** Web-based tools that integrate data from multiple sources into one location make data more accessible and enhance statistics system efficiencies. Rather than storing data centrally, distributed data tools pull data from their primary sources “on the fly,” that is, as requested by users. The Census Bureau’s Data Ferrett employs this technology, which it used to build the Community Economic Development HotReport for ETA.<sup>88</sup> In the future, data users could create their own customized reports based on distributed data. Economic development and workforce developers, workforce investment boards, educational institutions, employer associations, and individuals would be able to display select data in tables and figures. Distributed data tools could be further enhanced with the development of the cloud computing system envisioned by the new multi-federal agency Statistical Community of Practice.

**Data visualization:** Advances in web-based Geographic Information Systems (GIS) are allowing users to create customized maps and dynamic charts and graphs to better “see” data. The Census Bureau’s Local Employment Dynamics program has been a pioneer in this, with its “OnTheMap” tool and plans to employ IBM ManyEyes and Google Public Data Explorer. Data visualization could significantly enhance the value of real-time LMI and SLDS, as well as traditional BLS and NCES datasets.

**Cluster maps:** National and global web-based maps—with zoom, data upload, and analytic capabilities—of regional industry and occupational clusters would inform economic, workforce development, and education strategies at all levels of U.S. geography. The tool would allow economic and workforce planners to shape actions in light of competitive position and cluster interdependencies. Cluster businesses and regional and national educators could make more informed decisions as well. As a start, the U.S. Economic Development Administration is funding Harvard University to develop a nationwide clusters

map. The primary challenge in building cluster map tools is overcoming inadequate data availability.

Similarly exciting are the possibilities of decision-making tools that rely on labor market statistics. To improve labor market functioning, in the 1990s ETA built America's Labor Market Information System (ALMIS) to provide web-based information tools for jobseekers, including a job bank and a learning exchange. ALMIS was substantially cut back earlier in this past decade. In light of IT improvements, proponents recently have imagined a second generation set of tools for workers to use throughout their careers, made more data-based through reliance on real-time LMI and SLDS. One form of their proposal is in the box below. In the near term, this approach would aid in reducing the labor market frictions.<sup>89</sup>

### **Box 13. A 21<sup>st</sup> Century Career Development System**

As proposed by James Vollman, Anthony Carnevale, David Morman and others, a web-based system for supporting a worker's career development would have the following key components:<sup>90</sup>

- National Labor Exchange—lists job openings found through the real-time LMI process
- National Career Information Network—provides occupational information, data, and projections and a skills profile and gap analysis tool that, based on an individual's resume, identifies needed skills and abilities, and associated coursework, to advance in career
- National Learning Exchange—identifies available courses to fill skills gaps
- National Social and Human Services Locator—identifies employment and training services available
- Career Management Account—a worker's personal website that integrates information and data from the above sources, assists in developing a career plan, builds resumes, and helps manage the job search and advancement process and the education and training process

These tools would provide a foundation for public and private organizations, including state employment services, to build their own customized websites.

There is a synergistic relationship between these tools and the labor market statistics system. The career information network, and by extension the career management account, would be directly dependent on labor market statistics. The offerings available through learning exchange would be informed by the results of SLDS analysis. Scraping jobs boards for the labor exchange feeds the real-time LMI process. At the same time, employer job postings would, in the

long run, be influenced by the results of real-time LMI and SLDS analysis.

An early prototype of this career development system has been developed at the state level by a collaboration of Minnesota state departments and postsecondary institutions. Through funding a Healthcare Virtual Career Platform (\$6.6 million), ETA is supporting the American Association of Community Colleges to develop a more advanced prototype for the healthcare field.<sup>91</sup>

By system design, state agencies serve as the intermediaries through which a substantial number of labor market participants and policymakers gain access to labor market information. Consequently, fulfilling a broader system mission requires that LMI agencies and SEAs have the capacity to serve decision-makers through data delivery, analysis, and decision support tools. State LMI agencies and SEAs should be active in building data-based web tools for labor market participants, supplying data for decision tools sponsored by state employment services, and carrying out customized data analyses for state and local policymakers.

Fulfilling the vision for the federal labor market statistics system relies on three principles.

First, the Administration should request and Congress should approve adequate appropriations for the statistical system. As suggested earlier, the economic and fiscal return on the added investment would be substantial and a net positive for the federal budget. Congress, through the Government Accountability Office, should regularly attempt to measure the returns on investment in various kinds of labor market data and information.

Second, the labor market statistical system should be demand-driven. The system should identify and respond to data user needs on an ongoing basis in terms of topic, timeframe, and geography. Further, the system should be attuned to shifts in user needs as economic conditions, technology, and interests change.

An important part of serving labor market participants and policymakers is knowing the requirements of advisors and information intermediaries, such as guidance counselors and state and local workforce organizations, which work directly with the end users.<sup>92</sup>

Means to fulfilling this principle include:

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

Third, to successfully meet decision-maker data needs, the statistical system depends on mechanisms for coordinating the efforts of its federal and state participants—BLS, NCES, ETA, Census, state LMI agencies, and SEAs. Consequently, there should be an interagency forum that has

- the four federal and representatives of 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

This principle may be implemented through the existing WIC or some new forum not constrained by the specifications of Wagner-Peyser. Whatever the venue, each of the six entities should seek to act as if it were an integral part of a larger national labor market statistics system.

In addition, Congress should develop means to coordinate congressional appropriations and oversight, reflecting an understanding that the agencies under the purview of individual committees are elements of a larger system.

The adoption and implementation of these three principles—adequate funds, demand-driven, interagency coordination—should lead to the development of a responsive, adaptable labor market statistics system that can support well-functioning labor markets.

## **VIII. The Federal Government Should Build a Statistics System That Meets Labor Market Participant and Policymaker Needs**

Achieving the vision for the labor market statistics system requires direction and action on the part of the White House, Congress, and the departmental parents of the statistical agencies. These organizations determine system and agency mission, organization, approach, and resources.

To implement the vision

- 1) The White House should publicly articulate the need for a strong federal labor market statistics system, commit to its development, and provide appropriate guidance to Congress and direction to Departments of Labor, Education, and Commerce
- 2) The White House should propose and Congress should approve the expansion of federal funding for labor market information by \$350 million, including substantially increased funding to state LMI agencies
- 3) OMB and Congress, through the Government Accountability Office (GAO), should determine the economic and fiscal impacts of labor market statistics and publish the findings
- 4) The Secretary of Labor should direct that the provision of labor market information, and the implementation of Wagner-Peyser section 15, is a departmental priority
- 5) The Administration should see that an interagency forum exists to coordinate the efforts of the federal and state members of the labor market statistical system

Discussion of these priority actions is provided below. Additional recommendations are in the Appendix. Together they provide a roadmap for implementing the vision.

- 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

The White House should recognize that investment in the federal labor market information system is the type of “innovative, low-cost” policy to address persistent unemployment that Christina Romer called for in her farewell speech.<sup>93</sup>

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). In their internal deliberations, the DPC and the NEC should recognize the economic value of improving labor market functioning, particularly through the federal statistical system.

