

On the other hand, there is some interest as well in perhaps improving the data for various demographic groups of the population for whom we have very little, really. Native Americans, for example, we know very little about.

I don't know really which way we will go on that, but that is something that we are examining. In addition, we are giving some thought to other issues.

For example, the concepts of our labor force survey may not really relate very well to the conditions of some groups of the population, such as those living in rural areas. This committee has been very concerned about that situation and we have, too.

It may be that something special, not a monthly survey but an occasional or one-time survey with different concepts that more closely fit the experience of that population might be needed. We are just at the early stages of thinking about that. But those are the kinds of things that we are focusing on.

Representative OBEY. As you know, it is always very difficult on both ends of Pennsylvania Avenue to get the kind of support that is needed for increased expenditures to increase our knowledge in terms of the database.

Mrs. NORWOOD. I am very well aware of that.

Representative OBEY. The problem is that it just isn't politically sexy. So it is very easy to see those budgets squeezed continually. It is also very dumb.

I hope we fare somewhat better in the coming 2 years, and I do hope that you can continue to make progress in defining what is going on in more than the largest States in the Union, the kind of economic activity that you are talking about, especially in rural areas, because I am convinced that we don't have the foggiest idea of how the economy in counties such as Burnett or Washburn is really performing in my State in comparison to Milwaukee or Dane County or places like that.

It gets frustrating and it leads to people feeling that they are being ignored as well as misunderstood.

That is all, Senator. Thank you.

Senator PROXMIER. In the years I have been here—and it has been a long time—I can't recall a time when we were more poorly prepared to cope with a recession if it should hit, because we have such an enormous deficit, a huge national debt, and a determination on the part of Congress and the public to do everything we can to hold down spending and not to plunge in, as we have in the past in recessions or depressions, to counter the recession by compensatory fiscal policy.

I understand that on November 20, the General Accounting Office issued a series of transition papers that list the problems the next administration will have to confront, and the paper on Department of Labor issues recommends that the Department needs to act now to be prepared for a future recession.

How much advance warning do we usually receive before a recession strikes?

Mrs. NORWOOD. Very little. It usually comes upon us at times when people talk about turning points, but then they are always hoping that there would not be a turning point.

Senator PROXMIRE. Let me put it this way. Is there any data that the BLS would like to collect that it doesn't that would increase the advance warning of a recession?

Mrs. NORWOOD. I don't know. I would want to think about that before giving you a specific answer. One thing that would be useful to know is job vacancy information, but I would want to give a lot more thought to that.

Representative OBEY. Senator, may I interrupt to simply ask a question, because I have to leave, going back to my other question?

Senator PROXMIRE. Yes.

Representative OBEY. Mrs. Norwood, could you simply tell us or supply for the record the amount of money which the Federal Government dispenses this year, for instance, on the basis of numbers either developed or reported by your shop?

Mrs. NORWOOD. It is rather huge and we will be glad to supply something specific for the record, but I can tell you just offhand that there are billions of dollars of contracts, particularly the Defense Department contracts, that are escalated either by our earnings data or by our producer price data.

We know also that the Federal Government entitlement programs are affected by our CPI as is, on the other side, the revenue that comes into the U.S. Government from taxes, because the income brackets are now indexed. The local area unemployment data are being used in allocation of Federal funds.

Some of the new legislation on worker adjustment provides for the use of data from our mass layoff program which is still in a stage of development and, of course, the extent to which that is developed will depend upon the budget.

There are a whole host of areas in which our data are used and we will try to list them for the record.

Representative OBEY. My only point being that it would be nice if that money is being distributed on the basis of the most accurate numbers it is possible to put together.

Mrs. NORWOOD. I couldn't agree more with that.

Representative OBEY. Thank you, Senator.

