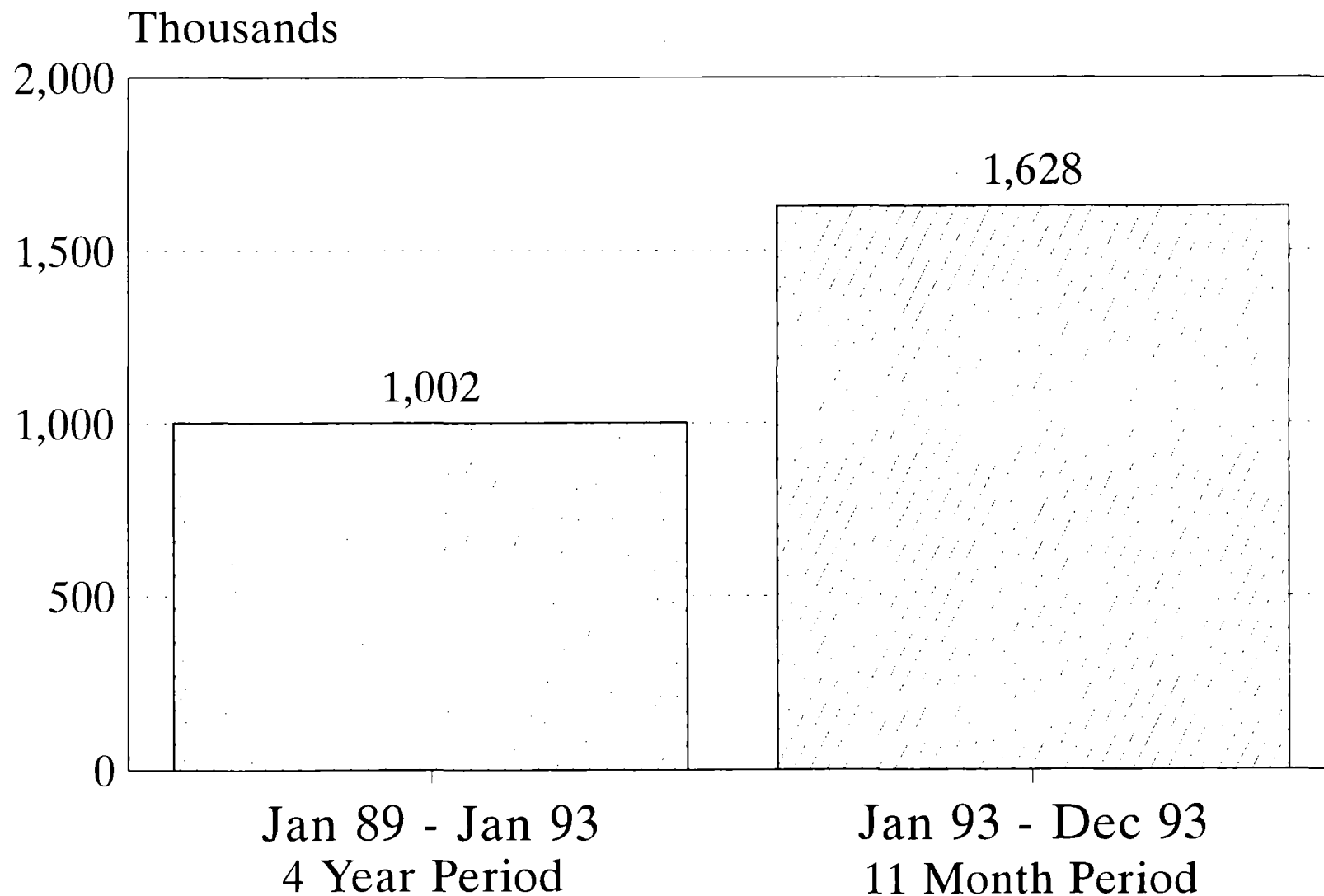


U.S. Department of Labor

**PHOTOCOPY
PRESERVATION**

Jobs Are Coming Back

Total Private Nonfarm Payroll Jobs



Source: BLS Data, Tabulated by the Office of Policy

Fixing The Foundations

- Lowering the Deficit
- Lowering Interest Rates

Lowering Inflation

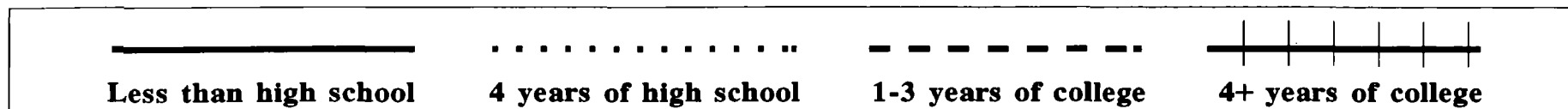
Supporting Structural Initiatives

- Opening Foreign Markets
- Embracing New Technologies
- Investing In Infrastructure

Building Worker Skills

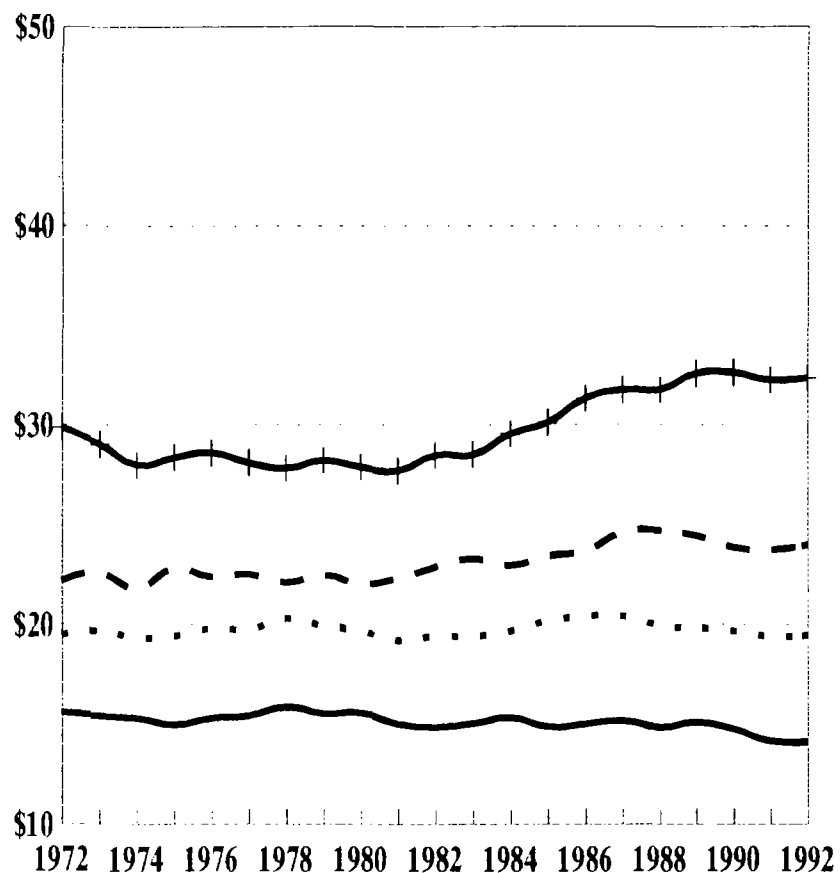
Earnings Gap Widening

Annual Income by Years of School and Gender



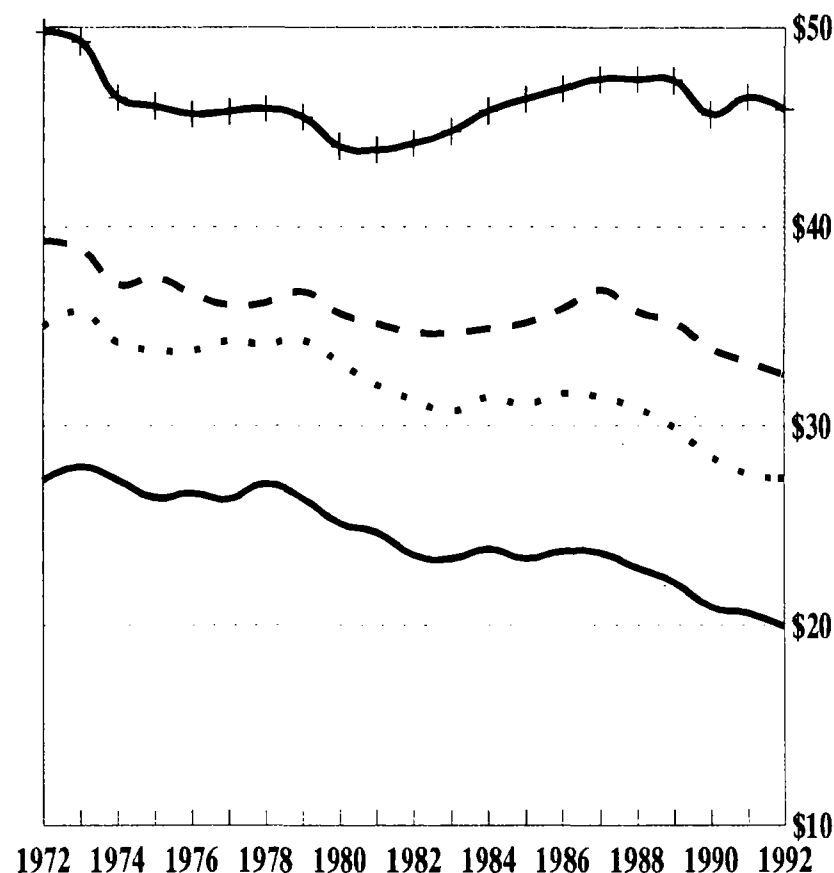
Women

Thousands of 1992 Dollars



Men

Thousands of 1992 Dollars

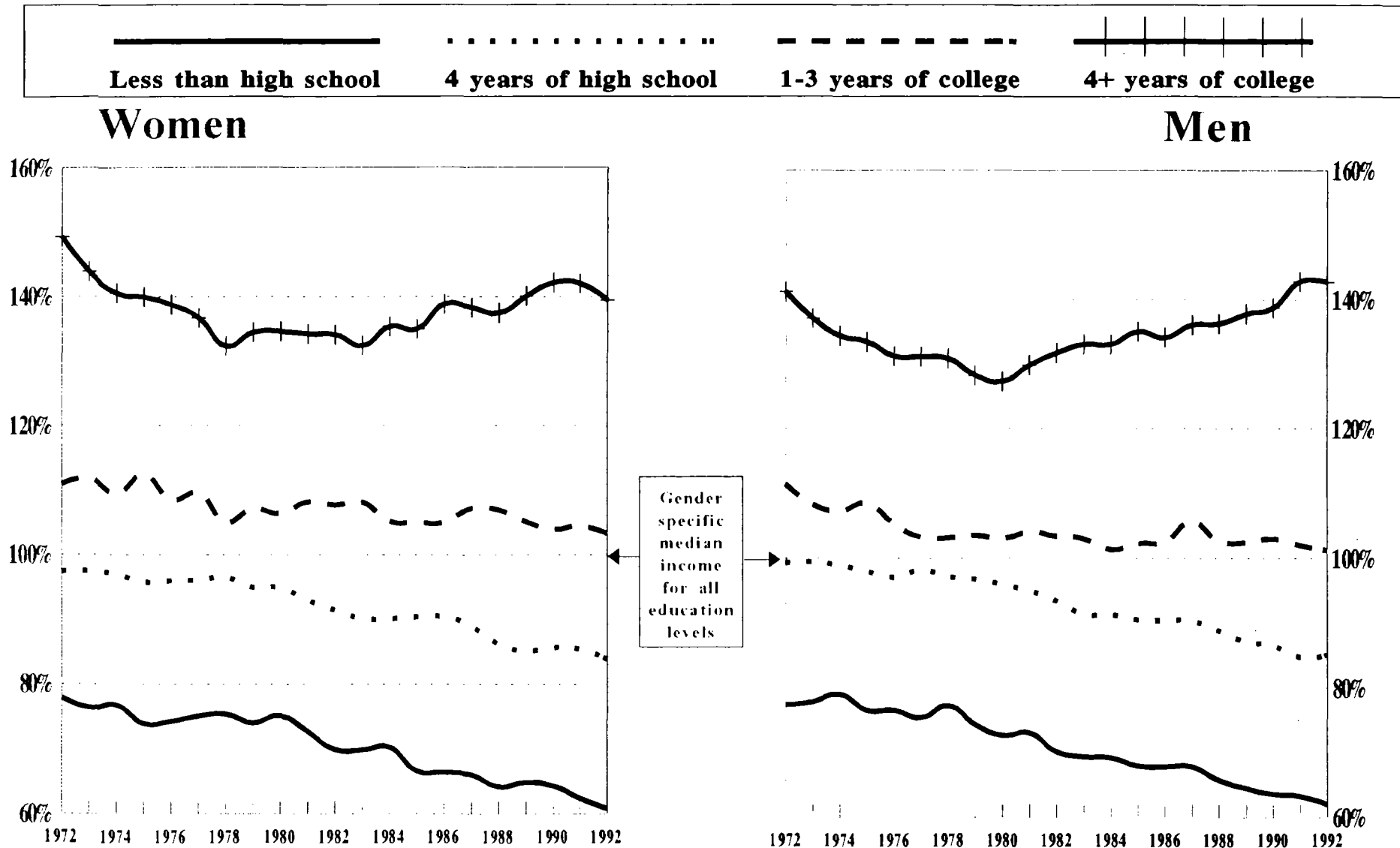


Source: Bureau of Census, Current Population Survey as Tabulated by DOL/OASP.

Note: Workers 25 years and older, working year-round, full time. Data on educational attainment for 1991 and 1992 are not directly comparable to prior years.

Earnings Gap Widening

Percent of Median Annual Income by Years of School and Gender



Source: Bureau of Census, Current Population Survey as Tabulated by DOL/OASP.

Note: Workers 25 years and older, working year-round, full time. Data on educational attainment for 1991 and 1992 are not directly comparable to prior years.

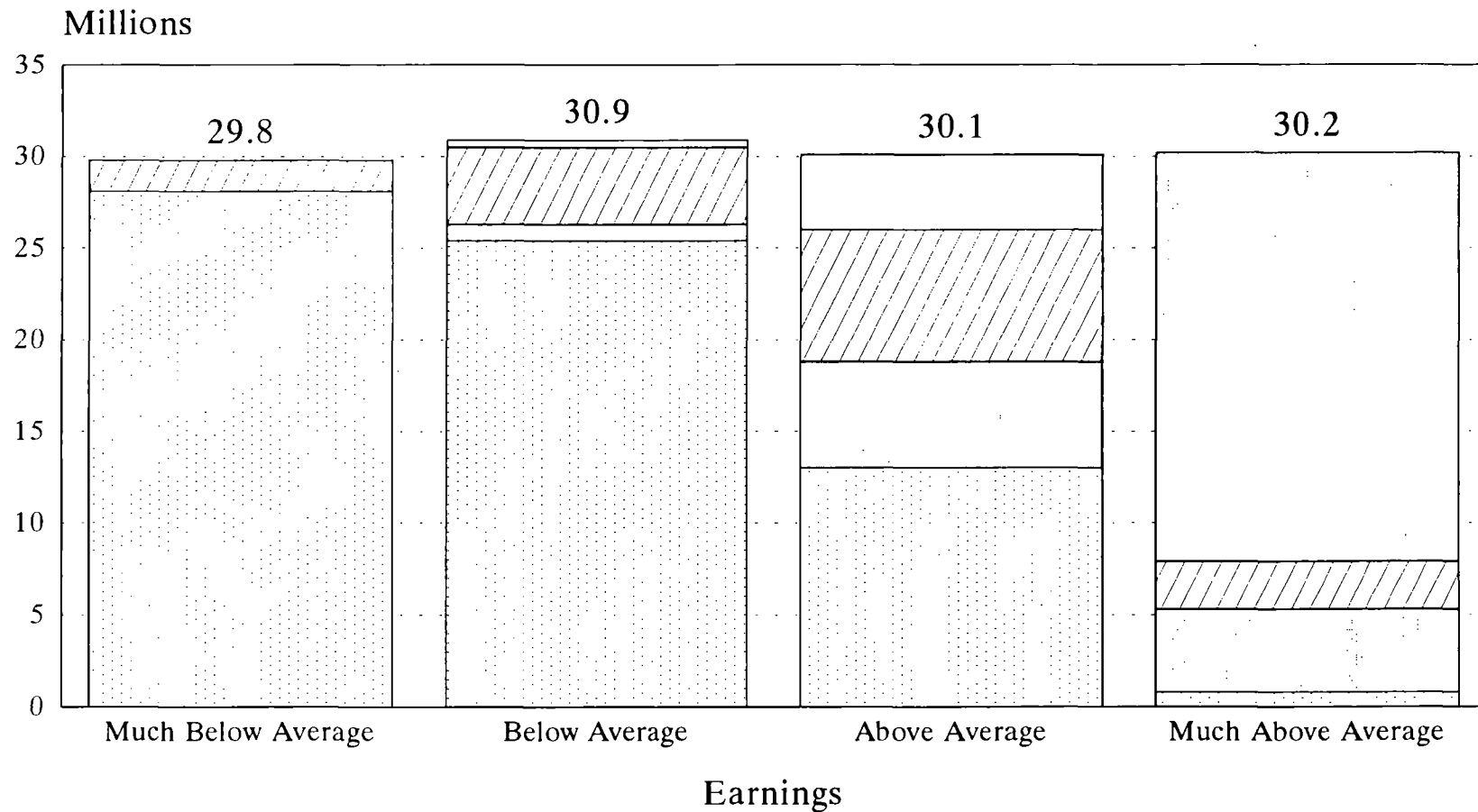
Working To Create Opportunities

- School-To-Work
- Skills Standards
- Direct Student Loans
- Goals 2000
- Job Corps