The White House should instruct the Secretaries of Labor, Education, and Commerce to make a priority the implementation of this vision. Additional, more detailed, recommendations regarding the White House and departmental actions are provided in the Appendix.

## 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, web-based decision tools, improved state occupational projections, a more current and comprehensive O\*NET, 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, as these departments are proposing in FY2011 with the Workforce Innovation Fund and as the Department of Housing and Urban Development is doing for housing statistics and research.

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.

Former OMB Director Peter Orszag frequently discussed the value of federal statistics and added a small amount of funds to BLS and BEA budget requests for FY2011.<sup>94</sup> OMB should continue to acknowledge and build on this emphasis.

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
- consider opportunities to fund statistical programs through labor and education program set-asides
- in congressional appropriations committee reports, direct that agencies address the needs of public and private data users

### 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. While both the CEA and OMB have noted the value of the federal statistical system in addressing public and private needs, these statements were a small part of larger documents and received little attention.<sup>95</sup>

A committee or subcommittee of Congress with appropriate jurisdiction (there are many options) 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) Secretary of Labor determination that the provision of labor market information is a priority

Through responsibilities specified by Wagner-Peyser section 15, 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 make implementation of section 15 a priority, including provision of the data required by section 15(a).

Consistent with the above budget recommendations, the Secretary should direct that the department's budget proposal be substantially increased so that federal and state statistical agencies are able to provide the data needed by labor market participants and policymakers. The Secretary 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
- building the capacity of state LMI agencies to meet data user needs through traditional data collection and dissemination, projections, data tools and visualization, and analysis, taking advantage of real-time LMI and SLDS, and making use of other data sources (IRS, ACS, state and local data)

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

To coordinate the agencies in the labor market data system (BLS, NCES, ETA, Census, state LMI agencies, and SEAs), the White House should see that the Workforce Information Council 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<sup>96</sup>
- giving the Secretary of Labor guidance to expand the WIC within existing law
- having OMB convene an interagency working group separate from the WIC and without legal standing
- proposing changes in section 15 in any upcoming reauthorization of WIA that expands WIC membership and functions

Each of these options has advantages and disadvantages in terms of control, flexibility, legal standing, and speed of implementation. Recent WIC member agreement on mission and priorities does make the WIC poised for positive

change. However, the existing WIC is under the control of the Secretary of Labor; while the law gives the Secretary flexibility to adjust WIC efforts, it does not put other departments on an equal footing.

## **IX. Conclusions**

Persistent structural unemployment and an expected shortfall of educated workers indicate that America's labor markets are not functioning well, with serious implications for the nation's economic future. Individuals, employers, and educators are experiencing difficulties in adjusting to changing industrial and occupational structures that increasingly emphasize postsecondary credentials and regularly upgraded skills.

With these structural changes, the decisions facing labor market participants and policymakers have become more numerous and complex. Choices about careers, education and training programs, business location, and public policy require information based on current, accurate, detailed labor market statistics. However, at present, the federal government is not providing the data, and the tools to assess them, needed by labor markets.

A vision and roadmap have been offered for improving the ability of the federal government to provide these data. The achievement of this vision is a matter of federal will. Relatively small increases in statistical resources will yield far greater positive impacts on the economy, its workforce, and government balance sheets. For well-functioning labor markets that allow America to go to work, the federal commitment to fulfill to the data and information needs of labor market participants and policymakers is essential.

## Appendix

Chart 1. Labor Market Participant and Policy Decision-Making

| Decision Maker                     | Types of Decisions             | Information Required for Decision  | Advisors  |
|------------------------------------|--------------------------------|--|---|
| Individuals                        | Career development             |  |   |
| Students                           | Occupation                     | Students choose an occupation based in part on earnings potential and likely future demand.  | Peer students<br>Parents<br>Mentors<br>Guidance counselors<br>Workers   |
|                                    | Academic plans                 | Students select institutions, programs, and courses through which to pursue a career based on measures of program quality, job market outcomes, and cost.  |   |
| Workers                            | Career advancement             | Workers determine the next job on their career path and, based on their current skills and education, identify and pursue the experience and education and training needed to successfully land a desired job. | Peers<br>Job counselors<br>Placement firms<br>Career coaches  |
|                                    | Job options                    | Jobseekers identify and apply for job openings based on factors including fit with skills and career aspirations, pay, and work environment.   |   |
| Businesses                         | Business and hiring strategies |  |   |
| Business Owners/Corporate Managers | Site location decisions        | Business owners and managers determine site location based in part on the current and projected availability, skills, and abilities of area workforce.   | Accountants<br>Financial planners<br>Strategic business advisers<br>Lending institutions<br>Economic developers |
|                                    | Product and marketing strategy | Business owners and managers determine product and marketing strategy in light of economic conditions as reflected by current employment, unemployment, and worker earnings and other income.                  |   |
| Human Resource Managers            | Worker recruitment             | Employers determine hiring strategy based on the number of workers available in a labor market with desired skills and experience and the number of  | Human resource managers<br>Accountants  |

| Decision Maker                      | Types of Decisions        | Information Required for Decision  | Advisors  |
|-------------------------------------|---------------------------|--|---|
|                                     | Job terms                 | <p>other employers seeking the same skills and experience.</p> <p>Employers set wages and benefits in part by examining wages and benefits offered by other firms in the region, particularly firms in similar industries.</p> | <p>Legal counselors</p> <p>Workforce Investment Board Business service representatives</p>    |
| Education and Training Institutions | Education/training supply |  |   |
| Education and Training Managers     | Institutional investments | Education and training institutions develop facility plans, including site and space decisions, in light of current and anticipated regional demographics and industry workforce demands.                                      | <p>Chambers of commerce</p> <p>Industry associations</p> <p>State department of education</p> |
|                                     | Credential programs       | Education and training institutions prepare and adjust occupational curriculum offerings based on market demand for workers with particular knowledge, skills, abilities, and education and training credentials.              | <p>U.S. Department of Education</p>   |
| Course Content Deliverers           | Current course offerings  | Course schedulers determine which courses to offer based in part on current and anticipated demands for workers with training offered.   | <p>Senior education/ training institution officials and managers</p>                          |
|                                     | Course content            | Instructors determine course content and approach based on the types of students anticipated and demands of industries offering job opportunities for program completers.  | <p>Curriculum developers</p>  |

| Policymakers                        | Public policy and investments                |  |  |
|-------------------------------------|--|--|--|
| Economists                          | Economic and fiscal policy                   | Government economists produce analyses, forecasts, and tax and revenue estimates and recommend economic and fiscal policy in part on the basis of labor market conditions, including employment, unemployment, underemployment, job creation and destruction, vacancies, and turnover. | Academic economists<br>Business economists<br>Think tank economists  |
|                                     | Program budget proposals                     | Federal and state executive departments prepare program budget requests in part on the basis of labor market factors in particular sectors, e.g., agriculture, health care, energy, engineering  |  |
| State and Local Workforce Planners  | Training investments                         | On the basis of labor market information, workforce investment board planners determine how best to focus training funds to meet demand in key industries and occupations.   | Federal workforce agencies<br>Regional economic development agencies<br>Industry associations<br>Consultants<br>Academic researchers |
|                                     | Services offered to jobseekers and employers | On the basis of current and expected workforce demand, workforce planners identify the services required to aid jobseekers find placements, prepare for jobs, or receive supplemental support services.  |  |
| State and Local Economic Developers | Regional strategy development                | Economic developers use employment patterns data to help identify traded industry structure, competitive issues and opportunities (e.g., labor availability), and strategies for addressing them (e.g., promoting educational services that better meet industry needs).               | Federal economic development agencies<br>Industry associations<br>Utilities<br>Consultants<br>Academic researchers                   |
|                                     | Regional strategy implementation             | Economic developers identify and seek to attract prospective site location candidates in part through using statistics on workforce supply and characteristics, including occupational clusters.   |  |