[The following information was subsequently supplied for the record:]

Impact of BLS Data of the Economy

<u>BLS Series</u>	<u>Application</u>	<u>Impact</u>
Consumer Price Index (CPI)	Adjustment of Federal transfer payments	1½ change = \$2.8 billion in FY 1986 ¹
	Federal tax receipts (pre 1986 tax reform)	1½ change = \$1.8 billion in FY 1986 ²
	Other applications of the CPI are enumerated in <u>Indexation of Federal Programs</u> (Congressional Research Service)	
Producer Price Index (PPI)	Adjustment of prices in long-term purchase and sales contracts	Estimates range from \$93 billion to more than \$300 billion in outstanding contracts
Area Wage Survey	Used by the Employment Standards Administration to set the minimum pay for contractors providing services to the Federal Government	About 10,000 wage determinations each year, which involve Service Contracts amounting to approximately \$11 billion
Professional, administrative, Technical, and Clerical (PATC) Survey	Used as a basis for making Federal white-collar and private sector pay comparisons as required by law	1½ increase in Federal pay costs about \$600 million
Current Employment Statistics - Average Hourly Earnings (AHE)	Used to escalate labor component of long-term manufacturing contracts	\$90 billion in outstanding defense industry contracts

¹ This estimate was prepared by OMB for FY 1986. We believe that the amount has not changed substantially since then.

² Tax brackets were established by law for 1987 and 1988 and will again be indexed beginning in 1989. The personal exemption amount, established by law for 1987, 1988 and 1989, will again be indexed beginning in 1990.

Current Employment
Statistics - Average
Weekly Earnings (AME)

Used to escalate workers'
compensation payments for:
Federal employees
Longshore and labor workers

\$1.11 billion in payments in FY 1987
\$.28 billion in payments in FY 1987

Employment Cost Index (ECI)

Accounts for 40 percent of the input
price index used to determine allowable
increases under Medicare's Inpatient
Prospective Payment System

1% change in the ECI in the late 1980's
= \$190 million change in Federal
expenditures for Medicare

Local Area Unemployment
Statistics

Used as input to models which allocate
funds for the following:

Disadvantaged Adults and Youth
Summer Youth
Dislocated Workers
Operation of State Employment Service
HUD - Urban Development Action Grants
Economic Development Administration
- Public Works Program
FEMA - Emergency Food and Shelter

\$1.8 billion in FY 1988 appropriations
\$718 million in FY 1988 appropriations
\$287 million in FY 1988 appropriations
\$723 million in FY 1988 appropriations
\$225 million in FY 1988 appropriations

\$120 million in FY 1988 appropriations
\$124 million in FY 1988 appropriations

ES-202 - Wages

Used by BEA for per capital income series
which are used by Congress to allocate
funds for:

Rehabilitation Services
Aid to Families with Dependent Children
Medicaid
Vocational Education
Alcohol, Drug Abuse and Mental
Health Services

\$40 billion allocated in FY 1987

Senator PROXMIRE. Mrs. Norwood, two Princeton scholars have calculated if we have a recession, even one as relatively mild as the 1974-75 recession, that 10 percent of our corporations and proprietorships and individual partnerships would go bankrupt. Of course, that would have a catastrophic effect on employment.

Do you have any calculations as to what the level of unemployment would be if we have a recession like, say, either 1974-75 or like the 1982 recession? What I am talking about, of course, is the fact that we have an enormous private debt and that would trigger bankruptcies in corporations very widely.

We have a huge, much bigger than ever household debt, which means, of course, that many people will be in jeopardy of losing their homes, because they will lose their jobs and they won't have the income to pay the interest that they have to pay.

And I think the Princeton people put those together and said even at this stage—and it is getting worse all the time—that the next recession is likely to be compounded by that.

Mrs. NORWOOD. I haven't seen the Princeton study and I really am not at all sure that it is even useful to try to compare any future recession with a past one because the situation is so very different.

As you quite readily point out, one of the most important differences is the size of the deficit and, importantly, the fact that that deficit is being financed in large part from outside the United States.

Senator PROXMIRE. Let me interrupt to say that it is not the deficit. The Government isn't going to go bankrupt. People are. Households are. Businesses are. It is the size of the private debt.