Summer Youth Employment

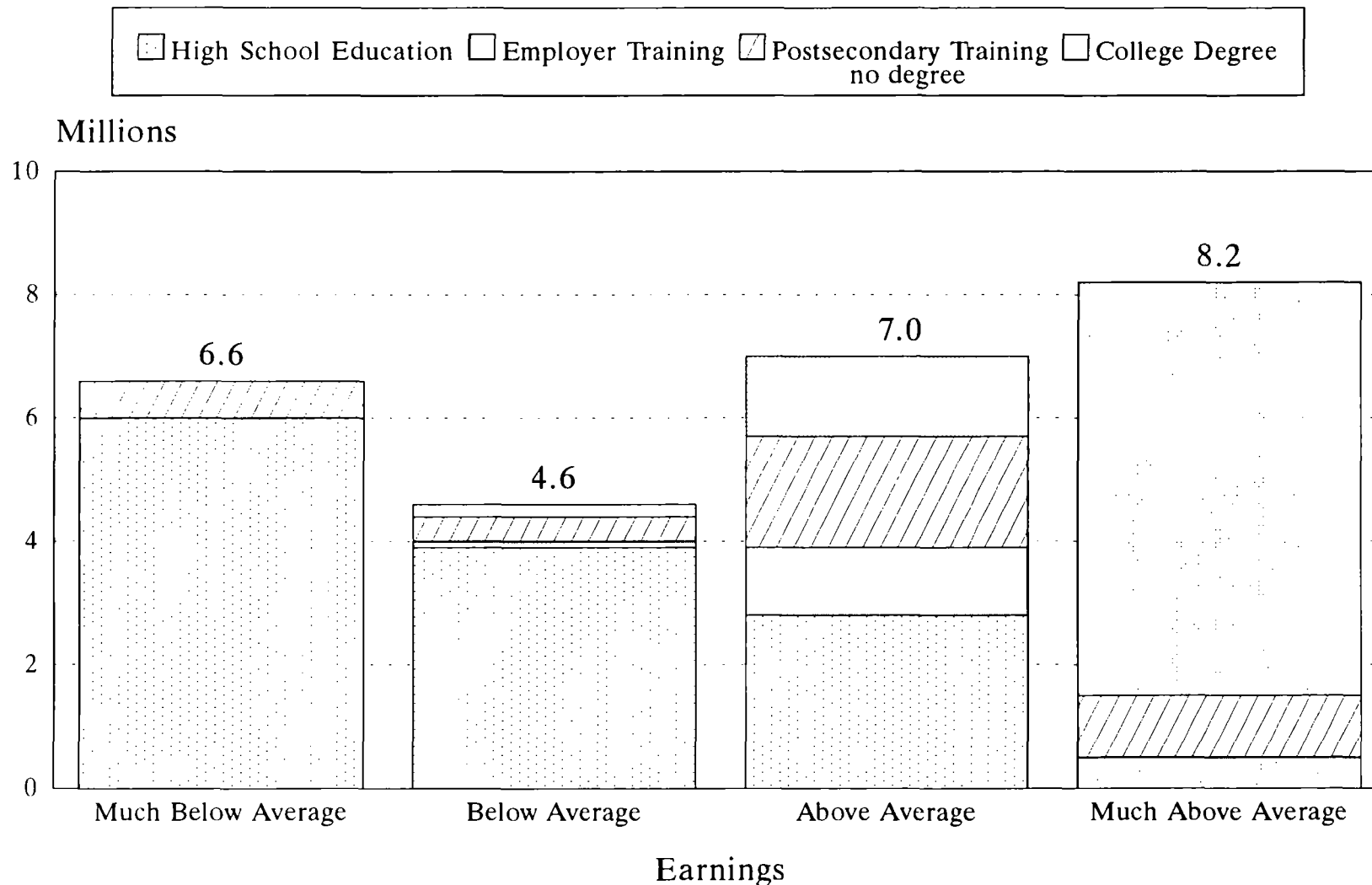
Occupational Employment, 1992 by Earnings and Educational Attainment

High School Education Employer Training Postsecondary Training no degree College Degree



Note: Employment for each occupation is categorized by median earnings and usual education and training. Each earnings category accounts for approximately one-fourth of the total employment in 1992 rather than exact quartiles. This occurs because workers in each occupation were allocated to only one earnings category.

Net Occupational Employment Change, 1992 - 2005 by Earnings and Educational Attainment



Note: Employment for each occupation is categorized by median earnings and usual education and training. Each earnings category accounts for approximately one-fourth of the total employment in 1992 rather than exact quartiles. This occurs because workers in each occupation were allocated to only one earnings category.

Where are These Jobs?

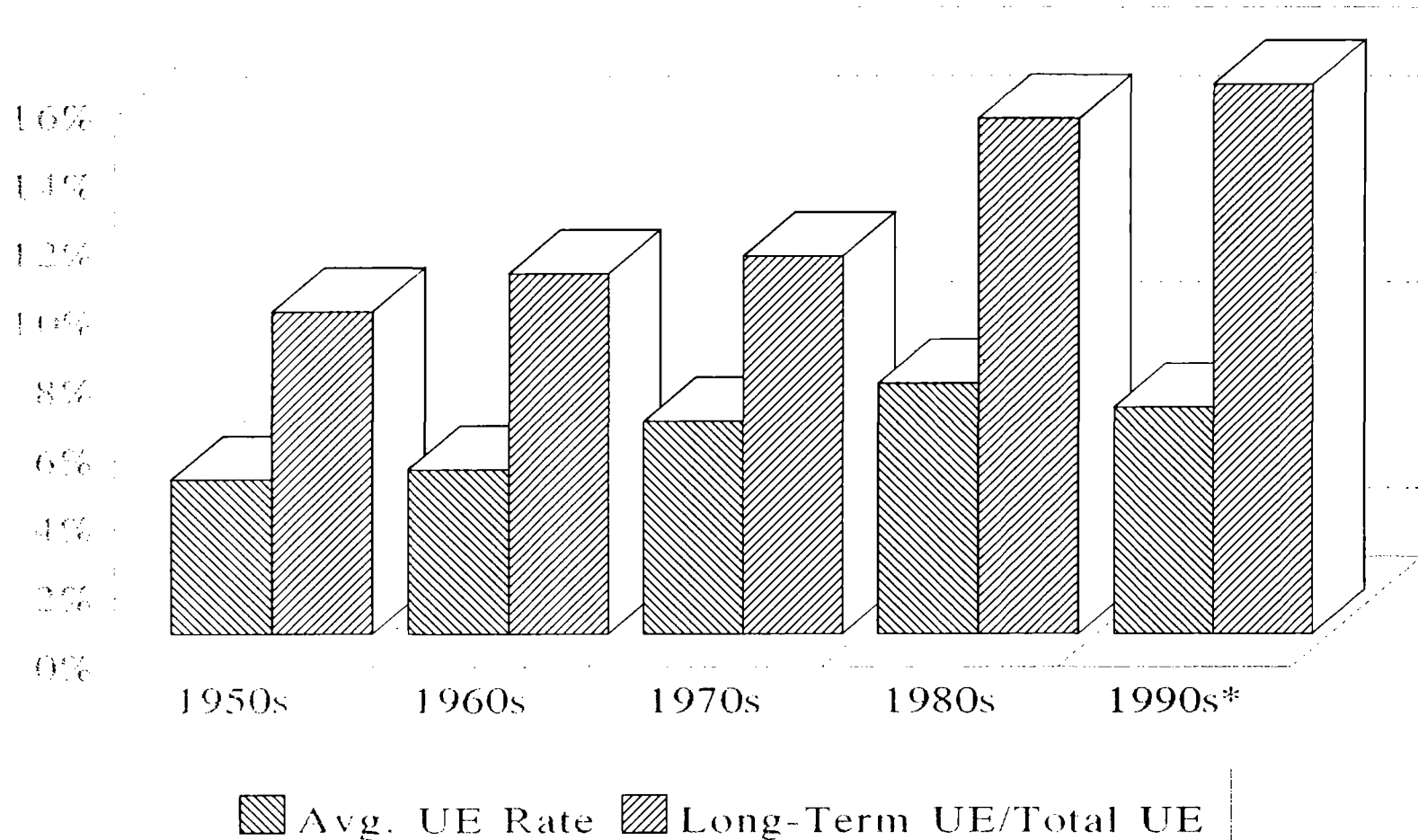
Managerial, Professional, and Technical

- Technical Sales Support**
- Technical Marketing**
- Laboratory Technicians (including health)**
- Factory Technicians**
- Technical/Clerical**

Examples

- Home Depot "Entrepreneurial Clerks"**
- "Cutting Edge" Truck Drivers**

Length of Unemployment Spells Are Increasing

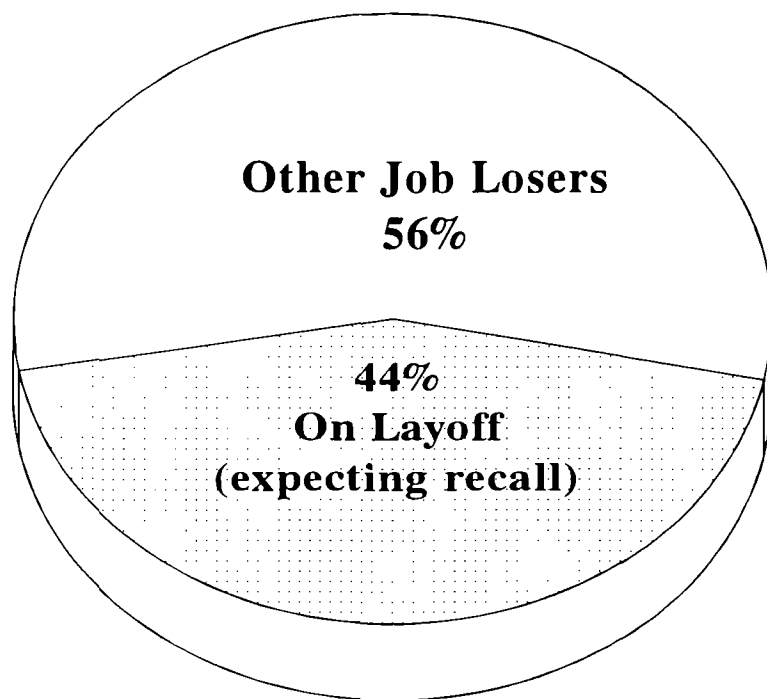


* Through 9/93

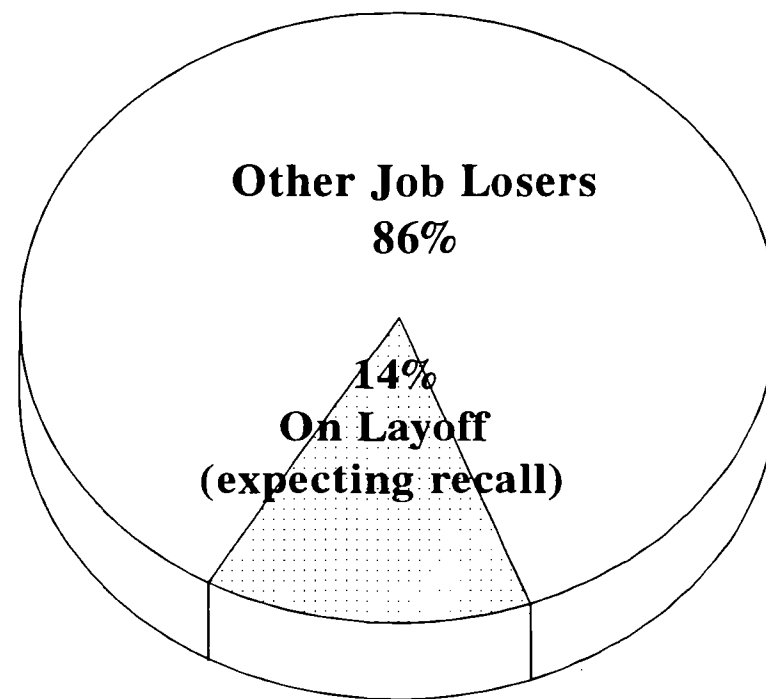
The long term unemployed have become a greater portion of the total unemployed.

Job Losers Not Expecting To Be Recalled

Average for Four Prior Recessions



**Recent Labor Market Contraction
July 1990-June 1992**



Note: The National Bureau of Economic Research has determined that the recent recession began in July 1990 and ended in March 1991. However, the July 1990-June 1992 period is used for the comparison with earlier recessions because the number of job losers did not peak until June 1992, well past the official endpoint of the recession. In prior recessions the peak in the number of job losers was more coincident with the official endpoints.

Source: DOL\Bureau of Labor Statistics, Current Population Survey.

The Current System Is Not Working

UI system is designed to tide people over until they get their old jobs back

Unemployment/Training services are not universal

Lack of quality job information

Long-Term training needs are not addressed

Services are difficult to access

Workforce Security Proposal

New Skills -- Better Jobs

Early Intervention

Re-Employment Services like job search and job counseling

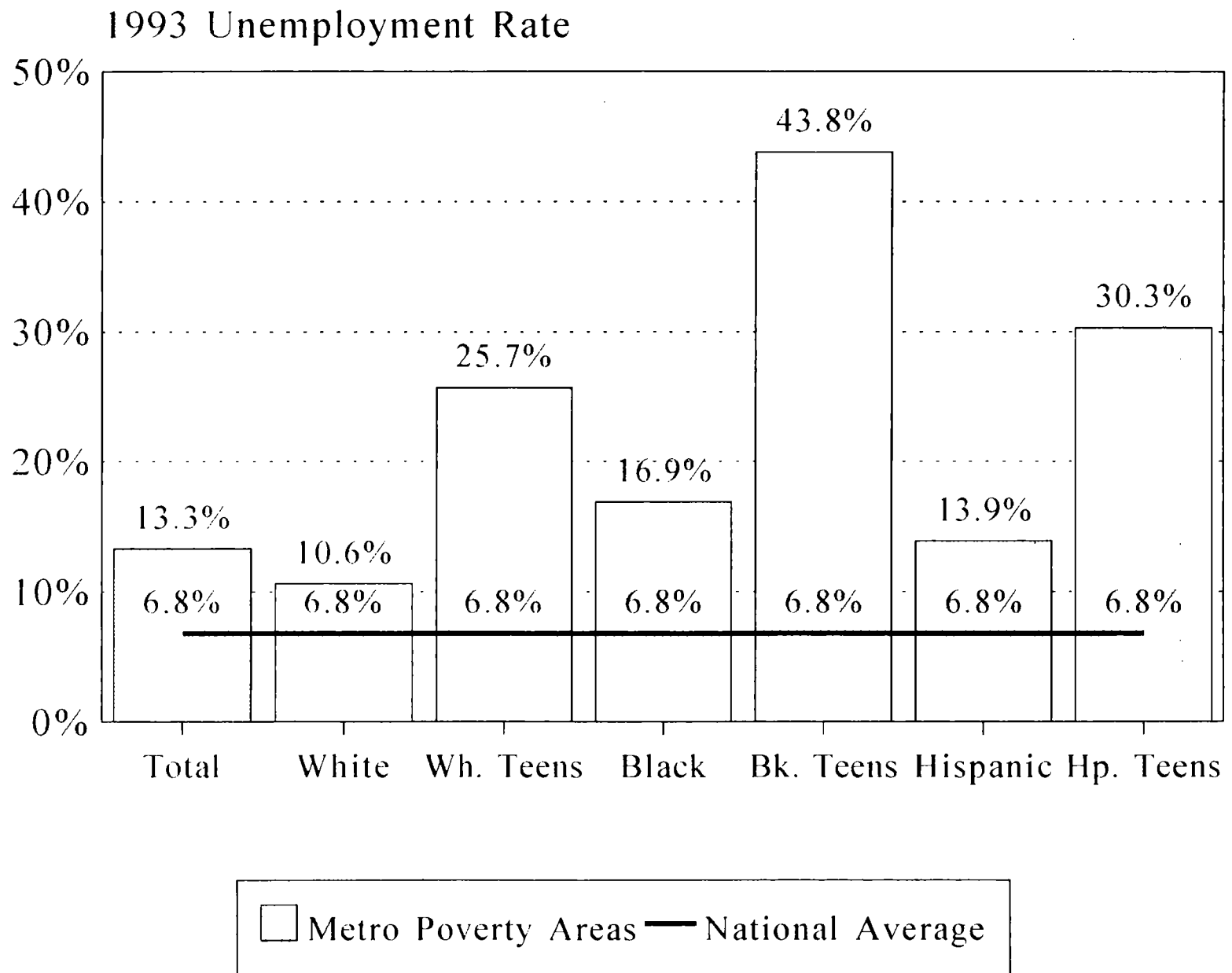
Good data on where the jobs are and what training is necessary

UI Flexibility

Extended benefits for longer-term training

One-Stop Shopping

Unemployment Plagues Metro Poverty Areas



Fighting Poverty By Making Work Pay

Preventing Dependence

**Supporting Working Families with the
EITC, Health Care Reform, and Child Care**

Promoting Self-Sufficiency

Time-Limited Welfare Followed by Work

Simplifying Public Assistance

A NATIONAL WORKFORCE STRATEGY:

THE CLINTON ADMINISTRATION'S PROPOSAL FOR WORKER SECURITY

THE CHALLENGE

"We're at a time of change that I am convinced is as dramatic as the dawning of the Industrial Age. We can no longer tell our sons and daughters — we know this now — that they will enter a job at the age of 18 or 21, enjoy secure paychecks and health benefits and retirement benefits for the rest of their working lives, and retire from the same job with the same company at the age of 65 or 62."

"So, what are we to do? It seems to me that we clearly have to make some changes in the way we look at the world and the way we approach the world. And in order to make those changes, we have to ask ourselves, what do we have to do to make the American people secure enough to make the changes?"