## Summary of Wagner-Peyser Act Section 15

Congress included a provision in the Workforce Investment Act of 1998 (WIA) that codified a new, comprehensive, demand-driven, collaborative, assessment-based “national employment statistics system.” The employment statistics section was added to the Wagner-Peyser Act of 1933, which authorizes the One-Stop employment services delivery system provided through the states.<sup>97</sup>

Section 15 (29 USC 491-2) indicates that the purpose of the employment statistics system is to address the “needs of Congress, States, localities, employers, jobseekers, and other consumers . . .” as well as local workforce investment boards and students. The placement of the section in Wagner-Peyser further indicates that Congress intended the employment data system to directly serve labor markets.

The section mandates “system content” to ensure those needs are met. Essentially, the Secretary of Labor is charged with overseeing “the development, maintenance, and continuous improvement of a nationwide employment statistics system . . . that includes—statistical data . . . that . . . enumerate, estimate, and project employment opportunities and conditions at national, State, and local levels in a timely manner . . .” The law goes on to provide a specific list of data types to be provided, including

- industrial distribution of occupations, as well as current and projected employment opportunities, wages, benefits (where data are available), and skill trends by occupation and industry, with particular attention paid to State and local conditions
- employment and earnings information maintained in a longitudinal manner to be used for research and program evaluation
- accurate information relating to local, regional, and national labor market areas, including information relating to local occupations in demand and the earnings and skill requirements for such occupations<sup>98</sup>

The law further says that the system shall provide

- data analysis for uses such as national, state, and local policymaking; implementation of Federal policies (including allocation formulas); program planning and evaluation; and researching labor market dynamics
- wide dissemination of data, information, and analysis in a user-friendly manner and training programs for effective dissemination

The Secretary is to “actively seek the cooperation of other Federal agencies” to ensure “complementarity and nonduplication” in data collection.

The Secretary is to implement the system through “collaboration with the Bureau of Labor Statistics and the States” and establish procedures “to ensure that . . . States and localities are fully involved in the development and continuous improvement of the system at all levels . . . .”<sup>99</sup>

- More specifically, the Secretary, working through BLS, shall hold quarterly consultations with the states “on the products and administration of the nationwide employment statistics system . . . .” This requirement led to the creation of the Workforce Information Council (WIC), with BLS and state LMI representatives as members and ETA as an observer.
- Further, the Secretary, relying on BLS, the states, and other federal agencies, is to annually produce a five-year plan “which shall be the mechanism for achieving cooperative management of the nationwide employment statistics system . . . and the statewide employment statistics systems that comprise the nationwide system.” Among other things, the plan is to identify the federal and state budget needs for implementing the system. In practice, the WIC is responsible for producing the annual five-year plan.

The law requires that in order for the states to receive federal financial assistance, they must carry out a substantial number of duties, including

- consult with state and local workforce and education actors regarding data content
- “maintain and continuously improve the statewide employment statistics system”
- collect and disseminate the specified data
- actively collaborate with other state and local agencies
- participate in the development of the annual plan

## **America's Labor Market Information System (ALMIS): Report to Congress July 1995**

Excerpts:

America needs a comprehensive program of labor market information (LMI) that provides its customers with the information and value-added services necessary to allow them to exercise Informed Choice in their workforce-related decision making. Such a system does not now exist. We need to build ALMIS [America's Labor Market Information System] so that it can meet our needs. The development of ALMIS will be guided by five principles; ALMIS must be:

- Customer focused and driven by customer needs.
  - Easy-to-use and easy-to-access.
  - Linked to other systems and other resources.
  - State-of-the-art technology.
  - Consistent with the high level of integrity and confidentiality of information found in existing LMI systems.
- 

Billions of dollars are spent annually on education and training by all levels of government (Federal, State and local) as well as by employers and individuals. This enormous investment in human capital can be misdirected if it is not accompanied by a sufficient parallel investment in LMI. The rate of return on public and private investments in human capital can be significantly reduced if there is not a corresponding investment in LMI to improve the workings of our labor markets.

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Without a solid LMI system, dislocated workers will stay on unemployment longer and spend many months before reconnecting with a good job. There will be thousands of young people investing time and money in education which does not lead to jobs because the guidance tools are using information which is out-of-date or incomplete. Communities will continue to invest their scarce resources in training and education that produce less than a satisfactory return. Employers will be begging for workers with certain qualifications and have no effective way to signal that need broadly to individuals or educators.

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The study of LMI, requested by Congress and commissioned by the Secretary of Labor, revealed a need for a nationwide program which is capable of collecting, aggregating, storing, analyzing, integrating, disseminating, and interpreting LMI for a broad range of customers.

Consumer needs must drive a comprehensive ALMIS; customers depend upon timely, accurate, high-quality LMI to make employment- and training-related

decisions. For the purposes of determining the various customer needs, six customer clusters have been identified:

- Individuals
- Employers
- Intermediaries/Counselors
- Economic Developers
- Educators and Training Providers
- Planners and Policy Makers

## **Roadmap for a Stronger Federal Labor Market Statistics System – Additional Recommendations**

### White House

Each NEC and CEA report on employment or education should include discussion of the extent to which labor market statistics are meeting user needs and recommendations for improvements. For example, the July 2009 CEA report “Preparing the Workers of Today for the Jobs of Tomorrow” could have benefitted from a section on recommended data improvements.

The White House should continue to support a revision of the Confidential Information Protection and Statistical Efficiency Act (CIPSEA) to allow the Census Bureau to confidentially share its business data derived from Internal Revenue Service records with BLS for the purposes of reconciling business establishment records, particularly regarding industrial classification, and so improve the accuracy of regional economic statistics.

OMB should see that the interagency committee and individual agencies give priority to implementation of the Statistical Community of Practice, which would allow greater distributed access to data from multiple agencies.

### Congress

The Senate Committee on Health, Education, Labor, and Pensions and House Committee on Education and Labor should hold hearings on the role of the labor market statistics system in improving labor market functioning and serving the needs of labor market participants and policymakers.

The Joint Economic Committee (JEC) should create an Economic Statistics Subcommittee to provide oversight for the economic statistical system at large. The subcommittee should hold hearings on the ability of statistical agencies to serve economic decision-makers—individuals, businesses, and governments—including those involving labor markets. In its annual economic report, the JEC should add a section on the capacity of federal economic statistics to serve the needs of public and private economic decision-makers.