Mrs. NORWOOD. Yes, but the point is that the deficit means that if there were serious concerns about inflation or other reasons, there would be a need to raise interest rates considerably which would exacerbate the problems of the private sector.

We also have now something that we didn't have before, and that is these absolutely monumental leveraged buyouts, many of which are not really based on economic considerations. Many of these buyouts are going on with very little cash-flow or anticipated cash-flow for some time.

So the situation now is very different and in many ways, I think, more precarious than in past recessions.

Senator PROXMIRE. Is there anybody in Government that is studying that? That is something we know about. We know it is going to have a very serious effect, but it seems to me if we can get some competent and respected studies, we can begin to develop policies to do something about it.

Mrs. NORWOOD. Clearly the Congressional Budget Office has been interested in some of these issues and there are a number of other private organizations that have been looking at them.

Senator PROXMIRE. But you feel that there is no basis on which you could give any kind of estimate as to the level of unemployment if we had a recession such as we have had in the 1970's and in 1982?

Mrs. NORWOOD. We can tell you what the level of unemployment was then.

Senator PROXMIRE. Well, yes, but of course there was an entirely different situation, a situation that was less likely to increase unemployment.

Mrs. NORWOOD. That is right. I think there really have been a number of very important structural changes in the economy that make the 1980's very different from the 1970's.

Senator PROXMIRE. I notice there are great differences in the unemployment figures in November, depending on the State you were talking about. For example, Illinois had a terrific increase in unemployment compared to the rest of the country. It wasn't just 1 percent. It went from 6.6 percent to 7.1 percent. That is a big major increase.

You don't have it for Wisconsin, because you only have it for the 10 largest States, I think. I notice Illinois, Michigan, and Ohio, all Midwestern States, had among the biggest increases.

Mrs. NORWOOD. Yes.

Senator PROXMIRE. New York also had a big increase, and Massachusetts.

Mrs. NORWOOD. Yes, but Illinois did not have a statistically significant increase. One of the difficulties is—

Senator PROXMIRE. When you have a 6.6 to 7.1, that is not statistically significant?

Mrs. NORWOOD. For Illinois it has to be 0.9 of a percent. For Michigan, 0.9 percent; and for Ohio, 0.8 percent. That is one of the great difficulties we have.

Senator PROXMIRE. That is a very, very large increase, though, from 6.6 to 7.1 percent.

Mrs. NORWOOD. It will bounce up, it will bounce down. You really need to look at it over a much longer period of time.

We did have a significant increase in Massachusetts. It is still very low, but that was an increase of 0.7 of a percentage point which is statistically significant. We had a significant small drop in Pennsylvania.

Senator PROXMIRE. Can you tell us, just broadly, are the industrial States in the Midwest and South still lagging behind, or are they starting to catch up with the rest of the country?

Mr. PLEWES. Generally speaking, the industrial States are not as well off as some of the other growth regions. The growth regions I talk about are primarily the Northeast section surrounding Massachusetts, New Jersey, and parts of New York and Pennsylvania that are close to those. But they are improving.

For example, the State of Wisconsin has improved quite a bit. Now the rate there is at 3.7 percent. We use a cutoff point in our charting of 4 percent for going from the shading into white, and Wisconsin in the last couple of months has been in the white. And we look at those as States without great problems in unemployment.

But we have severe problems still, I think we have to point out, in Texas, Louisiana, Mississippi, Alabama, and Arkansas. As the Commissioner said earlier, I think we have to look to oil prices as one of the things that may help there. And problems continue, of course, in West Virginia and in Kentucky and some of the other areas. Things are improving in the Midwestern States, but they aren't good yet.

Senator PROXMIRE. Table A-12 shows that the unemployment rate for Vietnam era veterans is currently lower than for nonveterans, the same age group; 3.7 percent for veterans versus 4 percent for nonveterans. But for the youngest veterans, those 30 to 34 years old, the unemployment rate is 6.3 percent, which is much higher than the 4.6 percent unemployment for nonveterans.