"It is clear that what we need is not an unemployment system, but a reemployment system in recognition of the way the world works today."

— President Bill Clinton

October 4, 1993

"For the three-quarters of our young people who do not get four-year college degrees, we must merge the world of learning and the world of work to offer young people classroom training and on-the-job training. And for those who lose their jobs, the unemployment system is no longer good enough. We must create a continuous reemployment system so that people are always learning — even into their 50s and 60s and 70s, as long as they are willing to be productive citizens and keep going and growing."

— President Bill Clinton

October 12, 1993

In recent years, rapidly-evolving technologies, defense down-sizing, corporate restructuring, and intensifying global competition, have expanded the scale of job loss, job change, and job uncertainty. In today's changing economy, the typical 18 year-old will change work many times in a life-time, even if he or she stays with the same company. As a result, the work lives for increasing numbers of Americans are in transition.

Unfortunately, the current government programs and structures in place to address job transitions and

unemployment are not designed to help people find first, new, or better jobs. The current system was designed to meet the needs of an era when people could easily get to or move from one higher-skill, higher-wage job to another. Or, if they were laid-off, the system could provide a safety net until they got their old jobs back.

Today, many Americans face the challenge of longer unemployment spells, unemployment, or are in search of a first job. In order for the United States to continue to grow stronger economically, we must make the transition to higher-value-added products, higher-skill work and higher-wage work. In fact, several such jobs are projected to grow in number, according to the Bureau of Labor Statistics. A constantly changing economic picture demands great flexibility — the capacity to adapt quickly and continuously, the willingness to change jobs and gain new skills. In order to make this transition we need to invest in our workers and prepare our students so that they might prosper in the new world economy.

The challenge is to fundamentally change the way government helps people who are unemployed move quickly back to economic security by offering them the choice to choose the services they want and need, and a system that is accountable for results.

THE PROBLEMS AMERICAN WORKERS FACE

The Unemployed Confronted with Job Transition

- More than two million Americans are permanently laid-off each year. In recent years, contraction of the defense industry, rapidly evolving technologies, and intensifying global competition have altered the nature and scale of job loss in the U.S. economy.

The Unemployed and the Changing Labor Market

- More than three out of every four workers who were identified as job losers last year were permanently, rather than temporarily, laid-off — the highest rate of permanent job loss on record.

- ❑ The length of unemployment spells continues to grow. In the 1970s, an average of 11.7 percent of the unemployed were out of work for six months or longer.

In the 1980s, the figure was 15.5 percent. Thus far in the 1990s, the figure is 16.4 percent. Last year, 21 percent of the unemployed hadn't worked for six months or more — the second highest annual level since the end of World War II.

- ❑ Between 1984 and 1989, an average of 1.8 million full-time workers were displaced each year. In 1990, the number reached 2.2 million. A 1990 Congressional Budget Office estimate cites that 23 percent of displaced workers were unemployed longer than one year.

The Costs of Job Change Continue to Increase

- ❑ Regular Unemployment Insurance (UI) benefits, which are financed by taxes on employers, have averaged \$22 billion a year (adjusting for inflation) over the past five years. Administrative costs were an additional \$2 billion dollars per year.
- ❑ Since November 1991, the federal government has distributed approximately \$27 billion in temporary Emergency Unemployment Compensation (EUC) to long-term unemployed workers who have exhausted their regular benefits.
- ❑ Both tax revenues and economic output decline when workers are idle.

THE SOLUTION: ECONOMIC SECURITY

The Clinton Administration's proposal would begin to create a comprehensive system for facilitating worker security. We urgently need to move from a system of unemployment to re-employment, and we need a system that helps all workers who lose their jobs prepare for and find new, well-paying jobs. Department of Labor initiatives are:

Workforce Security Act, which includes:

Comprehensive Worker Adjustment: This program will ensure that permanently laid-off workers receive the training and support they need for re-employment.

One-Stop Career Centers: These centers will provide all workers and employers quick and easy access to a wide array of enhanced career development and labor market information services.

A School-to-Work Transition System: This initiative will build on the successes of public-private partnerships to develop a national system through which every student would have the opportunity to participate in a program that combines classroom teaching with real-world work experience. When students graduate they will have certification in a marketable skill that will help them get a good first job on a high-wage, higher-skill career track.

Voluntary National Skills Standards: Businesses will work with educators, human resource professionals, labor and community leaders to identify the higher-wage skills and the training needed to master them. In this way, workers can know what to train for and, after completing their training, will have a credential to show their employers.

The key features of the **Workforce Security Act** will be:

- ❑ **A single comprehensive employment system:** The new system would provide for comprehensive services for all people whether they are unemployed, under-employed, or in search of a first job.
- ❑ **Re-employment services:** Services would be available to help people find new and better jobs quickly and would include early job counseling, job-search assistance, and information on where new jobs can be found.
- ❑ **Better information:** A nationwide information network would help workers make more informed career and job choices and assist in their selection of proper training.
- ❑ **Easier access to help:** A streamlined system accessed through One-Stop Career Centers would make it easier to provide universal assistance to all, and make it easier for people to access services.

COMPARING THE CURRENT SYSTEM TO OUR PROPOSAL FOR WORKER SECURITY

CURRENT SYSTEM

There are currently six categorical programs which may or may not serve select groups of people, based on confusing criteria.

Only 6% of workers who have exhausted their unemployment insurance (UI) benefits have attended job search assistance classes, and only 1.4% have received training.

Currently, the vast majority of unemployment insurance recipients, including those on permanent lay-off, do not receive reemployment services.

There is no nation-wide data system or quality information for workers to use in making their career, job, and training choices.

Only workers affected adversely by trade are eligible for intensive longterm training and career counseling.

Most people use up their UI benefits before they can complete a job training program. Few states provide income support for long-term training.

In most states, UI benefits can only be received while workers look for a new job.

Workers must go to several locations to get all of the basic services and must navigate a confusing maze of categorical programs to find a program that will serve them.

OUR PROPOSAL FOR WORKER SECURITY

Comprehensive Program: The proposal consolidates all services now available at the state and federal levels.

Universal access: Every permanently laid-off worker who wants and needs help, gets help, regardless of the reason why they lost their job.

"Profiling" Systems: Early identification of those unlikely to get their old jobs back, when individuals register for unemployment insurance benefits, will speed entry into reemployment and job-retraining services.

Quality Information: The new system will provide better labor market information about job openings and relevant training, quickly.

Long-term Training: Dislocated workers requiring and wanting more intensive or long-term assistance are eligible for education and training.

Income Support for Displaced Workers: Eligible workers continue to receive income support in order to enable them to complete a retraining program.

Unemployment Insurance Flexibility: UI will have some added flexibility to allow states more options in pay benefits. For example, workers can use UI benefits to help establish their own business, or to do part-time work while searching for full-time work. Also, some workers will receive bonuses for becoming reemployed before the termination of their unemployment insurance.

One-Stop Career Centers: The new system promotes locally-run One-Stop Career Centers to provide workers with job assistance services, information and access to training in one location, and that will speed the hiring process for firms seeking high quality workers.

The Changing Labor Market and the Need for a Reemployment Response



U.S. Department of Labor
December 1993

1 Introduction and Summary of Findings

Often-difficult labor market transitions have always characterized the U.S. economy. In good economic times and bad, large numbers of workers have been laid off temporarily because their firms experienced periods of weak demand for their products, or have lost their jobs altogether due to permanent production cutbacks including plant closings. The subsequent movement of such workers into more competitive, growing firms has been essential to their own prospects as well as the vitality of the American economy.

In recent years, however, developments such as rapidly evolving technologies have altered the scale and nature of labor market transitions. More and more Americans are losing their old jobs and must find new work; many are having difficulty securing wages and benefits comparable to those received in their former jobs. These trends are likely to endure because they reflect structural developments in the economy.

The new labor market dynamic is evident in several ways:

- Most of the unemployment created when the economy soured in the early 1990s consisted of people who will not get their old jobs back as the economy improves. When unemployed "job losers" are divided into those who are and are not on temporary layoff, more than three out of four were not on temporary layoff last year — the highest rate of permanent job loss since tracking of this figure began in 1967.
- The length of unemployment spells continues to grow. In the 1970s, an average of 11 percent of the

unemployed were out of work for six months or longer; in the 1980s, the figure was 15 percent; thus far in the 1990s, it is 16 percent. Last year, 21 percent of the unemployed hadn't had work for six months or more — the second highest annual level since the end of World War II.

- A special data series on certain "displaced" workers — workers who lost their jobs due to plant closings, production cutbacks, or layoffs — is available for the period from 1981 to 1990. Between 1984 and 1989, an average of 1.8 million full-time workers were displaced each year. In 1990, the number reached 2.2 million.
- More than half of displaced workers are still unemployed a year after being displaced, or are employed in jobs paying less than 80 percent of their former wages.

The financial costs of these transitions to workers and their families are, of course, substantial — to say nothing of the emotional costs, including the frustrations and anxieties of having to find a new job. But the costs to government and the economy are also considerable.

- The cost of the state unemployment insurance benefit system, which is financed by taxes on employers, has averaged \$24 billion a year (adjusting for inflation) over the past five years.
- The temporary Emergency Unemployment Compensation (EUC) program — targeted on the long-term unemployed who have exhausted their regular state benefits — was enacted in November 1991, and had distributed \$25 billion in benefits by October 1993.
- Altogether, over the past five years, the cost of the Unemployment Insurance (UI) system has averaged \$30 billion a year, after adjusting for inflation.

Labor Market Transitions: Old vs. New

Old view of unemployment

Much job loss assumed to be temporary layoffs.
Job searches assumed to be short and successful.

Old Response

Unemployment insurance and other benefits to tide workers over.
Scattered categorical dislocated workers programs dependent on cause of job loss.
Occasional, mostly short-term training for dislocated workers; not cost-effective.

New reality

The large majority of those who lose their jobs never get them back. More long-term unemployment. Many new jobs pay less in wages and lack adequate benefits.

New Approach

Supplement unemployment assistance with "reemployment" assistance.
Comprehensive dislocated workers assistance, with one program for all workers.
Job search assistance that passes cost-benefit test.
Long-term training emphasized to reflect increased skill demands of the economy.

- Some unemployed workers receive government benefits other than unemployment insurance, such as food stamps, thereby increasing outlays.
- Economic output and tax revenues decline when workers are idle or underemployed.

Some of these costs are expected to diminish as the American economy continues to recover from recession. But the underlying trend of significant structural unemployment (permanent loss of jobs and difficulty in finding new ones) will in all likelihood persist. New technologies, global markets, corporate restructurings, and the shift from military to civilian employment will confront Americans with an ongoing challenge: responding to fundamental economic change.

To date, this challenge largely has not been met with policies designed to help people find new jobs quickly. Instead, income support through unemployment insurance has remained the primary response. While this support helps millions of unemployed workers, and is particularly well-suited to those on temporary layoff or who easily find new jobs on their own, for many workers it is insufficient.

The new response should include a "reemployment" system geared to helping job losers prepare for, and find, jobs that pay well and have good benefits. Currently, reemployment assistance is meager; some

workers who have lost their jobs for particular reasons (imports, defense down-sizing, Clean Air Act regulations) are eligible for training, but most training is short-term. The new system should serve all workers who have lost their jobs, regardless of the cause. Many workers will need up-front job search assistance; others will need long-term training that provides the skills required in today's job market. And these services should be integrated at one location. The job search assistance provisions that were enacted as part of the November 1993 Emergency Unemployment Compensation legislation constitute a significant first step towards a reemployment system.

Recent studies suggest that a reemployment system is likely to be a wise investment. Six state experiments indicate that when unemployed workers are given special job search assistance, the assistance more than pays for itself through reduced unemployment insurance payments and increased tax revenues. Job search assistance also tends to improve the earnings of workers, as does long-term training, according to a growing body of evidence. For example, a recent study found the estimated increase in earnings for each year of attending community college is five percent to six percent.

America should not stand in the way of economic change. Structural adjustments are painful but are

necessary for economic growth. At the same time, in today's dynamic economy, it's not enough merely to alleviate that pain by insuring against some of the income lost when workers lose their jobs. The complete response, instead, should be to ease the transition of Americans into new and better jobs.

2 The Problem

There are several ways to measure the problem of job loss and more difficult labor market transitions. Different measures do, however, display the same pattern: The net effect of recent developments in the economy is a large and growing number of workers being permanently laid off from their jobs and having to find new ones. Some measures suggest a level of structural unemployment that is unprecedented in the post-World War II era. Job loss peaked during the recent recession, but was sizable both before the recession began and will likely remain large during the ongoing recovery.

Displaced Workers

A group of job losers that has received much attention over the past decade is "displaced" or "dislocated" workers. The image of these workers is of individuals employed for long periods of time who lose their jobs because of plant closings or substantial firm cutbacks.

To assess this problem, a special Current Population Survey has been conducted every other January since 1984. The survey categorizes people as "displaced" if they report that in the five years preceding the survey, they had "lost or left a job because of a plant closing, an employer going out of business, a layoff from which [they were] not recalled or other similar reason." So, for example, in January 1992, individuals were asked about their employment experience from 1987 through 1991.

Using this data set, the Bureau of Labor Statistics calculates the total number of displaced workers over age 20:

- The January 1992 survey found that 12.3 million workers had been displaced in the previous five

years. Of these, nearly half had been employed in their lost job for an extended period of time; some 5.6 million had been employed in their job for three or more years.

- Both figures represent the highest absolute levels in the history of the survey. As a proportion of workers, however, these displaced worker measures were somewhat lower than they were in the early 1980s.

The Congressional Budget Office (CBO) has used the same data set to examine a somewhat different group of displaced workers. While the BLS examines how many full- and part-time workers were displaced at some point over the previous five years, CBO examines only workers who work full-time and computes how many are displaced each year. CBO also refines the data to eliminate some potential inaccuracies resulting from the self-reporting of information from several years ago.

CBO issued a comprehensive report on displaced workers in early 1993 that covered the period from 1981 to 1990.¹ The report found:

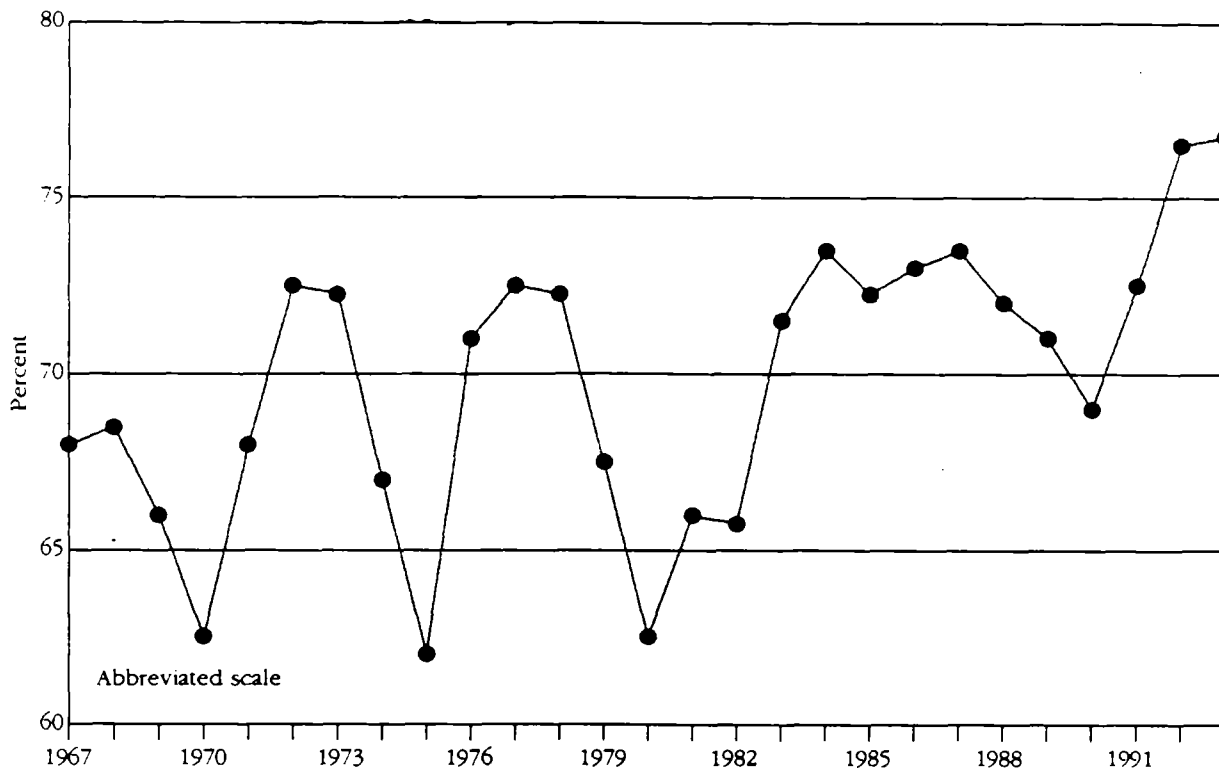
- From 1981 to 1990, an average of nearly two million full-time workers a year were displaced from their jobs. Significant numbers of workers were displaced when overall unemployment was rising and when it was falling.
- In 1990, some 2.2 million full-time workers were displaced. This was the second highest annual level during the period examined.

Workers employed in the manufacturing sector or in blue-collar jobs are substantially overrepresented among displaced workers, but they have increasingly been joined by workers who lost service sector or white collar jobs. CBO found that the proportion of displaced workers who had been employed in blue-collar jobs fell from 65 percent in 1981 to 53 percent in 1990.