As they consider the reauthorization of WIA, the Senate Committee on Health, Education, Labor, and Pensions and the House Committee on Education and Labor should consider the following adjustments to Wagner-Peyser section 15.

- Change the name of the system to “national labor market statistics system”
- Expand system content to include education data
- Make more explicit that the purpose of the system is to serve labor market participants and policymakers

- Have the Secretaries of Labor and Education share responsibilities for overseeing the system
- Add the involvement of ETA, NCES, the Census Bureau, and SEAs in ongoing consultations
- Remove references to BLS as the lead federal agency
- Include consultations with labor market participants and policymakers on the uses of data in web-based decision support tools
- Remove reference to use of the annual plan for the purposes of a budget proposal
- Create short sections in 29 USC 1 (Labor Statistics) and 20 USC 76 (Education Research, Statistics, Evaluation, Information, and Dissemination) that link BLS and NCES duties to implementation of the revised section

Adjustments that concern interagency coordination should depend in part on what actions, if any, are taken by the White House, e.g., creating a standing interagency committee through executive order.

In WIA reauthorization, the committees also should revise section 14 of Wagner-Peyser, which authorizes appropriations for the BLS-LMI cooperative statistical system. In particular, they should

- Revise the statement of system purpose to one of serving the needs of labor market participants and policymakers at all levels of government
- Move the section to 29 USC 1 (Labor Statistics)

As other labor- and education-related programs come up for reauthorization, the committees should look to include provisions directing the use of workforce information in program operations.

To facilitate the use of student records in research and policy analysis while safeguarding confidentiality, the two committees should seek to clarify and coordinate relevant privacy statutes, including FERPA.

Department of Labor

-- Secretary of Labor

Consistent with making labor market information a priority within the Department of Labor, the Secretary's Office should be actively involved in any interagency coordination mechanism, perhaps in the person of the chief economist.

The Secretary should provide funding for a third-party assessment of Department of Labor efforts to support state LMI operations and recommendations regarding the appropriate configuration of BLS, ETA, and state LMI roles, responsibilities, and capacities. BLS, ETA, and representatives of the state LMI agencies should

participate in the assessment. The assessment should be facilitated by trusted third parties (e.g., the National Academy of Sciences and the National Academy of Public Administration).

-- Bureau of Labor Statistics

To play its role in fulfilling the vision for the labor market statistics system, BLS needs to reframe its mission and approach throughout the organization, no small task for a long-standing statistical agency. To begin with, BLS should actively inculcate among staff the importance of carrying out the newly restated mission statement “to collect, analyze, and disseminate essential economic information to support public and private decision-making,” that is, to serve data users other than federal policymakers. It also should use that mission statement as a frame for its strategic plan and congressional budget justification.

Consistent with the intention of section 15 to build a “national employment statistics system” wider than the BLS-LMI cooperative arrangement, BLS should actively collaborate with ETA, NCES, Census, and state agencies in creating a system that meets user needs. The draft WIC annual plan provides a good option for creating a framework for such collaboration.

BLS needs to become more knowledgeable about, and responsive to, how labor market participants and non-federal policymakers use its data. It is recommended that BLS create an office of product development and strategy to obtain ongoing data user feedback and adjust products accordingly. The Economics Directorate of the Census Bureau recently took a similar step.

BLS should propose, and justify in terms of economic returns, budget increases to JOLTS, BED, and CES that would allow expansion of geographic and industry detail.

BLS should develop a more open, collaborative approach with the state LMI agencies in terms of the management of cooperative programs, so that BLS budget proposals do not contain major surprises to LMI agencies.

BLS should collaborate with ETA, state LMI shops, and other members of an expanded interagency committee on a number of matters of mutual interest.

- BLS and the state LMI agencies should continue to seek ways of improving methodologies of cooperative statistical programs.
- With state LMI input, BLS and ETA should develop a shared understanding of the desired capacities of LMI agencies and design and implement a shared BLS-ETA effort to support such capacities. This effort should be informed by input from the interagency committee and, if funded, the third-party system-wide assessment proposed earlier.

- BLS should determine its appropriate role in data collection, analysis, and dissemination of real-time LMI, as well as the analysis and dissemination of data from SLDS and other data sources external to BLS. Traditionally, BLS has worked primarily with data collected under its own auspices; it would be appropriate to determine if and how BLS might apply its analytic prowess to additional relevant labor-related data sources.
- BLS should better understand the role that BLS traditional datasets play in ETA's efforts to provide national and state-level decision support tools to labor market participants.
- BLS should seek funding that would allow it to provide ETA-funded state occupational projection programs with control totals for states and regions, as well as greater technical assistance.

BLS should continue to improve the value and predictive power of its national occupational projections. It should consider the findings of Georgetown University's assessment of the program.

BLS should continue its participation in SCOP and other interagency efforts to expand access to BLS datasets and integrate these data with other sources to provide a fuller picture of local economic and workforce conditions.

#### -- Employment and Training Administration

ETA should propose—and justify in terms of economic returns—budget increases and improvements in specific data-related programs, e.g., an expanded and updated O\*NET, ongoing support for improved state and local occupational projections, nationwide coverage of job vacancy surveys (perhaps in coordination with JOLTS), real-time LMI, an expanded Workforce Data Quality Initiative to add workforce outcomes data to SLDS, and funding to develop a methodology to measure and map local occupational clusters. It also should significantly expand its skeletal workforce information staff capacity.

ETA should develop and seek to implement a thoughtful, expansive strategy to build a career development system, with decision support tools. Recent efforts with regard to the healthcare virtual career platform and mySkills myFuture are excellent moves forward.

ETA should manage the creation of a nationwide real-time LMI effort that would simultaneously identify job openings, measure trends in job openings, and collect and analyze information on job content and characteristics and worker career and training paths. ETA should underwrite the development and maintenance of information display and delivery systems that make the data accessible to millions of economic actors. To facilitate the supply side of the real-time analysis, ETA should require that state unemployment insurance systems gather resumes

from UI claimants and place them in real-time LMI systems. (Claimants also would be entered into the proposed career development system.)

ETA should work with BLS to create a coordinated BLS-ETA grants effort for state LMI agencies, inform BLS about data user needs and the data requirements of decision support tools, and suggest appropriate BLS roles in real-time LMI.

ETA should emphasize the use and collection of workforce information in all the workforce development programs it manages, going beyond Workforce Investment to include Job Corps, Apprenticeships, Trade Adjustment Assistance, and National Response. It should consider if the Office of Policy, Development and Research should play a role in managing a workforce information-based decision-support function.

#### Department of Education

##### -- Secretary of Education

The Secretary, working with and through the Director of the Institute of Education Sciences, should direct that the department consistently affirm the mission of NCES to serve labor market participants and policymakers in department five-year strategic plans, annual performance plans, budget request justifications, literature, and websites. In addition, the Secretary should continue to support funding sufficient to maintain a robust NCES.