Why are young Vietnam era veterans having such a hard time finding jobs?

Mrs. NORWOOD. There are a number of reasons and there are a number of programs to try to assist them. The adjustment for many of them, particularly the younger ones, takes a longer time.

But the Department of Labor does have a very active office that has done a great deal to help to place those veterans. We found that as veterans get older, the further away they get from their military service, their employment experience becomes very much more like the employment experience of nonveterans. So it is really just the younger ones who have an adjustment problem. They may not be in the right place. They may have psychological problems. They may have skill problems and have to be trained. Those are the ones who need to be helped, and there are, I think, very active programs—we have a very active program in the Department of Labor in that area.

Senator PROXMIRE. You have a table here that indicates some evidence on how close we might be to full employment. It is A-8. It reports that just over 3 million of the workers who are currently unemployed are identified as job losers, which is about 46 percent of the total. The rest are identified as people who voluntarily quit their jobs or are just entering the labor force.

Does that say something to us about how close we are to full employment? In other words, much of this is frictional unemployment, people moving between jobs that are unemployed when we get to the level we are at now?

Mrs. NORWOOD. There clearly is frictional unemployment. But I personally can't believe that 6.6 million jobless people is due to frictional unemployment only. I think that it is partly frictional and it is also, in large part, structural. I think we have some really important structural problems, people who just do not have the skills, the education, the experience that is necessary, or who do not live where the jobs are. These people are usually disproportionately black and Hispanic, particularly black.

Senator PROXMIRE. On the day before Thanksgiving, the Office of Management and Budget gave you its proposed budget for the Bureau of Labor Statistics for fiscal 1990.

Is OMB preparing any significant cuts in your budget for fiscal 1990?

Mrs. NORWOOD. As you know, Senator, that is an area that I cannot discuss. That budget is in process. As a matter of fact, we are still trying to figure out what it all means, together with many other agencies all across the Government.

Senator PROXMIRE. Well, can you give us some hints as to the effect the fiscal 1990 budget would have on the scope and quality of the statistics that BLS collects and publishes?

Mrs. NORWOOD. I can only tell you that our experience has been that there is never enough to do all the things that we need and that I think the country needs.

Senator PROXMIRE. How big is your budget?

Mrs. NORWOOD. Oh, it is somewhere in the neighborhood of \$250 million.

Senator PROXMIRE. How does that compare with what it was—

Mrs. NORWOOD. Oh, it is considerably larger than when I took office, for example. But a large part of the change has been in what are called mandatories. That is, rent increases and, for us the very important costs of conducting surveys—travel, telephone, mail, and other things of that sort.

And then we have the money in our budget that is not used by us at BLS but is paid to each of the 50 States for the data collection and processing that the States do in cooperation with us so that we can reduce the burden on respondents and also get some State and area data as well. The States have had some sizable increases, partly because their salaries, which had tended to be quite low, have been increasing and their other costs have as well, and partly because we continually are asked by the Congress to do more.

The big problem that I think statistical agencies have, at least one like ours, is that when we are given more money it is generally to do something new. It is very, very difficult to get money to improve the quality of something that is already in existence because people feel that so long as we are giving them the data it must be all right.

So it is very, very hard to find the resources that are necessary to shore up the quality of the things that we do. The economy is changing and the social and economic phenomena that we measure keep changing all the time. And if we don't change to keep up with that change, then the data we produce will not be very relevant to current conditions.

So the approach that we have always taken is to try, when we are pushed very hard, to eliminate things rather than to reduce their quality and to take those resources and put them into other activities. That is always a serious problem because nobody likes you to remove any statistical series no matter how good or bad it is.

We have succeeded reasonably well, but we have a very long way to go.

Senator PROXMIRE. Mrs. Norwood, thank you very, very much. You have done a marvelous job for 10 years and I hope you have at least 50 more.

The committee will stand adjourned.

[Whereupon, at 10:30 a.m., the committee adjourned, subject to the call of the Chair.]