Similarly, another study based on the same data set found that the proportion of overall job loss in the trade; finance, insurance, and real estate; and professional services industries all increased

1 Congressional Budget Office, *Displaced Workers: Trends in the 1980s and Implications for the Future*, February 1993.

Figure 1
**Unemployed Job Losers Not Expecting
 to be Recalled as a Percent of Total Job Losers**



substantially from the 1982-1985 period to the 1986-1991 period.²

Temporary vs. Permanent Layoffs

Another important labor market indicator examines all unemployed workers who have lost their jobs for any reason, and whether or not they had simply been laid off for a temporary period.³

Individuals who are unemployed — jobless individuals who are seeking work but cannot find it — are officially divided into four basic categories: job losers, job leavers (those who voluntarily leave their jobs), new labor market entrants, and reentrants. Job losers, the relevant group of workers for this discussion, can be further divided into two groups: job losers who are on temporary layoff and expect to be recalled into their job, and job losers who are not on temporary layoff and have permanently lost their old job.

In recent years, job loss that is permanent has risen to unprecedented levels.

- In 1992, some 76 percent of unemployed job losers were not on temporary layoff. That is, more than three of every four job losers did not expect to return to their old jobs.
- The 76-percent level was the highest proportion of job losers not on temporary layoff ever recorded

2 Henry S. Farber, "The Incidence and Costs of Job Loss: 1982-91," *Brookings Papers on Economic Activity*, Microeconomics 1, 1993.

3 The measure of structural unemployment used in this section includes several groups of workers who are not counted under the displaced workers measures. The job losers data cover all workers — both full and part-time, as well as those under age 20 — who lost their jobs for any reason, even reasons that are unrelated to plant closings or production cutbacks. The job losers data also include seasonal and self-employed workers while the dislocated workers measures do not.

Another difference between the measures is that the job loser figures measure the "stock" of unemployment at a particular time. They reflect the number of people who identify themselves as unemployed job losers in a monthly survey; most of these individuals actually lost their jobs in previous months or years. In contrast, the displaced workers measures is a "flow" measure. It counts all workers who actually became displaced in a defined period of time.

Table 1
Long-term Unemployment Trends

<u>Decade</u>	<u>Average unemployment</u>	<u>Long-term unemployed as percent of total unemployed</u>
1950s	4.5%	9.4%
1960s	4.8	10.5
1970s	6.2	11.0
1980s	7.3	15.0
1990-1993*	6.6	16.0

* Data through September 1993

(data are available back until 1967). So far in 1993, the proportion is slightly higher; on average, nearly eight of every ten unemployed job losers — 77 percent — did not expect to return to their old jobs. (See Figure 1.)

- These high levels reflect an anomaly of the recent recession. Nearly all of the net increase in job losers was among those who were not on recall. About 86 percent of the net increase in job losers in the recent contraction⁴ reflected workers who lost their jobs permanently, compared to an average of 56 percent in the four previous recessions.

The amount of permanent layoffs can also be assessed relative to the entire labor force and to all those who are unemployed. Here, too, the proportion has risen to exceptionally high levels.

- In 1992, the share of the unemployed consisting of job losers not on recall averaged 43.1 percent, the highest annual figure on record.
- Job losers not on recall constituted 3.2 percent of the 1992 labor force, the highest level on record with the exception of the deep recession period of the early 1980s.

Long-term Unemployment

Another way to assess the difficulty of labor market transitions is to examine the duration of unemployment spells. If workers were losing their jobs but finding new jobs very quickly, there would be less reason to be concerned about job loss. Unfortunately, however, it has become more common for unemployment spells to last a long time.

Both during recent recovery and recessionary periods, the number of long-term unemployed — workers unemployed for 27 weeks or longer — has been exceptionally high.⁵ In 1992, the number of long-term unemployed as a share of total unemployment averaged nearly 21 percent. This was the second highest annual proportion of the unemployed who were out of work for 27 weeks or more since the end of World War II. The proportion was lower than it was in 1983, a year which came on the heels of the most severe post-war recession. The proportion was higher

⁴ The National Bureau of Economic Research has determined that the recent recession began in July 1990 and ended in March 1991. However, the July 1990 to June 1992 period is used for the comparison with earlier recessions because the number of job losers did not peak until June 1992, well past the official endpoint of the recession. In prior recessions, the peak in the number of job losers was more coincident with the official endpoints.

⁵ The long-term unemployment measure includes workers who have become unemployed for any reason, such as job leavers or new labor market entrants, not just job losers.

than it was during the severe recession of the mid-1970s.

A decade-by-decade comparison also indicates that the proportion of unemployed who are out of work for sustained periods is on the rise. (See Table 1.) To some degree this reflects generally weaker labor markets — and rising unemployment rates — but long-term unemployment has risen at an even faster pace than overall unemployment. For example, the average unemployment rate for the 1990s is only slightly higher than the average rate in the 1970s, but the proportion of unemployment consisting of the long-term unemployed has jumped by nearly half.

So far in 1993, the number of long-term unemployed has averaged 1.8 million people. One in five of the unemployed (20.1 percent) has fallen into this category.

An examination of the receipt of unemployment insurance benefits further illustrates the difficulty that unemployed workers have recently had in finding new jobs. The proportion of unemployment insurance recipients who exhausted their initial state benefits (generally a maximum of 26 weeks) peaked at 40 percent in late 1992. This was only slightly lower than the peak rate of exhaustion during the recession of the early 1980s (40.8 percent) and was somewhat higher than the peak rate of exhaustion during the downturn of the mid-1970s (38.3 percent).

1993 and Beyond

As the economy improves, job loss has begun to diminish and labor market transitions have become easier. Most of the measures of dislocation are receding from their peak 1992 levels. For example, both the number of long-term unemployed and the rate of unemployment insurance exhaustion have fallen this year.⁶

Nevertheless, structural unemployment will remain sizable in the years to come, even if the pace of the

recovery picks up. This is true for several reasons.

- The driving forces behind rapidly changing labor markets — international competition and technological change — remain strong. If anything, these forces are likely to become more powerful in the years ahead.
- The dislocated workers' problem is diminishing only gradually from historically high levels. It will take several years or more of economic growth for the problem to return to a level close to that attained before the recession began.
- Even if the dislocated workers problem returned to its pre-recession level, it would still be serious. For example, during the recovery years from 1984 to 1989, the CBO data indicate that an average of 1.8 million full-time workers were displaced each year. Substantial job loss occurs even when the overall economy is growing.
- In 1989, measures of structural unemployment were higher than they were in 1979 (both were the final years of recovery periods).⁷ This provides additional evidence that, adjusted for variations in the business cycle, job loss has been increasing.

The problem of job loss and difficult labor market transitions is not transitory; the trend will likely continue for the foreseeable future. (See the text box on the next page for a discussion of the degree to which changing government policies influence this problem.)

3 The Costs of Labor Market Transitions

The most obvious costs of involuntary labor market transitions are to workers themselves. The CBO study cited earlier attempted to quantify some of the employment and earnings effects of economic dislocation. Based on surveys of displaced workers one to three years after they had lost their full-time jobs, CBO found that the negative employment and earnings effects were very significant.

6 Trends involving job losers who do not expect to be recalled are mixed. While the overall number of individuals falling into this category tends to decline during recovery periods, the proportion of job losers consisting of those who do not expect to be recalled often rises during recovery periods. This reflects the fact that during recessions many firms lay off workers with the expectation that they will be recalled. During recoveries, fewer such traditional layoffs occur.

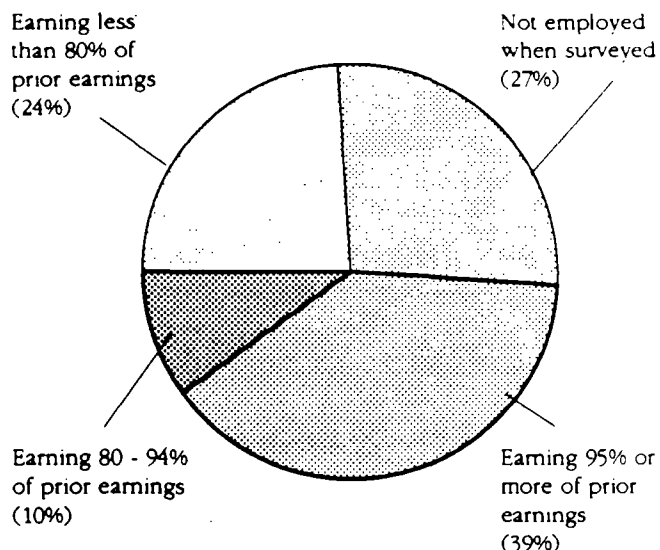
7 For example, in 1989, an average of 2.1 million unemployed people were job losers who were not on layoff, constituting 72 percent of all job losers. In 1979, on average, there were 1.8 million permanent job losers, constituting 68 percent of all job losers.

- Many had great difficulty finding new jobs. When surveyed, 27 percent of the displaced workers were not employed. Displaced workers who were reemployed when surveyed had nevertheless experienced joblessness for an average of nearly 20 weeks.
- Even those who found new jobs often experienced substantial income losses. In addition, about one in five displaced workers who had health insurance coverage in their previous job did not have group coverage in their new job.
- Altogether, one to three years after they were displaced, more than half of the workers were not employed or were employed in jobs paying less than 80 percent of their former wages. (See Figure 2.)
- Not surprisingly, the displaced workers who incur the largest earnings losses and longest unemployment spells tend to have the fewest years of formal education, be the oldest, and be the most senior in tenure with their previous employer.
- Many displaced workers come from declining industries and occupations — almost half from goods-producing industries — with little prospect of reemployment in a similar job at a similar wage. These displaced workers often lack the different set of skills necessary to attain high-wage jobs in expanding sectors and occupations.

It is also illustrative to examine earnings among displaced workers compared to earnings among workers who have not been displaced. According to a recent study, even displaced workers who subsequently found full-time employment suffered an average earnings decline of about 12 percentage points relative to full-time workers who were not displaced. Since many displaced workers who were employed full-time do not find full-time jobs, the overall relative earnings effect is even more substantial.⁸

A study of displaced workers in Pennsylvania confirms the expectation that those who had held their previous jobs for long periods experienced particularly substantial losses in earnings. This study focused on Pennsylvania workers with six or more years of tenure

Figure 2
Earnings of Displaced Workers One to Three Years After Being Displaced



Source: CBO tabulations of CPS data

on the job who were displaced in the early to mid-1980s. The earnings losses suffered by these workers were enduring. Five years after they were displaced, workers on average had earnings that were still 25 percent below their pre-displacement levels.⁹

The costs of worker displacement to the government are also substantial, with the main costs borne by the unemployment insurance system. The vast majority of the recipients of unemployment insurance benefits are job losers, most of whom are not on temporary layoff. A substantial fraction of unemployment benefits therefore goes to permanent job losers.

Protection under certain features of the unemployment insurance system diminished during the 1980s. Gary Burtless of the Brookings Institution has estimated that the proportion of the unemployed receiving regular benefits is about one-fifth lower than it was from the 1967-1979 period.¹⁰ In addition, changes in federal law made it much more difficult for states to qualify for the extended benefits program, which is supposed to benefit the long-term unemployed in states with

8 Henry S. Farber, *op. cit.*, 1993.

9 Louis S. Jacobson, Robert J. LaLonde, and Daniel G. Sullivan, "Earnings Losses of Displaced Workers," mimeograph, revised November 1992.

10 Gary Burtless, Testimony before the Joint Economic Committee, January 4, 1991.

especially high unemployment. Overall, UI expenditures per job loser have fallen substantially.¹¹

A temporary feature of the unemployment insurance system, the Emergency Unemployment Compensation program, was established in November 1991. In periods of high national unemployment, the federal government has traditionally adopted temporary programs of additional unemployment benefits for long-term unemployed workers who have exhausted their initial state benefits. The need for such a program has been particularly acute during the past few years because of the failure of the permanent extended benefits program to provide much targeted assistance. (The EUC program was recently extended through early February.)

Despite the decline in the receipt of state benefits, the overall costs of the UI program remain considerable:¹²

- Over the past five years, an average of \$22 billion has been paid out each year in state UI benefits, after adjusting for inflation. Regular UI benefits are funded through taxes on employers.
- State administrative costs total an additional \$2 billion a year.
- By early October, the federal government had distributed an estimated \$25 billion in EUC benefits. Approximately eight million workers had been assisted under the EUC program. (Many of these are displaced workers.)
- Altogether, over the past five years, the cost of the UI system has averaged \$30 billion a year, after adjusting for inflation.

Some job losers are aided by other government programs as well. The likelihood that they receive these other benefits increases substantially if they have exhausted their UI benefits.

11 Comparing equivalent years in the economic cycle and adjusting for inflation, total UI outlays per job loser were 37 percent lower in fiscal year 1992 than in fiscal year 1976. Outlays per job loser were 28 percent lower in fiscal year 1989 than in fiscal year 1979.

12 Ironically, the sharp reduction in extended benefits may have served to increase the overall cost of UI benefits. The failure of the EB program to trigger on in states with high unemployment levels has helped lead to the costly approach of providing additional benefits in all states under the EUC program.

13 Walter Corson and Mark Dynarski, A Study of Unemployment Insurance Recipients and Exhausters: Findings From a National Survey, a Mathematica study for the U.S. Department of Labor, September 1990.

The Costs of Involuntary Labor Market Transitions

The costs of labor market transitions are felt by workers and their families, by the government, and by the overall economy. The costs include:

1. Losses to Workers

- Long unemployment spells
- Lower earnings in their new jobs
- Reductions in employee benefits including health care

2. Costs to the Government

- Increased UI payments
- Increased food stamps or other government benefits
- Reduced tax revenues

3. Decreased Economic Output Because Workers are Idle or Underemployed

- At the end of the 1980s, seven percent of workers who had exhausted their UI benefits received AFDC, Supplemental Security Income, or other welfare benefits. When these workers who ultimately exhausted their UI benefits first began to receive UI benefits, 4.3 percent received welfare benefits.¹³
- Participation in the food stamp program was somewhat higher. Some 10.4 percent of workers who had exhausted their UI benefits received food stamps; when they began receiving UI benefits, that figure dropped to 7.5 percent.

In addition to the assistance that the government extends to dislocated workers, the costs to government of worker displacement include lost tax revenue. During their spells of unemployment, or if they are reemployed at lower earnings levels, workers have lower incomes and contribute less in taxes. Although

quantitative estimates of the loss in tax revenues are unavailable, the large number of workers involved and the extended duration of their unemployment spells suggest the effect is significant. This is particularly so for localities with large concentrations of job losers.

The lost economic output that occurs when workers are idle also should be considered when tallying the costs of dislocation. Moreover, when displaced workers find new jobs, they are often underemployed, in part because current policies do not effectively match the skills of job hunters with available positions. Precise estimates of the loss in economic output are again unavailable, but the magnitude is likely to be sizable.

4 A Reemployment Approach

While economic dislocation entails enormous costs, the response should not be to stand in the way of the forces of economic change. Structural adjustments are ultimately beneficial to the economy. These adjustments are part of employer efforts to remain competitive — allowing for the efficient reallocation of resources — and are necessary for economic growth.

The appropriate response to the rising problem of difficult labor market transitions should, instead, reflect two principles. The first is that the burden of structural adjustments should be shared. Many displaced workers and their families need some assistance to help them through tough times. In addition, without a collective commitment to share the risks and buffer the shocks of change, those workers most threatened by change will struggle to block it, thereby impeding necessary economic transformations.

The second principle is that government should intensify its efforts to facilitate reemployment into decent jobs. In contrast to the significant resources now devoted to unemployment insurance and other income supports, the federal government devotes relatively few resources to helping displaced workers find new jobs. Increasing reemployment efforts can be dollars well-invested. If these efforts help some workers find jobs more quickly, fewer funds will need

to be spent on income support. More and better information can also improve the operations of the labor market as workers are better matched with available jobs. A reemployment system can also improve the skills of workers, which can in turn boost economic output.

Currently, income support from the unemployment insurance system helps share the costs of economic change. For workers who are on temporary layoff, or who are likely to find jobs quickly, such support is often sufficient. But for the many workers who need help with their employment transition, income support alone is inadequate. Some workers are currently assisted under a hodgepodge of categorical dislocated programs. Each dislocated workers program, however, has a distinct set of eligibility criteria and offers a unique set of services and benefits. Funding is quite limited. As a whole, the dislocated workers system is fragmented and inefficient, and serves only a minority of workers in need. Another problem with the current system is that it serves dislocated workers late in their unemployment spell.

The Administration will soon propose a comprehensive workforce security package. It will replace today's fragmented approach with a unified system that serves all dislocated workers, regardless of the cause of the dislocation. The system will be designed to provide dislocated workers with access to the full array of employment and training options. This information will be available to all at new "one-stop" career centers. The comprehensive proposal will build on the worker "profiling" and job search assistance features that were part of the Emergency Unemployment Compensation legislation that was signed into law in November 1993.

The comprehensive proposal will strongly emphasize reemployment. For example, it will likely include changes to the unemployment insurance system that expedite returns to work. Reemployment bonuses to unemployment insurance recipients who find jobs quickly or measures to promote self-employment as a reemployment option are examples of such steps. This revised approach to unemployment insurance is appropriate given the changing composition of UI recipients. Those benefiting from the UI program are increasingly unlikely to be workers who need

temporary income assistance while they are waiting to be called back to their jobs. As shown earlier, more than three in four job losers now consist of workers who don't expect their jobs to return. Many of these workers would benefit from assistance that helps them find new jobs.

For those unemployed workers who may require additional training, the proposal will emphasize long-term instead of short-term programs. Short-term training has been shown to have negligible effects on employment and earnings prospects. Sustained training seems appropriate for dislocated workers who may be shifting occupations, given the greater importance of skill levels in today's economy. The larger up-front costs of long-term training may be offset by higher productivity, more sustained employment, and greater earnings down the road.