##### -- National Center for Education Statistics

NCES should continue its substantial support for SLDS and the inclusion of data on labor market outcomes and industry certification programs.<sup>100</sup> It also should provide states with guidance on FERPA that allows for reasonable use of student records for policy and research analysis.

NCES should continue its good efforts, through an interagency working group, in developing survey instruments to capture non-degree educational attainment, specifically community college certificates and industry certifications. It should invite ETA to join this working group.

NCES should expand IPEDS to determine completion rates of nontraditional students, transfer students, and students returning after a hiatus. Through IPEDS, NCES also should collect detailed information on the “non-credit” side of community colleges and other higher education institutions where the connection to industry and workforce development are strongest and where much of the cutting edge innovations occur. Also, NCES should invite ETA to participate in the National Postsecondary Education Cooperative.

## Department of Commerce

### -- Secretary of Commerce

The Secretary of Commerce should ask the Under Secretary of Commerce for Economic Affairs to support Census Bureau inclusion in interagency coordination activities for the labor market statistics system.

### -- Census Bureau

The Census Bureau should be better integrated into the labor market statistics system. Specifically, Census should

- continue to work with NCES on the development of survey instruments to gather data on workforce attainment of certificates and certifications, including through the CPS
- implement its three-year plan for LED, including a job-to-job flows tool and the addition of self-employment, federal employment, and occupation and education characteristics
- encourage the use of LED for tracking workforce outcomes in SLDS
- improve the reliability of the ACS through a larger sample size
- improve the accuracy of state and local population estimates
- work with other state and federal agencies to determine how best to make use of Census small business owner characteristics and non-employer statistics

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<sup>1</sup> Sources for the above data are the Bureau of Labor Statistics, Current Population Survey, Quarterly Census of Employment and Wages, and Occupational Employment Statistics; and the Census Bureau, American Community Survey.

<sup>2</sup> The separations numbers here do not include retirements, deaths, and disability-forced events.

<sup>3</sup> U.S. Census Bureau, Statistical Abstract of the United States: 2010 (129th Edition), Washington, DC, 2009, Table 624, based on U.S. Department of Education, National Center for Education Statistics, Adult Education Survey of the National Household Education Surveys Program 2005.

<sup>4</sup> Ibid, Tables 262 and 288. Also, National Center for Education Statistics, Digest of Education Statistics, 2009, Table 103.

<sup>5</sup> Bureau of Labor Statistics, Occupational Employment Statistics and Quarterly Census of Employment and Wages.

<sup>6</sup> Anthony P. Carnevale, Nicole Smith, Jeff Strohl, Help Wanted: Projections of Jobs and Education Requirements Through 2018, Georgetown University Center on Education and the Workforce, June 2010, p. 2. Spending outside of postsecondary institutions includes employer-provided informal training (\$313 billion), employer-provided formal training (\$141 billion), industry certifications (\$25 billion), public job training (\$16 billion), and apprenticeships (\$6 billion).

<sup>7</sup> Unless noted otherwise, the discussion and data in this box are drawn from Carnevale, et al., op. cit.

<sup>8</sup> Carnevale, et al. define “middle class” as the middle four deciles in household income.

<sup>9</sup> Carnevale, et al., op. cit., pp. 3, 19.

<sup>10</sup> James E. Rosenbaum, Jennifer L. Stephan, Janet E. Rosenbaum, “Beyond One-Size-Fits-All College Dreams”: American Educator, Fall 2010. Carnevale et al. (p. 106), citing a Department of Education 2000 National Education Longitudinal Study, indicates that “43 percent of workers with licenses and certificates earn more than their colleagues with an Associate’s degree. About 27 percent of workers with licenses and certificates earn more than employees with a Bachelor’s degree . . . .”

<sup>11</sup> Council of Economic Advisers, “Preparing the Workers of Today for the Jobs of Tomorrow,” July 2009, pp. 9-12.

<sup>12</sup> Steven Greenhouse, “Learning Curves on the Career Path,” New York Times, August 25, 2010: “With the world growing ever more complex and new technologies being developed every day, it’s hardly surprising that millions of Americans have returned to campus. . . . Many experts say continuing education is more important than ever because most college graduates will go through five to seven job changes over their careers. ‘To sustain themselves as competitive employees during their career, they’re probably going to need the equivalent of several more years of studying, although not necessarily in degree programs,’ Mr. Caprio [vice president for continuing education at Rutgers University] said.”

<sup>13</sup> National Center for Education Statistics, Digest of Education Statistics, 2009, Table 370.

<sup>14</sup> National Center for Education Statistics, Integrated Postsecondary Education Data System.

<sup>15</sup> National Center for Education Statistics, Digest of Education Statistics, 2009, Table 193.

<sup>16</sup> American Association of Community Colleges, “2010 Fact Sheet.”

<sup>17</sup> Alan Murray, “The End of Management,” Wall Street Journal, August 21, 2010. “There’s plenty of evidence that most workers in today’s complex organizations are simply not engaged in their work. . . .”

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The new model will have to instill in workers the kind of drive and creativity and innovative spirit more commonly found among entrepreneurs. It will have to push power and decision-making down the organization as much as possible, rather than leave it concentrated at the top. Traditional bureaucratic structures will have to be replaced with something more like ad-hoc teams of peers, who come together to tackle individual projects, and then disband.”

<sup>18</sup> A concise discussion of this point can be found in Joint Economic Committee, “Information Technology Increases Earnings and Drives Need for Education,” Research Report #110-6, May 2007.

<sup>19</sup> David Autor, “The Polarization of Job Opportunities in the U.S. Labor Market: Implications for Employment and Earnings,” Center for American Progress and The Hamilton Project, April 2010.

<sup>20</sup> Carnevale, et al., p. 16.

<sup>21</sup> College Board, “The College Completion Agenda: 2010 Progress Report,” p. 9.

<sup>22</sup> “I want us to produce 8 million more college graduates by 2020, because America has to have the highest share of graduates compared to every other nation. But . . . I want you to know we have been slipping. In a single generation, we’ve fallen from first place to 12th place in college graduation rates for young adults. . . . Now, that’s unacceptable, but it’s not irreversible. We can retake the lead. . . . Education is the economic issue of our time. It’s an economic issue when the unemployment rate for folks who’ve never gone to college is almost double what it is for those who have gone to college. Education is an economic issue when nearly eight in 10 new jobs will require workforce training or a higher education by the end of this decade. Education is an economic issue when we know beyond a shadow of a doubt that countries that out-educate us today, they will out-compete us tomorrow.” “Remarks by the President on Higher Education and the Economy at the University of Texas at Austin,” August 9, 2010.

<sup>23</sup> At the summit, President Obama set a specific community college graduation goal: “By 2020, America will once again lead the world in producing college graduates. And I believe community colleges will play a huge part in meeting this goal, by producing an additional 5 million degrees and certificates in the next 10 years.” “Remarks by the President and Dr. Jill Biden at White House Summit on Community Colleges,” October 5, 2010.

<sup>24</sup> National Center for Education Statistics, Digest of Education Statistics, 2009, Table 331.

<sup>25</sup> According to the National Bureau of Economic Research, the recession ended in June 2009. However, in light of ongoing high unemployment, for the purposes of this paper the term “recession” is used to connote economic difficulties experienced over the last three years, including the present.