A cost-benefit assessment of each component of the workforce program lies beyond the scope of this paper, but existing evidence suggests that a reemployment approach emphasizing enhanced job search assistance and long-term training will prove to be a wise investment.

- A review of six recent experimental programs that added job search components to the unemployment insurance program found positive results. It concluded that "nearly all of the combinations [of job search services and requirements] reduce UI receipts and have benefits that exceed costs."¹⁴

This review observed that these results were consistent with the large number of previous studies finding that job search assistance for disadvantaged people increased earnings and was cost-effective.

- The growing returns to education has been a marked trend in recent years. But this doesn't mean that four years of college education are required for displaced workers. A recent study found that the estimated increase in earnings associated with two-year community colleges was five to six percent for each year of attendance. This was similar to the annual earnings gain associated with four-year colleges.¹⁵

In addition, new evidence suggests individuals gain from education beyond a high school degree even if

such education is obtained after the age of 30,¹⁶ suggesting that long-term training of prime working-age adults may prove beneficial.

Recent economic developments have led to a growing problem of job loss accompanied by a difficult transition to a new job. The subsequent costs to workers, the economy, and government are considerable. To date, federal policies have responded to this new dynamic in a piecemeal, limited fashion. A new and comprehensive approach — emphasizing reemployment into decent jobs — holds promise as a more suitable response. It would provide needed assistance to workers bearing the burden of economic change and, in the long run, is likely to be a sound investment for society as well.

14 Bruce D. Meyer, Policy Lessons from the U.S. Unemployment Insurance Experiments, NBER Working Paper No. 4197, October 1992.

15 Thomas J. Kane and Cecilia Elena Rouse, "Labor Market Returns to Two- and Four-year Colleges: Is a Credit a Credit and Do Degrees Matter?" NBER Working Paper No. 4268, January 1993. Kane and Rouse also found that the "credentialling effect" was small; that is, among individuals who had completed similar numbers of courses, the difference in the earnings of individuals with degrees and those without was small or negligible.

16 Unpublished data from W. Norton Grubb. Grubb's findings suggest that the returns from education are lower for males over age 30 than for younger males, but are higher for females over age 30 than for younger females. For all groups, however, the returns to education appear to be positive.

The Effects of Government Policies on Worker Dislocation

Key policy initiatives, including the reduction in defense expenditures, NAFTA and other trade agreements, health care reform, and environmental policies, have also highlighted the issue of worker dislocation. Indeed, since the effects of shifts in policies are concentrated on particular industries and often on particular regions, and since they are now occurring in the context of signs that the labor market is not adjusting smoothly to changes in demand, the readjustment problems faced by workers displaced by shifting government policies have often become the focus of concerns over job loss.

While the consequences of shifts in government policies on employment opportunities are important, it is also important that these consequences not be misstated, thereby impeding the passage of necessary policy reforms. All the policies alluded to above are essential to the economy's long-run vitality, and will lead to job gains as well as job losses. Moreover, job shifts resulting from changing government policies are not unique to today's economy; government policies have always influenced specific industries and occupations.

It further bears remembering that today, as in the past, developments in the private sector are the primary source of job losses and job gains. But since private sector job gains and losses reflect the accumulation of small changes throughout the economy, rather than a large change in a particular industry that may result from shifting government policies, job shifts caused by private sector developments often receive less attention.

Regardless of whether the source of job loss is a private or public sector development, the affected worker often faces a difficult transition. The policy response to job loss should not be crafted narrowly to respond to public sector developments; instead, it should be crafted comprehensively to respond to private sector developments as well, where most job loss occurs.

THE CLINTON ADMINISTRATION AND THE JOBS AGENDA

Introduction

In its first year, the Clinton Administration has devoted considerable resources to promote workforce skill development at all levels: increasing opportunities for those entering the workforce to obtain the skills necessary to find a good job in today's changing economy; encouraging firms to improve productivity by investing in lifelong learning among current workers; and helping those workers who have been dislocated to move quickly to re-employment. In all these endeavors, there is an emphasis on ensuring an adequate supply of workers who have the skills and knowledge needed to compete for high quality jobs in the new economy.

In addition, it is crucial to pay attention to the demand side of the equation. Is the economy growing sufficiently to create these new jobs? What is the nature of the jobs, in terms of wages and skill levels required? In what industries and occupations are these jobs concentrated?

This paper begins to address these questions by highlighting briefly the Administration's economic policies that support a growing economy; looking at the industries and occupations projected to hold the most promise for the growth of high-wage, high skill jobs; and discussing various labor market information initiatives, including elements of the Workforce Security Act, that will better link workers with available jobs.

Policy Measures

On the demand side, it is critical to create an economic climate that can foster growth. The Administration's macroeconomic policies – designed to reduce the Federal budget deficit, stabilize financial markets, and keep interest and inflation rates low – have established the framework needed for sustained economic growth. To date, these policies have helped create nearly two million new jobs during the Administration's first year. Many of these jobs are good jobs paying a decent wage that can support a family, help workers develop specific skills, and offer opportunities for workers to move along career ladders. The number of persons employed as managers and professionals grew about twice the overall rate of employment growth.

The completion of current trade negotiations, both in North America (NAFTA) and in the world (GATT), has set the stage for sustained growth of the global economy and will stimulate growth of U.S. exports in various overseas markets, largely in high value-added products. Part of the increased global trade certain to result from the Administration's foreign trade successes will come as a result of selling goods and services to the burgeoning global middle class. With countries as diverse as India, China, Mexico, Argentina, Hungary, and Thailand moving away from restrictive trade barriers and centrally-planned economies, a new global middle class of about 400 million people is emerging. The number has the potential to swell to 800 million people early in the new century, presenting tremendous opportunities for a surge in American exports to these potential consumers.

American industry is poised to take advantage of these opportunities for strong export growth, having experienced a period of substantial restructuring over the last decade. The restructuring, in part, has accounted for reductions in labor costs, to the point that U.S. labor costs are now 30 percent below the weighted average foreign level, making American products more competitive in the global market.

on the basis of cost. The U.S. has regained its traditional position as the world's largest exporter and, since 1986, has increased its relative share of exports in manufactured goods among industrialized nations from 14 percent to 18 percent.

This is important because efforts to increase exports are directly related to increases in American jobs. Moreover, export industries tend to produce high-paying jobs -- about one-fifth more than other American jobs. The Administration has, therefore, placed a high priority on promoting American exports, opening foreign markets, and removing foreign trade restrictions. These activities will be enhanced by the work of the Trade Promotion Coordinating Committee, designed to strengthen export promotion by streamlining the efforts of 19 different Federal agencies with export promotion roles.

Many of the new, good jobs created are likely to be related to the explosions of new technologies, particularly information technologies. The Administration's comprehensive technology policy will help the private sector deploy new technologies quickly and efficiently, with a focus on helping move technologies more quickly from the laboratory to the marketplace. In addition, it includes several efforts likely to stimulate growth and employment opportunities over the long term.

Examples of these technology efforts include:

- hastening the transition from defense to civilian industrial capabilities through the \$876 million Technology Reinvestment Project, an interagency R&D initiative designed to create new technology products, new companies, and new industries;
- expanding the comprehensive network of manufacturing extension centers from seven centers to 100 by 1997 -- centers that will improve the competitiveness of small and mid-sized businesses by helping them adopt new technologies, production methods, and management practices;
- increasing funding by \$200 million for the Commerce Department's Advanced Technology Program, which spurs industry's development of high-risk, high-payoff commercial technologies;
- launching a dual use technology initiative that will remove barriers that separate defense and commercial work, enable DOD to maintain leading edge technologies while stimulating private sector technology development, and help defense contractors diversify and compete in private markets;
- setting an ambitious action agenda for development of the "information superhighway" including a National Information Infrastructure that clarifies private- and public-sector superhighway responsibilities while underscoring the fundamental requirements for universal citizen access and commercial sector benefits; and
- securing new Federal funding for science and technology initiatives.

Advanced technology alone will not guarantee American business success in the global marketplace. Rather, how technology is used – by companies that empower front-line workers, are more flexible, and more customer-oriented – will constitute a significant competitive advantage. The Administration, through the Labor Department's new Office of the American Workplace, is taking steps to encourage firms to become "high performance," including developing "best practices" clearinghouses, fostering partnerships with industry and labor organizations, establishing the benefits of innovative workplace practices to the bottom line, and assisting employers through the provision of workplace extension services.

In addition to the macroeconomic, trade and technology policies mentioned above, the Administration has pursued numerous related efforts to spur high quality job creation. To cite a few, these include securing \$1.9 billion in new funding for environmental infrastructure and conservation projects, allotting \$2.5 billion over the next five years to create ten empowerment zones and 95 enterprise communities, and awarding an additional \$2.1 billion for low-income and other housing projects. These efforts will help to create good jobs, enhance business' productivity, and increase the nation's competitive position.

At the same time, it is essential to ensure that American workers have the necessary skills to move into the high-wage jobs generated by advances in technology and a growing economy. The Administration is committed to providing the education and skills upgrading that American workers need to qualify for high-wage jobs.

To fulfill this commitment, the Departments of Education and Labor have undertaken a number of initiatives to build a new partnership between the world of education and job training and the world of work. These include the strengthening of primary and secondary education, the establishment of a National Service program, increased support for higher education, the establishment of a comprehensive school-to-work transition program, the creation of a system of voluntary, occupational skill standards, the creation of "one-stop shopping" for employment and training services, and the creation of a comprehensive program for ensuring that dislocated workers have competitive job skills.

The Job Outlook

The U.S. labor market has always been characterized by a large amount of constant internal change, that is, workers leaving their jobs because of better job opportunities, economic changes, or other reasons. Many job openings occur as a result of this "churning." Past studies in the manufacturing sector (based on plant-level employment changes) have estimated that about 10 percent of the jobs turn over each year. This amounts to nearly two million openings in the manufacturing sector alone, adding to a remarkable fluidity in job opportunities across industries and localities. Though the rate of change varies widely among industries, about 40 percent of manufacturing turnover takes place among higher wage industries – fabricated metals, transportation, electric machinery, and nonelectric machinery.

The Department of Labor's projections of job growth to the year 2005 portray a promising future for workers prepared to take the emerging jobs in our Nation's changing, dynamic economy. Many of those jobs are in occupations which have above-average earnings but do not require a college degree.

Over the period 1992-2005, the Bureau of Labor Statistics projects a 7.3 million net increase in good jobs for non-college degree workers -- or nearly 600,000 new good jobs each year. The new growth projections are as follows:

Occupation	Net employment growth, 1992-2005
Construction related	851,000
Protective service	349,000
Sales	909,000
Health related	1,482,000
Mechanics and repairers	780,000
Technicians	334,000
Drivers	796,000
Craft occupations	323,000
Clerical	577,000
Other occupations	869,000

So the evidence is clear that -- both in terms of the normal turnover and new net job creation -- good jobs will be plentiful. The challenge is to develop a re-employment system that can move prospective employees into jobs in these growing industries and occupations. Such a system must inform potential employees about jobs' availability and the requirements for securing them. One essential component of this system is an information system that helps match workers with the right skills to employers in growing industries.

The Clinton Workforce Security Proposal

The Clinton Administration has put policies in place to foster economic growth, leading to the creation of new and better jobs. We have taken concrete steps to lower the budget deficit, reduce inflation, spur exports, and to facilitate the use of emerging technologies by our industries. In order to ensure that American workers have the skills to perform successfully in these emerging jobs, we are proposing legislation that explicitly links American workers to these jobs. This new program will provide personalized information and career counseling, re-employment services, training, and income support where necessary -- resulting in a revitalized labor market exchange system. The Federal government is uniquely positioned to assure that all American men and women have access to the tools to enable them to share in the benefits of the economic recovery.



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Building A National Re-employment System
"What's Working" Conference to Draw Top U.S. Leaders, Experts

Over 300 business, community and labor leaders, together with elected officials, consumers and employment and training experts, will gather in Washington, D.C., on **Feb. 2, 1994**, to learn what works best in helping unemployed and dislocated workers move back into the workforce, Secretary of Labor Robert B. Reich announced today.

"Getting people back to work and turning our unemployment system into a re-employment system that works is one of the highest priorities of the Clinton Administration," Reich said. "To do that, we must build upon employment and training approaches which are effective and discard those which are not."

The conference, **"Building A Re-Employment System: What's Working,"** at the Omni-Shoreham Hotel will feature more than 15 programs from around the country. Taken together, these programs provide the elements of a new strategy for getting dislocated workers back to work.

Agenda items include an overview of the country's employment system, discussion of what does and does not work in employment and training programs and a frank exchange of ideas and opinions about what is needed to create an effective re-employment system in America. The conference will be hosted by Reich and Assistant Secretary for Employment and Training Doug Ross.

Programs to be featured at the conference were selected on the basis of ability to demonstrate one of the six principles which underlie successful re-employment programs, according to Labor Department research. The six principles are:

- Universal access - Information and services regarding re-employment are provided to a broad range of citizens, rather than narrowly defined categories of eligible workers.

(more)

- One-stop delivery - High quality, basic services are provided through a streamlined system which is easily accessible to customers.
- Comprehensive service - A full range of services -- including testing and assessment, individual counseling, career planning and identification of quality training or education providers -- is available, regardless of cause of worker dislocation.
- Customer focus - Delivery of programs and services is designed to provide widest range of options possible; customer satisfaction is a prime measure of success.
- Training linked to jobs - Programs and services are geared toward re-employment, providing both short and long-term training options, income support for those who need it, and training linked directly to real jobs.
- Innovative use of technology - Kiosks, computer-accessed on-line information systems, toll-free telephones and other innovations help customers obtain useful labor market information quickly and effectively.

In addition to program presentations, the "What's Working" conference will include roundtable discussions, question and answer periods and time for informal sharing of information among participants.

Information on media credentials can be found on the following page; proper credentials will be required for access to the conference by members of the media.

EDITOR'S NOTE: A press room will be operating throughout the conference and will be available for interviews and other arrangements.

This information will be made available to sensory impaired individuals upon request. Voice phone: 202-219-6871; TDD Message Referral phone: 1-800-326-2577.

WEDNESDAY, DECEMBER 29, 1993

The Washington Post

AN INDEPENDENT NEWSPAPER

A 'Reemployment' Program

THE GOVERNMENT'S traditional response to the problem of unemployment has been to pump up the economy, help provide some benefits and wait for workers to find reemployment mostly on their own. The Clinton administration thinks that in the present world economy that's not enough. The president's people worry that more and more U.S. workers are being permanently laid off, meaning that their old jobs are lost for good to foreign competition or technological or policy change, and they have to seek entirely new ones. Partly because of these structural trends and partly for other reasons, Labor Department officials also observe that more and more workers are remaining unemployed for more than six months. The nature of the problem has changed, they say, and the government's response must change as well.

The president is expected to send up a "reemployment" or "work force security" bill next year. Most of the likely recommendations make good sense. They do so almost independently of the elaborate rationale the administration has constructed for them—the view that unemployment now is somehow different from in the past, which not everyone fully accepts. Some of the sensible steps have been proposed before. The government now runs six mostly small retraining programs for workers who lose their jobs to one or another structural cause. There is trade adjustment assistance, defense conversion assistance, assistance to eastern coal miners who lose their jobs to the Clean Air Act etc. The administration would consolidate these legislative and historical artifacts into a single retraining program for all permanently laid-off workers who

qualified. It would try to improve the quality of assistance to the unemployed by creating a nationwide information network and a system of one-stop offices across the country in which an applicant could receive all the forms of available aid.

It would aim to identify earlier than tends to happen now those workers unlikely to get their old jobs back and speed their move to other employment. The faster return to work would mean, among other things, a cut in benefit costs. The government might share the savings with workers who returned to work before their insurance expired; it might share costs with people who accepted temporary part-time work as well. The bill will likely seek to improve the broken existing system for paying benefits to those in higher-unemployment states who exhaust their basic 26 weeks of insurance. Insofar as funds are available, it will also seek to expand the current training programs to help the structurally unemployed go back to school.

It's hard to quarrel with much of that on the strength of what is known thus far and assuming, as we do, that the budget rules won't be broken. The goal of helping U.S. workers adapt—switch rather than fight—in the face of changing economic circumstances that they can't hope to resist is a legitimate function of government. There has always been a lot of "permanent job loss" in the large U.S. economy. It's been accompanied and offset by growth. The administration contends the adjustment process is tougher now than in the past; that may or may not be true. The government still should do all it usefully can to ease the process. That seems to be what the president is proposing here.



Troubled waters. Paul Farrow launched a kayak business while on unemployment.

Paddling against the jobless tide

Clinton wants unemployment insurance to help those who are permanently out of work

For months, Bill Clinton has insisted that global competition can benefit American workers—if accompanied by government programs that cushion job losses. And last week, in his NAFTA victory speech, the president had scarcely begun celebrating before he began pushing for a national “re-employment” system that would address widespread anxiety over job security.

The administration’s Workforce Security Act, which Labor Secretary Robert Reich plans to send to Congress in January, would overhaul the nation’s unemployment insurance system, a \$26 billion program that has served as a national safety net for jobless Americans since the Great Depression. Why an overhaul? Unemployment insurance was designed in the 1930s, when a significant share of laid-off workers could expect to be called back to their old jobs. But today, as company after company downsizes permanently, a record three fourths of laid-off workers have lost their jobs for good. In the past four years alone, some 1.7 mil-

lion U.S. manufacturing jobs have disappeared, most of them forever. Says Reich: “We need a re-employment system, not an unemployment system.”

Creative spending. The administration’s proposal speaks to a nagging criticism of unemployment insurance: that it prolongs joblessness by subsidizing the idle. Reich would encourage states to redeploy benefit checks in creative ways: as cash rewards for workers who find jobs quickly, as stipends to start small businesses and as training subsidies for those who want to retool their skills.