<sup>26</sup> Janice Nittoli, “Our Blue-Collar Great Depression,” Wall Street Journal, August 25, 2010, p. A13.

<sup>27</sup> The extent to which persistent unemployment is a function of skills mismatch has been a subject of debate. In recent speeches, Minnesota Federal Reserve Bank President Narayana Kocherlakota estimated that the increased mismatch between job openings and the skills, demography and location of the unemployed has added three percentage points to the unemployment rate. New York Times columnist Paul Krugman, the Economic Policy Institute, and the Roosevelt Institute say persistent unemployment is a function of inadequate demand.

<sup>28</sup> The figures measure change between March 2007 and September 2010, seasonally adjusted. During the same period the number of employed workers with a high school diploma dropped by 7.5 percent and the number with some college fell by 1.5 percent.

<sup>29</sup> Physical labor occupational categories include farming, fishing, and forestry; construction and extraction; installation, maintenance, and repair; production; and transportation and material moving. Office-based occupations include management, professions, sales, service, and administrative.

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- <sup>30</sup> These figures are from September 2007-September 2010, not seasonally adjusted.
- <sup>31</sup> For every major occupational category except service occupations, the unemployment rate for women is greater than for men. However, the overall unemployment rate for men is greater than that for women because 86 percent of physical workers are men, even though workers in physical occupations only make up 21 percent of the total. Source: Bureau of Labor Statistics.
- <sup>32</sup> Motoko Rich, "Factory Jobs Return, but Employers Find Skills Shortage," *New York Times*, July 1, 2010. Dana Mattioli and Joe Light, "Work Forces Stay Lean After Slump's Cutbacks," *Wall Street Journal*, July 19, 2010.
- <sup>33</sup> Nelson D. Schwartz, "Industries Find Surging Profits in Deeper Cuts," *New York Times*, July 26, 2010. Robert Samuelson, "Why CEOs aren't hiring," *Washington Post*, July 26, 2010.
- <sup>34</sup> Mark Whitehouse, "Some Firms Struggle to Hire Despite High Unemployment," *Wall Street Journal*, August 9, 2010. Also, Motoko Rich, op. cit. The dynamics identified in Rich's article are discussed more fully in Deloitte Development LLC, The Manufacturing Institute, and Oracle, Inc., "People and profitability: A time for change," 2009.
- <sup>35</sup> Lawrence Katz, Testimony before the Joint Economic Committee hearing on "Long-Term Unemployment: Causes, Consequences, and Solutions." April 29, 2010. Also see Douglas W. Elmendorf, Testimony before the Joint Economic Committee hearing on "Policies for Increasing Economic Growth and Employment in the Short Term," February 23, 2010, and Kevin G. Hall, "Major employment shift occurring, study finds," *Dallas Morning News*, August 8, 2010.
- <sup>36</sup> Leonhardt, op. cit.
- <sup>37</sup> Catherine Rampell, "Bleak Outlook for Long-Term Unemployed," *Economix Blog*, *New York Times*, July 2, 2010. Also, Catherine Rampell, "In Job Market Shift, Some Workers Are Left Behind," *New York Times*, May 12, 2010.
- <sup>38</sup> Bureau of Labor Statistics, "Ranks of those unemployed for a year or more up sharply," *Issues in Labor Statistics*, Summary 10-10, October 2010.
- <sup>39</sup> Mohamed A. El-Erian, "The Real Tragedy of Persistent Unemployment," *The Wall Street Journal*, July 9, 2010.
- <sup>40</sup> Joint Economic Committee, "The 2010 Joint Economic Report," pp. 30-34.
- <sup>41</sup> For the impacts of unemployment on the young, see Andrew J. Cherlin And W. Bradford Wilcox, "The Generation That Can't Move Up," *Wall Street Journal*, September 2, 2010.
- <sup>42</sup> Phil Izzo, "Economists Express More Optimism Than General Public," *Wall Street Journal*, July 15, 2010. Also, Carnevale, et al., op. cit., p. 9, indicates that the economy will not fully recover until 2015.
- <sup>43</sup> Dr. Till von Wachter, Testimony before the Joint Economic Committee hearing on "Long-Term Unemployment: Causes, Consequences, and Solutions." April 29, 2010.
- <sup>44</sup> Economist Lawrence Katz says the economy needs to add 300,000 jobs a month to bring the unemployment rate to pre-recession levels in four years. Conor Dougherty, "Jobs Data Provide Hope," *Wall Street Journal*, September 4-5, 2010.
- <sup>45</sup> American Association of Community Colleges, "National Organizations Sign Student Completion Call to Action," April 20, 2010.
- <sup>46</sup> Completion by Design (Gates Foundation), Skills for America's Future (Aspen Institute), Adult Degree Completion Commitment (Lumina Foundation).
- <sup>47</sup> Examples include Corporate Voices for Working Families, "From an 'Ill-Prepared' to a Well-Prepared Workforce: The Shared Imperatives for Employers and Community Colleges to Collaborate," October 2010; Business Champions, "How to Create High Impact Partnerships for

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Jobs & Economic Vitality in the U.S.: A Call to Action for Employers and Community College Boards,” October 2010; and Louis Soares, “Issue Brief on Community College and Industry Partnerships,” Center for American Progress, October 2010.

<sup>48</sup> In an interview after winning the Nobel Prize in economics for his work in the functioning of labor markets, MIT professor Peter Diamond said, “It’s very important that people get back to work, because if they’re out of work too long, it breaks the connection to the labor market, and the economy functions more poorly thereafter.” Neil Irwin, “Nobel in economics for Diamond,” Washington Post, October 12, 2010.

<sup>49</sup> Barriers to private provision of data for public purposes include the need to charge for the data in order to make a profit; the substantial underlying costs; lack of access to information in confidential public records, such as tax returns; difficulty in compelling participation in surveys; the lack of incentive to meet the needs of a wide array of users; the need to keep proprietary methods confidential, which can reduce the legitimacy of the data; and the “public good” nature of information, in that one purchaser can share the data with many other users without further payment to the provider.

<sup>50</sup> With the emergence of federal policies to stimulate private industry-led industry clusters, a parallel change is taking place in economic development. See, for instance, the speech by Assistant Secretary of Commerce John Fernandez before the National Association of Development Organizations, August 31, 2010 (<http://www.eda.gov/NewsEvents/Speeches/NADOSpeech.xml>).

<sup>51</sup> States are funded by BLS through a labor market statistics grant program (17.002 in the Catalog of Federal Domestic Assistance).

<sup>52</sup> <http://www.workforceinfocouncil.org/>

<sup>53</sup> “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. . . .” (<http://www.doleta.gov/etainfo/mission.cfm>). ETA’s general efforts emphasize supports for the unemployed. Much of its funding goes to state-managed service delivery systems, such as state employment services, state and local workforce investment boards, and state unemployment insurance systems.

<sup>54</sup> See <http://www.careeronestop.org/>. ETA-funded information tools include America’s Career InfoNet, America’s Service Locator, Auto Worker ReEmployment, Competency Model Clearinghouse, Disability.gov, Job Seeker Tools, Key to Career Success, O\*NET OnLine, Regional Economic Development, and Worker ReEmployment.

<sup>55</sup> <http://online.onetcenter.org/>

<sup>56</sup> <http://myskillsmyfuture.org/>. Users enter the title of a current or previous job to get a list of related occupations, based on O\*NET skill, knowledge, and ability attributes. From that list, users then can get local job listings, identify skills that may need to be acquired, and see appropriate local training programs.

<sup>57</sup> The FY2010 figure comparable to prior years is \$51.7 million. In FY2010, Congress added \$12 million for a new Disability Employment Coordination Initiative.

<sup>58</sup> Each state’s UI system maintains a record of each establishment that pays UI premiums, updated quarterly, and each worker’s wage record (for use in determining the proper UI payment if the worker is laid off).

<sup>59</sup> Community Economic Development HotReport (<http://ced.census.gov>).

<sup>60</sup> Data-informed tools include America’s Career InfoNet, Auto Worker ReEmployment, Job Seeker Tools, O\*NET OnLine, Regional Economic Development, and Worker ReEmployment.

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<sup>61</sup> Employment and Training Administration, "American Recovery and Reinvestment Act of 2009: State Labor Market Information Improvement Grants," p. 9.

<sup>62</sup> Other agencies periodically fund CPS supplements, e.g., NCES supports the October supplement on school enrollment and educational attainment.

<sup>63</sup> The Census Bureau's challenge is to determine how to move LED from an ad hoc, experimental program with 51 separate state arrangements to one that functions as a national program, with data of consistent quality, timeliness, and usability across the nation. Further, LED faces significant methodological and technical challenges in adding demographic characteristics and new tools.

<sup>64</sup> IPEDS provides a detailed picture of students who enter as full-time, first time degree-seeking undergraduates. However, it does not collect data on nontraditional students; students who transfer to other institutions or who return to school after a period of time; and students not seeking a credential. It does not track completion rates for part-time or graduate-level students. Further, observers question the accuracy of IPEDS in light of limited reporter training and differences in definitions used by reporters. (Communication from Kenneth Poole, Center for Regional Economic Competitiveness, September 6, 2010)

<sup>65</sup> Very few SLDS make workforce outcomes data readily available. Consequently, use of SLDS by labor market participants is miniscule relative to potential use. At present, effective implementation of SLDS is challenged by disparate state interpretations of the Federal Educational Rights and Privacy Act (FERPA) that too often restrict the uses of student records for research and policy analysis; institutional and technical barriers to connecting SLDS to labor market outcomes data; and the absence of individual records of industry occupational certification programs. By law, SLDS cannot be linked into a single national system.

<sup>66</sup> In addition to lack of time series, other consequences are: emerging occupations cannot be easily and quickly incorporated; OES cannot inform analysts regarding changes in occupational demand for specific industries over time, reducing its value in informing occupational projections; staffing patterns by industry cannot be updated in a timely manner, which also has a negative impact on the accuracy of occupational projections.

<sup>67</sup> Other impacts of lack of funding include: emerging occupations are not well captured; occupations lack detailed work activities; information reliability varies by occupation; differences in occupational attributes in light of worker characteristics such as job experience, age, or educational attainment cannot be determined; data tools are not well integrated; it is not readily usable as a research tool; analysis of change in occupational characteristics over time is not possible.

<sup>68</sup> While Wagner-Peyser Section 15 emphasizes the importance of state and local occupational projections in a national employment statistics system, realities fall substantially short of the legislation's expectations. The BLS state projection effort was ended by budget cuts in 1982. State projections are now funded as part of slim ETA workforce information grants. They are not controlled to national projection totals. Further, BLS has no resources to participate actively in the state projections management partnership; while BLS has been cooperative, providing key data inputs for state projections, its technical assistance activities have been provided on an ad hoc basis. ETA was able to provide one-time Recovery Act funding (\$3.8 million) to upgrade projection software (developed in the 1990s), add skills-based projections, developed by applying O\*NET to occupational projections, and provide training to LMI staff.

<sup>69</sup> <http://www.occsupplydemand.org/>

<sup>70</sup> Researchers are beginning to develop methods for identifying regional clusters of related occupations. Such clusters are seen as a primary driver of regional competitive advantage. Particularly when used in combination with more traditional industry cluster data, occupational cluster data are valuable for assessing regional workforce and economic conditions and

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competitiveness and preparing strategies in response. Elizabeth Currid and Kevin Stolarick, "The Occupation-Industry Mismatch: New Trajectories for Regional Cluster Analysis and Economic Development," *Urban Studies*, vol. 47, number 2, February 2010, pp. 337-362. Purdue Center for Regional Development, "Linking Industry and Occupation Clusters in Regional Economic Development," slide show presented at First Annual EDA Economic Development Research Symposium, October 21, 2009. Edward Feser, "What Regions Do Rather than Make: A Proposed Set of Knowledge-based Occupational Clusters," *Urban Studies*, vol. 40, pp. 1937-1958.

<sup>71</sup> JOLTS produces monthly data on job openings, hires, quits, layoffs and discharges, and other separations, but does not have the sample size to go down to the state level. BED provides quarterly numbers on gross job gains and gross job losses statistics for the nation and states. Based on administrative records (QCEW), it has the capacity but not the budget to go below the state level. Both data series could be a significant help in understanding current local labor market flows. A detailed JOLTS would allow quality checking of real-time LMI findings.

<sup>72</sup> Dane Stangler and Paul Kedrosky, "Neutralism and Entrepreneurship: The Structural Dynamics of Startups, Young Firms, and Job Creation," Kauffman Foundation Research Series: Firm Formation and Economic Growth, September 2010.

<sup>73</sup> National Association of State Workforce Agencies, "Response to the Bureau of Labor Statistics (BLS) Proposal to Further Centralize the Current Employment Statistics (CES) Program," October 2010. Also, Tux Turkel, "New way of figuring jobs data has critics," *Maine Today*, August 29, 2010: "A new federal method of gathering labor market statistics is providing information that's so inaccurate, Maine officials say, that they are unable to track the direction of the state's economy." BLS maintains that this method will provide equally effective estimates for policymakers at a lower total cost.

<sup>74</sup> Among other issues, the estimate challenge process sacrificed accuracy by balancing population increases resulting from local government challenges with reductions in population of non-challenging areas to keep the national figure constant. For instance, in 2006, New York State's population increased by 154,855 on the basis of three challenges, while population figures for California and Florida—neither of which had challengers—were cut by 105,153 and 42,070, respectively. Source: Greg Harper, "Incorporating Challenge Results into the Population Estimates," U.S. Census Bureau, Federal-State Cooperative Program for Population Estimates Steering Committee Meeting, February 21, 2007.

<sup>75</sup> "Economic Research Service, 2011 USDA Budget Explanatory Notes for Committee on Appropriations," Office of Budget and Program Analysis, U.S. Department of Agriculture, pp. 14-6-14-7.