In addition, Reich would streamline the nation’s network of 1,700 unemployment insurance offices. That network is now so fragmented that in many states, a jobless worker goes to one office to apply for benefits, another to scan job openings and perhaps a third to apply for retraining funds. A 1989 Labor Department study found that one third of the people who applied for unemployment benefits never got as far as the Employment Service, where new jobs are listed, and fewer

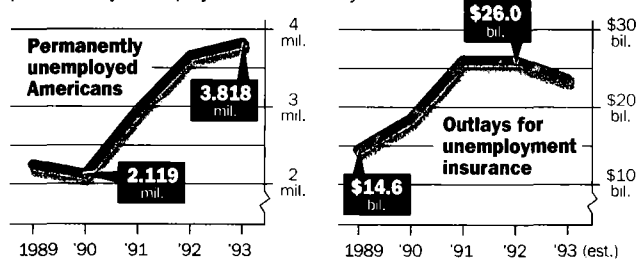
than 1 in 10 got any job-search training. Reich would replace this system with "one-stop career centers" that would distribute unemployment checks, match job seekers with job openings and identify workers whose skills are obsolete.

The administration had hoped to send a bill to Congress last month, but it ran into a political buzz saw. Skeptics still smarting from last summer's budget battle balked at the \$3 billion price tag for retraining; Congress has been unable to pass even a \$1.1 billion extension of emergency benefits for the long-term unemployed. Labor said Reich wasn't setting aside enough money and feared he would cut off benefits to needy workers. And even Clinton's allies warned that the bill would become a casualty of the NAFTA battle. Reich relented, offering a stopgap, \$90 million retraining program for workers dislocated by NAFTA, but promises to return with comprehensive reform in January.

The Workforce Security Act will still face hurdles on Capitol Hill, especially over funding, but key components of Reich's plan have already been successfully field-tested in local pilot projects from New Jersey to Washington State. When jobless workers apply for unemployment benefits in New Jersey, for example, they are asked a few simple questions to determine if they will ever be

Tattered safety net

Originally designed to help with short-term joblessness, the unemployment insurance system is struggling to cope with legions of permanently unemployed workers today.



Note: The permanently unemployed are job losers who do not expect to be recalled to work. Unemployment insurance outlays include federal and state payments for regular unemployment insurance and for emergency extended benefits.
USN&WR—Basic data: U.S. Dept. of Labor

called back to their old jobs. Workers identified as permanently "dislocated" are enrolled within five weeks in career workshops and job-hunting classes. A 1989 study of this "early intervention" strategy found that workers who got rapid help found jobs one week sooner—after about 17 weeks—than their counterparts in a control group. That allowed the state to save \$81 to \$170 per person in reduced benefits. Now New Jersey is expanding the program to include training subsidies for dislocated workers and is installing computerized career-guidance kiosks in shopping malls.

To change the system's financial incentives, Reich would also let states pay cash bonuses to workers who find jobs quickly, a tactic that has been tested in New Jersey and Illinois. Illinois, for instance, offered bonuses of \$500 to work-

ers who found jobs by their 11th week on unemployment and stayed employed for at least four months. Workers in the experiment found jobs an average of 1.15 weeks sooner than their counterparts in a control group—without settling for lower wages. For every \$1 paid in bonuses, Illinois saved \$2.30 in lower benefit payments.

Building a business. A common complaint about traditional unemployment benefits is that recipients don't qualify unless they are searching for work, a process that often prevents them from going back to school or starting their own businesses. Reich would expand on experiments in Massachusetts and Washington State, which waived the requirement and let recipients use their benefits as a crutch while starting a business. In Massachusetts, an applicant could collect a "self-employment stipend" for 24 weeks while drafting a business plan and attending workshops on marketing, finance and other small-business skills. Only about 5 percent of eligible applicants tried the program, but among those who started companies, 80 percent were still in business one year later and 35 percent had actually put others to work. Moreover, they saved the state \$1,400 per person because they got off unemployment so quickly.

Field testing hasn't answered all the questions about Reich's proposal. How many workers, for instance, really have the gumption to start a successful business? Is the economy creating enough good jobs for workers who upgrade their skills? Can counselors at one-stop career centers truly identify the workers who deserve costly retraining subsidies? But economic reality suggests that pressing for answers to these questions is better than subsidizing workers who simply wait for a phone call that probably will never come. Says Paul Farrow, who started a successful kayak-making business while collecting unemployment in Massachusetts: "The old system drags you back into an ever shrinking job pool. This system might expand the pool."



Wired. New Jersey is installing computerized career-guidance kiosks in shopping malls.

BY DAVID HAGE

This article originally appeared in *The Washington Post*, December 10, 1993. Permission granted to reprint.

BIG MONEY

Robert Reich and the Job Revolution

The Brave, New, Scary World of Job Skills You Don't Have

By James K. Glassman
Special to The Washington Post

Labor Secretary Robert Reich is struggling these days with an unsettling problem: The American work force is changing, and many workers are unhappy about it. Their anger surfaced in opposition to the North American Free Trade Agreement, the Perot movement and even the defeat last year of President Bush.

Assuaging this anger is a problem for the Clinton administration—specifically for Reich, who works long hours in a gigantic office under a portrait of Frances Perkins, who, he marvels to a visitor, “had this job for 16 years!”

COMMENTARY

Reich's message is that change will be good for workers—as long as they have skills to sell. For those that don't, he proposes urgent help.

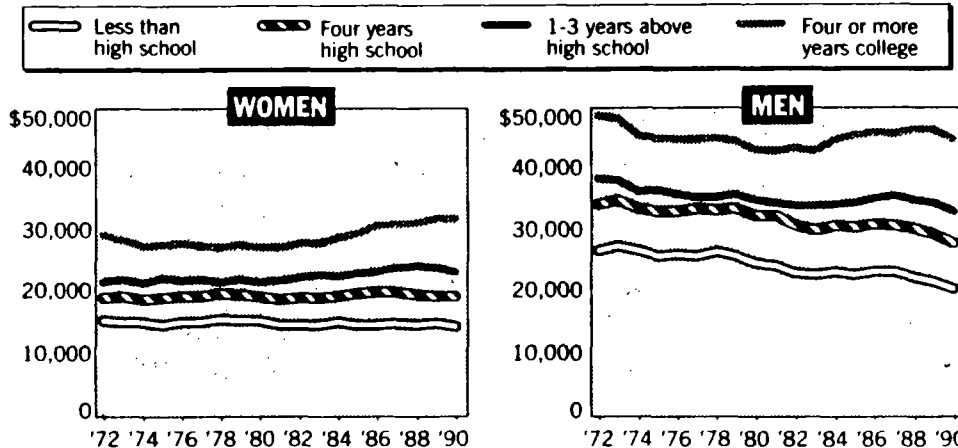
In early February, Reich will send the Workforce Security Act to Congress. He says flatly that the current federal system for workers is “not designed to help people find first, new, or better jobs.”

Instead, it offers a safety net (mainly unemployment insurance) to tide folks over until they get their old jobs back as the business cycle turns up.

But those old jobs aren't coming back.

PAY GAPS

MEDIAN INCOME FOR WORKERS 25 YEARS AND OLDER, BY EDUCATION LEVEL, IN 1991 DOLLARS



SOURCE: Census Bureau

THE WASHINGTON POST

Pressured by global and domestic competition and by their own stockholders, U.S. companies are learning how to become more productive.

In just eight years, for example, the steel industry figured out how to produce 45 percent more steel using 30 percent fewer workers.

Or consider Xerox Corp., which announced Wednesday it was cutting 10,000 jobs—even though it's making a half-billion-dollar profit this year. Xerox is simply taking advantage of new technology and organization to reduce its costs and increase its productivity.

Overall, such steps benefit the economy

See BIG MONEY, F2, Col. 1

Revolution in the Workplace Is Both Scary and Liberating

BIG MONEY, From F1

(since profits become investment capital), but they can leave individual workers out in the cold.

The challenge for Reich is how to get those dislocated workers back into the labor force quickly. His bill isn't grandiose, but, then, it probably shouldn't be.

The main role of the government will be to provide information—to set up a giant data bank to match employers with potential employees, to help displaced workers get training at places such as community colleges and to offer job counseling.

In this brave new post-NAFTA world, Reich said, "there's a secular shift in favor of skilled, not unskilled, workers."

What he has to teach Americans is that the shift—at least for this country—is good, not bad.

In a global economy, the fight for unskilled, or low-skilled, production jobs—jobs like sewing pockets on shirts, say—is vicious. Countries with low living standards will win.

But when it comes to skilled jobs, U.S. workers have an advantage—not just brains but an ingrained spirit of individualism, the idea that we can all be little economic engines of our own, not just cogs in a corporate machine.

"Sure change entails upheaval and dislocation," writes Myron Magnet in his new book, "The Dream and the Nightmare," "but the flexibility of Americans, their readiness to reinvent themselves and remake their circumstances, is a key element both of the American national character and of American economic success."

We don't always have the *right* skills, but we can get them. Experts say this country has the best post-secondary education system in the world, and not just for the top tier.

Booming Thomas Nelson Community College in Hampton, Va., for example, is developing top automotive technicians with help from Ford Motor Co. and aerospace engineering technicians with help from the National Aeronautics and Space Administration.

Students there understand that a high school diploma "doesn't get you a job as a car mechanic anymore," said Robert Templin, the college's president.

Reich makes this point with a graph that shows the big difference in earnings between high school graduates and workers with just one to three years of extra training of any sort.

For men, in the most recent year, that difference was more than \$5,263 in annual pay, or 19 percent; for women, 21 percent.

A study by the Bureau of Labor Statistics last month identified the skilled jobs that will grow quickly and pay well from now to the year 2005.

They don't involve brain surgery or splitting the atom, but they do stress individual problem-solving, and they're generally more rewarding personally than production-line work, which, Reich believes, has been romanticized.

Fastest-growing new jobs? In 1992, there were 1.8 million registered nurses in the United States,

As long as Americans understand they're not helpless victims, they can improve their skills.

making an average of \$34,476 a year; by 2005, the Labor Department estimates there will be 2.6 million, an increase of 44 percent.

Other hot jobs that don't require college degrees: data-processing machine repairers, up 46 percent in the next 13 years; food service and lodging managers, up 44 percent; offset press operators, up 37 percent; radiology technicians, up 63 percent; paralegals, up 85 percent; and musicians (!), up 25 percent to 295,000 jobs.

As long as Americans understand they're not helpless victims, they can improve their skills. Self-interest should do the trick.

As Gary Burtless, a Brookings Institution economist, said, "The government already offers a variety of inducements—like student loans and low community college tuition—for individual workers to invest in their own general training."

But Burtless and others believe much pain can be avoided if the government forces companies to spend more on training their own workers—through a plan similar to one President Clinton pushed during the campaign, then abandoned. (After all, it looked like a tax!)

On the whole, Americans seem to be adapting well to this new economic world—certainly better than Europeans.

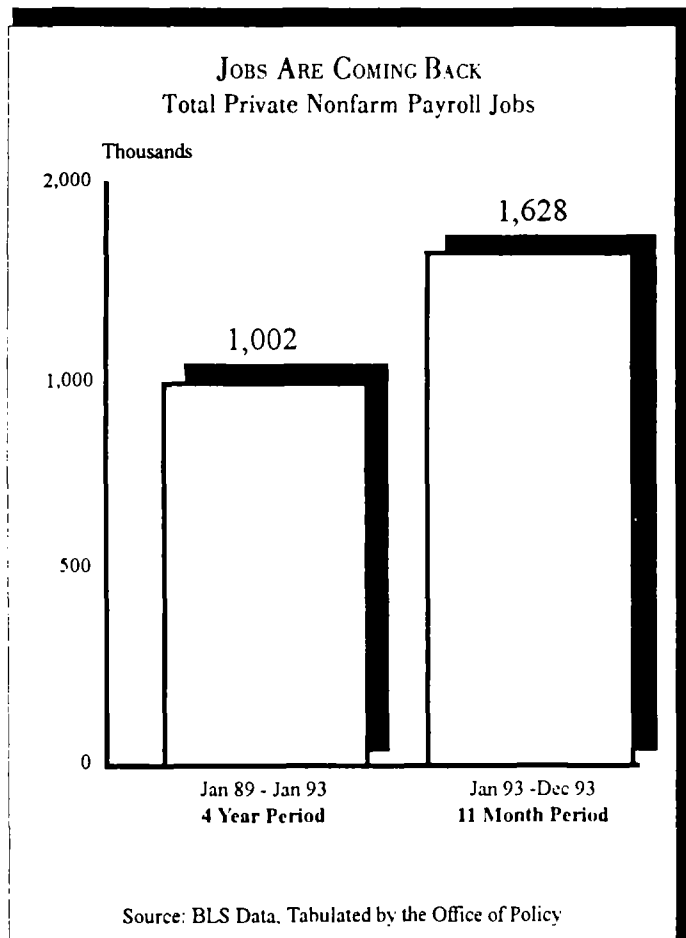
It's scary, but it can also be liberating.

JOBS OUTLOOK

The Outlook

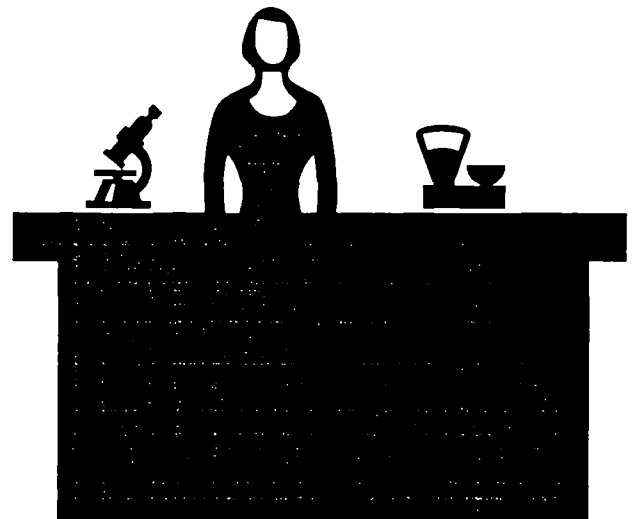
The U.S. Department of Labor projects a promising future for workers prepared to take the emerging jobs in our Nation's changing, dynamic economy. Many of those jobs are in occupations which have above average earnings but do not require a college degree.

Over the period, 1992 - 2005, the Department's Bureau of Labor Statistics projects a 7.3 million net increase in good jobs for those who don't have 4 year college degrees. That is 600,000 new jobs per year.



Net growth projections are only part of the job creation story.

The U.S. labor market experiences constant change with workers leaving their jobs for many reasons such as better job opportunities, changing markets, or retirement. Many job openings result from this change. Past studies in manufacturing



estimate that about 10 percent of the jobs turn over each year. This amounts to nearly 2 million openings in manufacturing alone, adding to an exceptional fluidity in job opportunities. Many of these are good jobs. Though the rate of change varies widely among industries, about 40 percent of manufacturing turn-over takes place among such higher wage industries as fabricated metals, transportation, electric and non-electric machinery.

The 1993 job creation record shows that the Administration is delivering on its pledge to create 8 million new jobs over 4 years. Many of the nearly 2 million jobs created this past year were good jobs. For example, the number of persons employed in higher paying managerial and professional jobs grew around twice as fast as the overall rate of employment growth.

Examples of Good, New Jobs

Examples of good, new jobs available to non-college degree workers who have the necessary skills are:

- ❑ **Electronic Engineering Technicians** help develop, manufacture, and service electronic equipment such as radios, sonar, medical measure devices, and computers.
- ❑ **Telecommunications and Computer Network Technicians** prepare, install, and maintain local area computer networks for companies, and teach employees to use the system and install new ones when needed.
- ❑ **Medical Records Technicians** analyze and evaluate health information, compile statistics, code diseases and operations, and control the use and release of health information. Employed in nursing home settings, hospitals, medical group practices, HMOs, insurance firms, they interact with the public, insurance companies, and other hospital personnel.
- ❑ **Hazardous Materials Technicians** work closely with engineers, managers, and others to protect human health and the environment. They must know processes and technologies for handling, storing, transporting, and destroying materials in compliance with State and federal rules.
- ❑ **Laser Technicians** operate laser devices and communicate — orally and in writing — with engineers, physicians, scientists, and others. They usually work in companies that manufacture lasers and precision equipment.

Workers in many familiar-sounding jobs are using new skills:

- ❑ **Automotive Service Technicians** no longer just manually check and replace parts. Today's technicians must be familiar with electronics and electronic repair to repair, service, and adjust much of the digital equipment in new cars.
- ❑ **Dental Hygienists** do more than clean teeth. They also administer local anesthetics and carve

filling materials. Dental hygienists must be licensed by the state, must have graduated from an accredited dental hygiene school, and must pass a written and oral exam.

- ❑ **Manufacturing Technicians** are changing roles as manufacturing changes. They perform a wide variety of manufacturing operations such as drilling, milling, and quality control. They must see which operations are needed to produce an order, determine the most cost-effective sequence of operations, and work with a team.
- ❑ **Computer-Aided Design Technicians** operate computers to draft layouts, line drawings, and designs. They work in architectural and electronic firms and for automotive manufacturers.
- ❑ **Environmental Technicians** conduct field tests and determine sources of contamination to air, water, and soil. They must know about government standards and regulations governing the environmental field.
- ❑ **Nurses** not only tend to the care and comfort of patients, but can also be a key part of the administration of hospitals, insurance companies, and health maintenance organizations.
- ❑ **Technical Writers** prepare assembly instructions, owner's manuals, technical papers, and training videos. They frequently work with project engineers, financial officers, and management to ensure that technical materials reach readers in a clear and understandable format.