<sup>76</sup> David Altstadt, "Providing Better Job Data to Consumers, Practitioners, and Policymakers," memo to the Joyce Foundation, September 28, 2010: "Most [Great Lakes] states rely on traditional data sources to analyze the labor market due to a lack of capacity and demand to conduct more real-time, multi-dataset analysis. Most of the Great Lakes states have made limited use of other sources of intelligence, including job vacancy surveys, workforce surveys, or analysis of online job postings. Moreover, Great Lakes states tend not to draw on multiple data sources to conduct deeper labor market analysis."

<sup>77</sup> See <http://www.bls.gov/bls/budgetimpact.htm> for discussion of specific impacts.

<sup>78</sup> Under WIA, ETA assumed the occupational information and projections functions that had been carried out by the National Occupational Information Coordinating Committee. See footnote 38.

<sup>79</sup> "ETA expects state WI grantees to use their PY 2010 workforce information funding to help inform state, local and customer decision-making by:

Populating the Workforce Information Database (WIDb) with state and local data;

Producing and disseminating industry and occupational employment projections;

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Conducting and publishing relevant economic analyses, special workforce information, and/or economic studies determined to be of benefit to the governor and state and local WIBs;

Posting products, information, and reports on the Internet; and

Partnering and consulting on a continuing basis with workforce investment boards and other key workforce and economic development partners and stakeholders.”

Source: Jane Oates, Assistant Secretary, “Training and Employment Guidance Letter No. 3-10,” July 16, 2010.

<sup>80</sup> While Wagner-Peyser section 15 directs that budget requests be based on figures developed for an annually updated five-year plan prepared by the WIC, this arrangement is unworkable. The Secretary of Labor cannot be in a position to publish a five-year budget plan prepared by organizations that would receive the funds. Further, the Secretary last adopted a plan in 2001.

<sup>81</sup> Andrew Reamer, “Counting for Dollars: The Role of the Decennial Census in the Distribution of Federal Funds,” The Brookings Institution, March 2010. The seven federal departments are Agriculture, Commerce, Defense, Health and Human Services, Homeland Security, Housing and Urban Development, and Labor itself (primarily ETA).

<sup>82</sup> The author is chair of the DUAC.

<sup>83</sup> The BLS mission was defined in the late 19<sup>th</sup> and early 20<sup>th</sup> century: “The general design and duties of the Bureau of Labor Statistics shall be to acquire and diffuse among the people of the United States useful information on subjects connected with labor, in the most general and comprehensive sense of that word, and especially upon its relation to capital, the hours of labor, the earnings of laboring men and women, and the means of promoting their material, social, intellectual, and moral prosperity.” 29 USC 1.

<sup>84</sup> The prior, long-standing, statement said that BLS “collects, processes, analyzes, and disseminates essential data to the American public, the U.S. Congress, other Federal agencies, State and local governments, business, and labor.” Note the absence of a rationale.

<sup>85</sup> In the Clinton Administration, ETA had its own strategic plan with a guiding principle to use information to promote labor market efficiency: “Labor market efficiency: Ensure that employers, educators and individuals have labor market information and services that support business growth, partial wage replacement to workers between jobs, and a labor exchange that provides the workforce needed to respond to employer requirements.” U.S. Department of Labor, Employment and Training Administration “Strategic Plan: Fiscal Years 1999-2004,” September 2000.

<sup>86</sup> Personal communication, August 27, 2010.

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<http://www.workforceinfocouncil.org/documents/WICMissionandPriorities2009FINAL121609.doc>

<sup>88</sup> <http://ced.census.gov>

<sup>89</sup> Vickie Choitz, with Louis Soares and Rachel Pleasants, “A New National Approach to Career Navigation for Working Learners,” Center for American Progress, March 2010, p. 2: “The United States lacks a coherent, planned career navigation system. Such a system was unnecessary when the primary prerequisites for many middle-class jobs were physical strength and endurance. But as the nation shifted to an economy based on information and knowledge, education and skills became the paths to success. And gaining that preparation for work is not easy.”

<sup>90</sup> James Vollman and Anthony Carnevale, “January 21st Jobs Agenda,” Georgetown University Center for Education and the Workforce, January 29, 2009. Also, David Morman, “Overview Of A National Electronic One-Stop Portal,” draft, March 23, 2010. Both papers are unpublished.

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<sup>91</sup> See <http://www.iseek.org/> and <http://www.communitycollegetimes.com/article.cfm?ArticleId=2759>, respectively.

<sup>92</sup> For examples of intermediary use of labor market data, see Robert Holm, Terri Lee Bergman, and Heath Prince, "Innovations in Labor Market Intelligence: Meeting the New Requirements of Regional Workforce and Economic Development," *Jobs for the Future*, August 2010.

<sup>93</sup> "The pressing question, then, is what can be done to increase demand and bring unemployment down more quickly. Failing to do so would cause millions of workers to suffer unnecessarily. It also runs the risk of making high unemployment permanent as workers' skills deteriorate with lack of use and their labor force attachment weakens as hope of another job fades. Policymakers should certainly try innovative, low-cost policies." Dr. Romer then gives export promotion and trade agreements as examples, but not labor market information. Christina Romer, "Not My Father's Recession: The Extraordinary Challenges and Policy Responses of the First Twenty Months of the Obama Administration," speech at the National Press Club, September 1, 2010.

<sup>94</sup> Peter Orszag, "Using Statistics to Drive Sound Policy," OMB Blog, May 9, 2009.

<sup>95</sup> In the 2008 Economic Report of the President, CEA provides a chapter on "Improving Economic Statistics" that opens by noting the value of statistics to public and private decision-makers but does not discuss the implications of this fact for agency mission and operations. The "Strengthening Federal Statistics" chapter in the president's FY2011 budget request opens with a similar statement.

<sup>96</sup> President Clinton created the Federal Interagency Forum on Child and Family Statistics by executive order, see <http://www.childstats.gov/>.

<sup>97</sup> WIA repealed the labor market information part in the Job Training Partnership Act of 1982 (JTPA) chapter of the U.S. Code. That part laid out the responsibilities of the Secretary for managing a cooperative labor market information program.

<sup>98</sup> In JTPA, the labor market data required of DOL were largely described in one sentence: "The Secretary shall develop and maintain for the Nation, State, and local areas, current employment data by occupation and industry, based on the occupational statistics program . . . and projections by the Bureau of Labor Statistics of employment and openings by occupation." The interagency National Occupational Information Coordinating Committee was responsible for providing "technical assistance to the States in the development, maintenance, and utilization of labor market/occupational supply and demand information systems and projections of supply and demand . . . , with special emphasis on . . . improving access by individuals to career opportunities information in local and State labor markets."

<sup>99</sup> JTPA did not discuss the governance of, or state responsibilities in, the cooperative LMI system.

<sup>100</sup> See Evelyn Ganzglass, Andrew Reamer, et al., "Recommendations for Incorporating Postsecondary and Workforce Data into Statewide Longitudinal Data Systems," March 2010 at [http://www.brookings.edu/papers/2010/0318\\_employment\\_slids.aspx](http://www.brookings.edu/papers/2010/0318_employment_slids.aspx) for a more detailed proposal.

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