A PROPOSAL FOR WORKER SECURITY

The Department of Labor is developing legislation that will, if passed, help people prepare for and get these new jobs. The legislation calls for the creation of quality reemployment services and a nationwide network of labor market information, and is designed to allow easy access, through one-stop career centers, for all who want or need a job.

AMERICANS WANT ACTION ON THE JOBS ISSUE

JOBS ISSUES TOP IMPORTANCE IN OPINION POLLS

L.A. TIMES POLL

IF CONGRESS AND THE PRESIDENT COULD DO ONLY ONE THING NEXT YEAR...

	ALL	DEM	IND	REP
Job Training for unemployed	33%	34%	33%	26%
Health Care Reform	24	34	22	14
Anti-Crime Bill	20	15	21	25
Welfare Reform	15	11	16	25
Campaign Finance Reform	4	2	4	5

ECONOMY IS...

In recession	66%
Not in recession	29%

Times Mirror Company, December 8th, 1993
1,612 Adults Surveyed 12/4-7

BUSINESS WEEK POLL

THE CLINTON ADMINISTRATION WANTS THE FEDERAL GOVERNMENT TO PROVIDE MORE TRAINING FOR AMERICAN WORKERS TO GIVE THEM COMPETITIVE JOB SKILLS. IF THIS ALSO INVOLVES HIGHER TAXES FOR EMPLOYERS AND EMPLOYEES AND MORE GOVERNMENT INVOLVEMENT IN JOB TRAINING, WOULD YOU FAVOR OR OPPOSE THIS PLAN?

Favor.....54% Oppose.....43% Not Sure.....3%

THE CLINTON ADMINISTRATION BELIEVES THAT AMERICA HAS TO MAKE MAJOR CHANGES - SOME OF THEM PAINFUL, SOME OF THEM COSTLY - IN ORDER TO PROVIDE AMERICANS WITH THE ECONOMIC SECURITY IN THE FUTURE. DO YOU TEND TO AGREE OR DISAGREE WITH THIS?

Agree.....67% Disagree.....29% Not Sure.....4%

Harris Poll, Business Week Cover Story, January 24, 1994
1,255 adults, conducted Jan. 7-10, 1994

The Washington Post

AN INDEPENDENT NEWSPAPER

Those Half-Full Pension Funds

THE LABOR Department says the unfunded liability of U.S. pension plans sharply increased in 1992. The private plans that the government insures had \$53 billion less on hand than they would have needed to pay all the benefits they owed; the gap was \$15 billion greater than the year before.

Not all the increase represented deterioration in the condition of the funds. The method of calculation the government uses depends heavily on interest rates. When rates decline, as happened in 1992, plans by definition look to be in worse shape. The underfunding is also not widespread, but concentrated in a relatively few large companies in the auto, tire, steel and airline industries. Nor is it clear, just because a particular plan is underfunded, that in the long run the responsible company won't find the necessary funds.

Still, the state of the pension funds is a serious problem. Ten years ago the insured plans had an unfunded liability only a fifth as large as appears today. The government wants to reduce its exposure but also to put the plans on a sounder footing. The administration has sent up a bill to hasten full funding and meanwhile raise the insurance premiums of underfunded plans. The companies and unions that the bill would mainly affect are less than enthusiastic—which means that the prospects of the bill aren't clear. The more that the companies have to put into the pension funds, the less is left to be divided up for other purposes.

The hurting basic industries say they should be receiving government help, not government

pressure. There was a time a few years ago when the steel industry particularly was looking at the Pension Benefit Guaranty Corp., the federal insurance agency, as the font of a possible industrial policy whereby the government would aid selected industries by relieving them of their pension obligations. The unions in such industries as auto and steel are already struggling at the bargaining table. A requirement that the companies pay more to finance pension promises already made leaves less available for new increases in pay or benefits of any kind.

In the Reagan and Bush years particularly, officials were horrified at the thought that the insurance fund might have to make any large pay-out. Labor people tend to ask, by contrast, what is a social insurance program for, if not to make payments in times of need? The go-slow school of thought also warns against putting too much pressure on defined-benefit pension plans, the kind the government insures. These are the best kind, in that they guarantee workers certain levels of retirement income. But employers in recent years are said to have begun drifting away from them. Does the government want to hasten that process?

Our own sense is that the administration bill is neither alarmist nor heavy-handed. It would strengthen the funding of the system, as needs to be done, but do it slowly enough so as not to drive under the very institutions it is meant to save. There's time to solve this problem. It would be a huge disservice if Congress squandered the time by putting the problem off.

Hazard of underfunded pensions

There are few contracts more significant to a person than an employer's promise that there will be a pension waiting at the end of one's working life.

Indeed, given today's woefully high divorce rate, one might conclude that people take this obligation more seriously than they do a marriage vow.

So President Clinton deserves a vote of appreciation from American workers for the steps he is taking to shore up the government's weak and tottering pension insurance program, the Pension Benefit Guarantee Corporation.

"The financial future of many American workers and retirees may be at risk because their pensions are underfunded," Labor Secretary Robert Reich said last week.

The New York Times reported that pension programs for the steel, airline, tire and automobile industries are in particular trouble, with pension funds billions of dollars below a level that would provide security for company retirees.

Mr. Clinton wants companies with insufficient pension reserves to make larger contributions to the government pension insurance program. This is not going to be popular with corporations that have been successfully skating on fiscal thin ice in recent years, but it is necessary. The aim is to lower the financial risk to workers and avoid the need for taxpayers to bail the insurance fund out similar to the way they had to make good on savings and loan

deposits over the past decade.

The President also would change the Bush administration's policy of letting companies use unrealistic estimates of how long their retired workers are likely to live in calculating how much they need to set aside to meet pension obligations. Mr. Clinton's plan would give them less "wiggle room," Reich said.

These and other reforms of the system are going to be submitted to Congress soon. Companies that have been meeting their pension obligations responsibly will not be required to pay more, but some powerful industries are going to feel the pinch, so strong opposition can be expected.

The old-age security of working Americans is at stake, along with their battered trust in Washington as a place that looks out for their best interest. House and Senate members need to keep this foremost in their minds as they deliberate.

Most pensions are safe, government officials say, but they estimate that about 8 million people work for companies whose pension plans are underfunded. This is an ominous trend that needs to be addressed before we have millions of impoverished retirees depending upon the government to do what private enterprise promised. It is encouraging to see that the President and Reich are facing the issue forthrightly. Congress should follow their lead.

Decatur Daily Decatur, AL Tuesday, Nov. 23, 1993

Pensions crisis

Another taxpayer bailout looms

While the nation still hasn't paid for all the mismanagement from the savings and loan scandal, another crisis of a more serious nature looms for retiree pensions.

They are underfunded, and the payer of last resort, the Pension Benefit Guarantee Corp., could be called on to protect the nest eggs of many of the more than 41 million workers and retirees in the 67,000 plans covered by PBGC.

It's a situation that should not happen, but if the government doesn't move quickly some of the more shaky plans will be gone.

A collapse of too many pensions funds, and the PBGC, will cause a cry for taxpayers to foot the bill just as they did for the S&L industry which is now fat.

The government says that underfunding grew from \$27 million in 1978 to \$45 billion last year during years of high inflation. The problem has been made worse by falling

interest rates that cut earnings in plan investments.

Congress should address the problem of companies not keeping pace with growing liabilities before the system collapses. President Clinton is asking for legislation that would require sponsors to speed up contributions to underfunded plans. Remembering how lax Federal Savings and Loan Insurance Corp. was in enforcing rules and regulations against thrifts and the consequences of inaction, the president wants PBGC to have more authority to dictate the soundness of plans.

Whether they are part of a pension plan or not, all Americans would be affected by a collapse. Some would lose their retirement but all would be forced to pay for the bailout.

The problem needs immediate attention. Pension plans should be sacred.



FACTS

Pension Benefit
Guaranty Corporation
1200 K Street, N.W.
Washington, DC 20005-4026

RETIREMENT PROTECTION REFORMS

PROBLEM: Despite the overall financial strength of defined benefit pension plans, underfunding in single-employer plans is a chronic and growing problem. Since 1987, underfunding grew from \$27 billion to \$38 billion in 1991, with further increases expected to be reported for 1992. PBGC is in no immediate danger, with sufficient assets and revenues to handle payments, but some workers and retirees in underfunded plans are at risk because PBGC guarantees do not cover all benefits. Current law is far too flexible, allowing companies to work around the funding requirements to minimize or avoid contributions. This is a serious long-term problem. Steps must be taken now, while the problem is manageable, to reduce underfunding and protect retirees in the future.

PROPOSALS: The Administration is proposing comprehensive, interrelated reforms in the **Retirement Protection Act of 1993** to improve pension funding and protect workers and retirees.

- **Funding:** Strengthen funding rules for underfunded pension plans to require faster funding and specify realistic assumptions to assure the new rules are effective; add a plan solvency rule to reduce the possibility that plans will run out of money; include transition rules to ease the impact; and remove impediments to funding that discourage employers from fully funding plans.
- **Compliance:** Enhance PBGC compliance authority with remedies other than plan termination when corporate transactions, such as break-ups of controlled groups, threaten funding of pensions; establish new reporting requirements to provide information on seriously underfunded plans to PBGC; enable plans to file claims against liquidating sponsor or controlled group member without termination; prohibit benefit increases in underfunded plans during bankruptcy; enable PBGC to enforce minimum funding requirements; and improve PBGC's current authority to file liens for missed contributions.
- **Premiums:** Increase premiums for plans that pose the greatest risk and improve incentives for funding underfunded plans by phasing out the current cap on PBGC's variable rate premium over three years.
- **Participant Protection:** Broaden disclosure of information for workers and retirees on their plan's underfunding and the limits on PBGC's guarantee through an annual plain-language explanation of their plan's funding status; protect the interests of participants who cannot be located upon plan termination by requiring the plan sponsor to transfer sufficient assets to pay the participants' benefits to PBGC; and specify assumptions to be used to calculate participants' lump-sum benefit payments.

IMPACT: The Administration's proposals, which will focus on underfunded single-employer plans, will strengthen the defined benefit system and assure that benefit promises, once made to workers, are kept. The reforms will accelerate funding for underfunded plans, with the fastest increases for the most poorly funded. The reforms are expected to eliminate PBGC's deficit within 10 years and, based on an initial analysis, to improve funding of underfunded plans from the current average of 55% to 90% of all benefits, and from an average of 60% to 100% of vested benefits, within 15 years. Participants will have understandable information about their pensions and PBGC's guarantees. The reforms will be budget-neutral; the cost to the U.S. Treasury from tax deductions for accelerated pension contributions will be paid for by revenues from premiums and other changes.

Guarding against a pension crisis

If you expect to collect a pension check when you retire, and if your employer's pension plan runs out of money to pay you, what happens to your retirement income?

You can breathe easy — if you're one of the 41 million Americans whose pension security is covered by a government guarantee. A federal agency provides vital protection for about one-third of the nation's workers and retirees.

Middle-class Americans who may have been worried about the financial strength of the agency that undergirds their private-sector retirement plans should be cheered by news from the federal Pension Benefit Guaranty Corp. The agency seems likely to get much-needed new resources, now that a top-level commission has recommended a plan to head off an eventual crisis in pension payouts. When lawmakers tackle the pension issue in the next session of Congress, they should move swiftly toward approval of the Clinton administration's PBGC financing package.

The long-term risk to Americans' pension security is all too real, even though 75% of all private plans are adequately funded. So many businesses have gone into bankruptcy lately that PBGC finances are stretched thin. Worse, too many private-sector firms have underfunded pension plans.

One of these days, when millions of aging workers start to claim their pension checks, their employers might not have enough money to meet

their obligations. In that case, the PBGC must have adequate resources — or the nation's taxpayers might suddenly be stuck with an enormous tab. Nobody wants a replay of the savings-and-loan crisis of the 1980s, when the federal deposit-insurance agency was overwhelmed by the thrift failures.

Northeast Ohio already has seen many private-sector pension plans that required PBGC takeovers, and Ohioans should be braced for more PBGC salvage operations. About 1,300 Ohio companies now have about \$4.3 billion in underfunded pension liabilities, and they may someday need a PBGC rescue to safeguard their 700,000 would-be pensioners.

The Clinton administration has offered Congress a sensible approach to this long-neglected problem. The PBGC premium on underfunded pension plans would be increased. The agency would be given stronger tools to ensure corporate compliance with financial standards. Better information would be provided to pension-plan participants, alerting them to potential risks to their retirement benefits.

The White House plan will help quell doubts about the PBGC's long-term health. After refining the details of the funding package, Congress should quickly shore up confidence in the nation's pension security.

Boston Globe Tuesday, Dec. 21, 1993

Strengthening pension protection

While the majority of private corporate employee pension plans are solidly financed, and backed up by federal pension insurance, additional steps must be taken to strengthen less well-funded plans and bolster the federal insurance system. That should be an early order of business for Congress next year.

Figures compiled by the Pension Benefit Guaranty Corp., the federal insurance system, show that the 41 million employees covered by 65,000 corporate plans are generally well-protected by assets totaling more than \$900 billion. But about a quarter of all plans are underfunded based on actuarial standards by as much as \$50 billion in the aggregate.

The PBGC, which paid out more than \$630 million to about 336,000 retirees who lost benefits when their employers' pension programs foundered, has only \$6 billion in reserves to meet future claims.

While many problems are associated with corporations in deep trouble, the PBGC list of companies with the largest unfunded pension liabilities

include many famous names from the steel, airlines, rubber and other major industries, most of them profitable. They account for more than half the total unfunded pension liabilities.

To correct the situation, Congress is being asked to bolster funding requirements, provide PBGC with additional authority to assure compliance, increase premiums on funds with higher risks of failure and broaden rules for disclosures to employees about funding levels.

These changes make sense. Employers of well-funded plans have a direct interest in avoiding having to carry the burden of riskier plans through additions to their premiums. While the changes cannot solve the nonpension problems of those few corporations in deep financial stress, they will establish clearly the priority standing of protection for retired persons.

Congress has a long history of support for the interest of retirees. It can add to that record by enacting the changes backed by the PBGC. To do less will only magnify the worries of thousands of present and future retirees.

Questions and Answers on the Redesign of the Current Population Survey

U.S. Department of Labor
Bureau of Labor Statistics
November 1993

Beginning in 1994, the unemployment rate and all other labor market data from the Current Population Survey (CPS) will reflect the results of a major redesign. The redesign affects virtually every aspect of the survey, including the questionnaire, the methods of data collection, the processing system, and the sample design. Following are some questions and answers that describe the survey itself and then focus on the upcoming changes to the questionnaire.

What is the Current Population Survey?

A monthly survey of households, the Current Population Survey (CPS) is the primary source of information on the labor force characteristics of the population. The national unemployment rate is the best known statistic from the CPS, but that is only one piece of a vast amount of information available on the employed, unemployed, and persons not in the labor force, including the industry, occupation, hours of work, and earnings of employed persons; the reasons for and duration of unemployment; and the characteristics of those not in the labor force, including discouraged workers. Information on persons in and out of the labor force is available according to personal characteristics such as their age, sex, race, Hispanic ethnicity, marital status, presence of children, level of education, and veteran status. Labor force and demographic data are available for regions, States, and sub-State areas as well as for the Nation as a whole.

How is the CPS conducted?

The survey is conducted monthly by the Bureau of the Census for the Bureau of Labor Statistics using a scientifically selected sample of some 60,000 households, which are representative of the civilian noninstitutional population of the United States. Households in the survey are interviewed for 4 consecutive months, leave the sample for the next 8 months, and then come back into the sample for 4 more consecutive months before leaving the sample for good. In the household's first and fifth months in the sample, interviews are conducted in person at the respondents' homes. In the remaining months, interviews are typically done over the telephone. Respondents in households without a telephone, as well as those with language or hearing difficulties, are interviewed in person each month.

The CPS is conducted in the week containing the 19th day of the month. Most questions relate to activity in the prior week, that is, the week including the 12th of the month, which is known as the reference week. The initial release of labor force information, in the form of

a news release issued by BLS, is typically on the first Friday of the following month.

What are the data from the CPS used for?

The unemployment rate is perhaps the most closely watched of all economic indicators, and it and other estimates from the CPS are used in gauging the performance of the labor market. CPS data are also used to study such topics as demographic shifts of workers, trends in labor force participation and occupational distribution, and earnings differentials among worker groups. CPS data are used by government officials, businesspeople, journalists, academic researchers, and others engaged in labor market analysis.

Why is the CPS being redesigned at this time?

The CPS is being redesigned primarily to improve the quality of its data products. This is being accomplished by revamping the questionnaire to better capture the dynamics of the labor market and by incorporating recent advances in data collection technology.

The current CPS questionnaire has changed little since the last major revision in 1967. Since that time, problems with the current questionnaire in measuring certain labor market concepts have been identified. Also, since the last revision, the U.S. society and economy have undergone major shifts, such as the growth of service jobs and decline of factory jobs; the more prominent role of women, especially mothers, in the work force; and a profusion of alternative work schedules. These changes have raised new issues about labor force behavior which were not being addressed with the old questionnaire. In addition, there have been major advances in survey research methods and data collection technology. Since the need for relevant, precise, and comprehensive data about the labor force continues to grow, the time was right to implement a state-of-the-art, fully computerized CPS.

The redesign of the CPS questionnaire was guided by the results of a number of research projects conducted by BLS and the Census Bureau beginning in 1986, as well as by recommendations made in 1979 by the National Commission on Employment and Unemployment Statistics, also known as the Levitan Commission. The revised questionnaire, which is being tested in a separate national sample survey extending from July 1992 through December 1993, will become the official questionnaire beginning with the collection of data for January 1994.

What are the major objectives of the questionnaire redesign?

The major objectives are: To obtain more accurate, comprehensive, and relevant information; to implement several definitional changes; and to institute a completely automated interview.

How is the questionnaire being changed to provide more accurate information?

For most people, the measurement of labor force status and characteristics is straightforward; some, however, are difficult to classify correctly. In redesigning the CPS questionnaire, three ways to reduce misclassifications, and therefore enhance survey accuracy, were identified: (1) sharpen the measurement of labor force concepts; (2) make the questions easier to understand and answer, and (3) implement a computerized survey. Each of these steps bears further explanation.

What are some of the changes designed to sharpen the measurement of labor force concepts?

A number of improvements relate to the collection of data on unemployment, including persons on layoff from a job, jobsearch methods, and duration of unemployment. A person on layoff is defined as someone who was separated from a job and expects to be recalled. Unlike the current questionnaire, which leaves it up to the interviewer to probe, the new version contains direct questions about the expectation of recall. These questions help to ensure the accurate measurement of the concept.

In the case of jobsearch methods, the response categories as they appear on the interviewer's computer screen were expanded, and were also rearranged to more clearly distinguish between active jobsearch methods, such as contacting employers or employment agencies (which qualify a person to be counted as unemployed) and passive methods, such as taking special training or merely reading want ads (which do not qualify). The additional response categories and the reformatted screen make it easier for interviewers to place the answers to this question in the proper category. Also in the revised questionnaire, jobless respondents are able to report their duration of unemployment in either weeks or months, whichever they prefer, instead of having to report this information in weeks, as is currently the case. This change yields a more accurate estimate, especially for the long-term unemployed.

Among the concepts related to employment, an improvement is being made in the way industry and occupation for all workers are identified, as well as in the identification of unpaid family workers. The questions regarding industry and occupation have been reordered and reworded to obtain more precise information on job characteristics. For instance, the new questionnaire is more explicit about the distinctions between the private and public sector and between wholesale and retail trade. (The measurement of industry and

occupation will also benefit from the use of dependent interviewing, discussed later.)

Unpaid family workers are persons who work without pay in a family business for at least 15 hours in the reference week. These workers are included in the CPS definition of employed, but this information is obtained in the current questionnaire only if it is volunteered, since there is no direct question on the presence of a business in the household. In the revised questionnaire, instead of relying on volunteered responses, every household is asked about the presence of a family business, and, for households where such a business exists, family members who are not otherwise employed are asked if they did any unpaid work in that business.

Another example of improving the measurement of an existing definition is the identification of the reference week, the week to which most of the labor force questions apply. These questions ask about activities "last week," but research has shown that respondents were unclear as to its meaning. To address this problem, respondents are provided with the actual dates of the reference week in the revised questionnaire.

How were the questions made easier to understand and answer?

Several techniques were used to make questions clearer and easier for respondents to understand. These included revising the question wording and order, splitting complex questions into two or more simpler ones, and embedding recall strategies into the questions.

A question in the current version which had been identified as especially difficult was, "Did you have a job or business from which you were temporarily absent or on layoff LAST WEEK?" This is a confusing question that addresses several different topics; to some respondents, it sounds as if they are being asked if they have a business. In the revised version, respondents are asked about absence from work and layoff in separate questions.

Another example of questions that were reworded for better comprehension is the series asking about the number of hours actually worked in the reference week. Research showed that, when asked for the number of hours worked, respondents sometimes provided their scheduled hours instead of the exact number of hours they worked, which is what is desired. The new version incorporates an implicit recall strategy. Everyone with a job is first asked for the number of hours they usually work, then about any time off or extra hours worked during the reference week, then finally for the total number of hours they actually worked during the week.

Also revamped is the series on earnings. Currently, all workers are asked to report the amount they usually earn per week, even though this is not the easiest way for many people to report their earnings. In the new series, respondents are free to report their earnings in the periodicity they prefer—for example, hourly, weekly, biweekly, or annual. Since weekly earnings are required for publication, earnings data provided by respondents in periodicities other than weekly are converted to a weekly earnings estimate during later processing of the data.

What new information will be available under the redesign?

Once the redesign is implemented, several types of labor force data will be available regularly for the first time. For instance, information will be available each month on multiple jobholding. This will allow BLS to address issues such as the relationship between dual jobholding and the business cycle, the prevalence of workers who combine two or more part-time jobs into a full-time workweek, and the number of full- and part-time jobs in the economy. These data will also facilitate comparisons of employment estimates between the CPS and the BLS survey of business establishments, which are discussed in more detail later. Also beginning in 1994, estimates on the number of hours usually worked per week will be available monthly for the first time.

To better reflect current social and economic reality, response categories for a number of questions have been expanded. For instance, questions on the reason for absence from work and the main reason for working part time will have a new response category of "child-care problems." (In the present version, such a response is included in a broader category, such as "too busy with housework, school, personal business, etc.," or "other.") With updated response categories, answers to the survey questions are more appropriately classified. This makes for a smoother interview and for more meaningful categories for data analysis.

Which definitions are changing?

The labor force definitions used in the CPS have undergone only minor modifications since the survey's inception in 1940. Beginning in 1994, small changes in several definitions will be made. The most important change is to the concept of discouraged workers, persons not looking for work because they believe their jobsearch would be in vain. This definition was criticized by the Levitan Commission for being somewhat arbitrary and subjective.

To address these concerns, the definition of discouraged workers is being modified to include two new requirements: (1) jobsearch within the past year (or since last worked if worked in the past year); and (2) availability to take a job. (Currently, availability is inferred from responses to other questions; the new questionnaire will contain a direct question about availability.) The discouraged will still have to report that they did not look for work for one of the following reasons: Believes no work available in line of work or area; couldn't find any work; lacks necessary schooling, training, skills, or experience; employers think too young or too old; or other personal handicap in finding a job. Also, the questions determining discouraged worker status will be asked of the entire sample each month, instead of one-quarter of the sample as is currently done, allowing monthly, rather than quarterly, estimates.

Other minor changes were made to fine-tune the definitions of part time for economic reasons; unemployment; and entrants and reentrants (categories of unemployment). To be classified as part time for economic reasons (that is, working less than 35 hours in the reference

week because of poor business conditions or because of an inability to find full-time work), persons who usually work part time must meet two new criteria: They must be reported as wanting a full-time job and as having been available to take one during the reference week. (Persons who usually work full time but worked part time for an economic reason during the reference week are assumed to meet these criteria.)

To be unemployed under current classifications, persons must have actively looked for work in the last 4 weeks, unless they belong in one of the following two categories: expecting recall from layoff, or waiting to start a job within 30 days. With the redesign, persons who report that they are waiting to start a new job (a very small group numerically) must also meet the jobsearch requirement in order to be counted as unemployed. Otherwise, they will be classified as not in the labor force.

Unemployed workers are classified by their status prior to becoming unemployed. Job losers (including those on layoff) and job leavers were working just before their unemployment. Unemployed persons not working in the period immediately before they began their jobsearch are classified as either new entrants or reentrants. New entrants are currently defined as jobseekers who have never worked at a full-time job lasting 2 weeks or longer; reentrants are defined as jobseekers who have held a full-time job for at least 2 weeks but were not working just before they started to look for work. These definitions are being modified, in that the criterion of having a full-time job lasting 2 or more weeks is being eliminated. Beginning in 1994, new entrants will be defined as jobseekers who have never worked; reentrants will be defined as jobseekers who have worked before (but not immediately prior to their jobsearch).

How is the CPS questionnaire being automated?

About 1,500 highly trained and experienced Census Bureau interviewers will continue to collect the CPS, but the way in which they collect the data will change radically. Instead of a paper questionnaire, field interviewers will be equipped with laptop computers on which the questionnaire has been programmed. The interviewer will read a survey question displayed on the computer screen and enter the respondent's answer on the computer keyboard; the next appropriate question will then automatically appear on the screen. This type of data collection is known as computer-assisted personal interviewing (CAPI). Interviewers will use CAPI in both face-to-face and telephone interviews. After completing interviewing each day, the interviewer transmits the data via modem to the computer at the Census Bureau headquarters in Suitland, Maryland.

In addition, continuing the current practice, some interviews (about 10 percent) will be conducted from two telephone centers (located in Hagerstown, Maryland, and Tucson, Arizona) by interviewers who also use a computerized questionnaire. This is known as computer-assisted telephone interviewing (CATI). By minimizing the potentially negative effect of turnover among field interviewers, the centralized CATI system helps to ensure that the CPS is completed under tight deadlines.

What are some of the advantages of an automated process?

Automation has many advantages over the paper-and-pencil method. It allows for complicated skip patterns, standardized followup questions, and customized questions that are tailored to the individual's situation, without placing an undue burden on either the respondent or the interviewer. It also allows responses to be entered directly into an electronic data base.

Automation virtually eliminates errors resulting from the use of incorrect skip patterns and from such survey operations as the printing and shipping of questionnaires. With the computerized questionnaire, there will be automatic checks for internal consistency and for out-of-range responses, so that some errors can be caught and corrected during the interview. Automated collection will be used exclusively beginning in January 1994; there will be no operational paper version of the new questionnaire.

Another important feature of automation is that it permits dependent interviewing, that is, the retrieval and verification of selected information from a previous month's interview during the current interview. Dependent interviewing reduces respondent and interviewer burden by preventing unnecessary repetition of questions, and improves the overall accuracy of the data by building in consistency and reducing spurious change.

How will dependent interviewing be used?

Dependent interviewing is used only in connection with specific labor force characteristics, and not for determining basic labor force classification. Areas in the new questionnaire which will benefit from the use of dependent interviewing include the description of the occupation and industry in which people work and their retired or disabled status. If there is a change relative to the information previously supplied on these topics, the respondents are asked to provide the updated information; otherwise, they simply verify the information given previously.

A somewhat different form of dependent interviewing will be used to obtain information on persons' duration of unemployment. Such information will be obtained the first month individuals are unemployed and will, in succeeding months, be updated automatically as long as they remain unemployed. And, as will be seen in an answer to a later question, dependent interviewing will ease the burden for retired and disabled respondents.

What about longitudinal data?

The CPS is essentially a cross-sectional survey, that is, it provides snapshots of the labor force at particular points in time. But it has always had a longitudinal aspect: Given the rotation schedule of the survey, it is possible to track people over a 16-month period. However,

the amount of longitudinal data available from the CPS has been limited, in part by the current processing system. One benefit of the new system is that records will be easier to match from one month to the next, enhancing the longitudinal capability of the survey. Also, certain features of the new questionnaire, such as dependent interviewing and including direct questions instead of relying on volunteered responses, are expected to improve consistency and substantially reduce spurious changes from month to month. Thus, researchers will find the redesigned CPS an improved source of longitudinal data.

How will respondents benefit from all of these changes?

Survey respondents will experience an interview that is highly personalized, with a minimum of repetition from one month to the next. Questions will be easier to answer as a result of clearer wordings and embedded recall strategies. Retired and disabled respondents will find the interview particularly streamlined.

How is the questionnaire being made less burdensome for the retired and disabled?

The redesign will address a frequent complaint that the current CPS questionnaire is particularly burdensome for persons who are not working and who are reported to be retired or disabled. Such persons are currently asked the full series of labor force questions each month, even if it has no relevance to their situation. In the new questionnaire, if persons report that they are retired (and are at least 50 years old), they are skipped to a question inquiring whether they want a job. If they do not want to work, the interview ends, and they are classified as not in the labor force. (If they do want to work, they are asked questions about looking for work and continue through the interview.) If persons report that they are disabled, they are asked a followup question to determine if their disability prevents them from accepting any kind of work during the next 6 months. If the answer is "yes," the interview is concluded. In subsequent interviews, dependent interviewing will further ease their burden through a simple verification of their status.

How is the confidentiality of the data being maintained?

Survey responses are kept strictly confidential and are used only to produce aggregate statistics. The new system has several safeguards to ensure confidentiality. First, each laptop is set up to require a password to access respondent files. Second, data from each interview are stored in a compressed format, so that even in the event of a breach in password security, the data would not be readable. Once files are transmitted to the main computer, they are deleted from the laptops.

How was the new questionnaire developed?

Beginning in 1986, BLS and the Census Bureau conducted a number of research projects to develop and evaluate new question wordings and sequences. Based on the results of this research as well as the recommendations of the Levitan Commission, alternative versions of the questionnaire were developed and then were tested in two phases. During phase I, conducted from July 1990 to January 1991, two alternative questionnaires were tested against the current questionnaire. During phase II, conducted from July 1991 to October 1991, a nearly final version of the new questionnaire was tested against the current questionnaire. Both tests were conducted using Computer Assisted Telephone Interviewing (CATI) and a random digit dialing (RDD) sample of households with a telephone. Data were obtained for over 72,000 persons in phase I and over 32,000 persons in phase II. Evaluation of the content of the alternative questionnaires was based on an analysis of item nonresponse, response distributions, respondent debriefings, interviewer debriefings, and interview monitoring.

The results of both tests were used to develop the final questionnaire, which has been administered using CATI and CAPI to a separate national sample of 13,000 households per month, extending between July 1992 and December 1993. The results from this test, known as the "overlap survey," are being compared with data from the official survey (using the current questionnaire and procedures) to gauge differences in estimates derived from the two surveys. The overlap survey is also being used to test the CAPI system, the questionnaire's complex computer programming, and the completely revamped processing system. Initial measures of potential effects of the new questionnaire, data collection methods, and other changes will be available in the late fall of 1993. More complete findings from the overlap survey, based on an analysis of data for January 1993 through December 1993, will be presented in an article in the February 1994 issue of *Employment and Earnings*.

What effect will all of these changes have on the historical series?

The new questionnaire and mode of data collection will result in changes in levels or ratios for most estimates. The overlap sample will help explain differences in the series, but there will be no way to revise previously released estimates. BLS is, however, planning to develop bridge estimates at some time in the future that should assist persons using the data for analytical or research purposes.

Will the redesign have any impact on the estimates from the payroll survey?

No. BLS' other major employment survey is the Current Employment Statistics program, popularly known as the payroll (or establishment) survey. Through it, a sample of nonfarm business firms report on the number of persons (as well as their hours and earnings) on their payrolls. This survey, which provides a somewhat different,

yet complementary view of employment, is administered completely independently of the CPS. Thus, the redesign of the CPS will have no effect on the estimates derived from the payroll survey.

Some of the improvements being introduced into the CPS will facilitate comparisons between the surveys. For instance, in the revised CPS questionnaire, employed persons will be asked each month whether they had more than one job, something that previously was asked only periodically. Having a monthly count of multiple jobholders will help in analyzing differences in employment trends between the two surveys, since the CPS counts the number of persons working, while the payroll survey counts the jobs they hold and is thus affected by changes in the rate of multiple jobholding.

How will the redesign affect the measurement of unemployment and other labor force series?

By the late fall of 1993, the overlap survey should provide an indication of how the major labor force estimates might be affected by the changes. Even then, however, the findings must be viewed as tentative, since the overlap sample does not exactly duplicate official CPS conditions and procedures. Users should also note that the estimates produced under the redesign will reflect the effects of both the new questionnaire and computerization, and it will be very difficult (if not impossible) to separate these effects.

Additionally, there will be some unknown effects. For example, the majority of interviewers will be using the new questionnaire and laptop computer on an operational basis for the first time. Also, from December 1993 to January 1994, three-fourths of the sampled households will be switching from the old to the new questionnaire. Moreover, during the first few months following the January 1994 implementation, it is expected that the effects from the transition may increase the variability of the estimates.

How will the labor force estimates for States and areas be affected?

In general, the quality of the CPS estimates for regions, States and smaller areas will benefit—as will the national data—from the changes being implemented. It is important to note, however, that the overlap survey is based on a relatively small, nationally drawn sample, as opposed to the CPS's large, State-based sample. Therefore, the overlap sample will provide only a limited indication of how the redesign will affect labor force estimates for regions, States, and areas.

Will the redesign affect the release schedule of CPS data?

No. The Employment Situation news release will be issued according to the same schedule, typically on the first Friday of the month. *Employment and Earnings*, a monthly periodical with more detailed information from the CPS and other surveys, will continue to be published about 3 weeks after the initial release.

How will seasonal adjustment be handled?

BLS hopes to continue to seasonally adjust nearly all of the ongoing time series that are now adjusted. BLS is considering alternatives to the current method of seasonal adjustment (X-11 ARIMA) that may do a better job of handling differences in some time series that such major changes in a survey can cause. A decision on the method of adjustment to be used will be made later this year.

There will be no change in the schedule of revisions to seasonally adjusted data. These data will continue to be subject to revision for up to 5 years after they are initially published. Users should note that, because of the major changes in the data collection instrument and methodology, seasonally adjusted estimates for 1994 may be subject to relatively larger revisions and may display somewhat more volatility than usual even after they are revised.

How is the CPS sample being redesigned?

The CPS sample is redesigned following each decennial census. Using economic and demographic data from the census, approximately 700 sample areas are selected to represent each State and the District of Columbia. Starting in 1994, the sample will reflect the results of the 1990 census. Some of the areas will be new to the CPS sample, other

areas will be dropped, and many areas will be continuing in the sample. Within the continuing sample areas beginning in April 1994, new sample households will be selected using address lists and other materials from the 1990 census. The new areas will be introduced into the sample beginning in August 1994.

Are there any additional reviews of the CPS under way or being planned?

BLS and the Census Bureau are committed to maintaining and improving the high quality of information from the CPS. In the coming years, the agencies will be evaluating a variety of data from the redesigned CPS. Based on these findings, and other considerations such as advances in data collection technology and processing, recommendations for improvements will be tested and implemented. In this way, the CPS will continue to provide the best quality data possible.

Where can I go for more information?

For more detailed information on the CPS redesign, write to the Bureau of Labor Statistics, Division of Labor Force Statistics, Room 4675, 2 Massachusetts Avenue NE., Washington, DC 20212, or telephone (202) 606-6378.