

## REVISIONS IN ALASKA'S UNEMPLOYMENT RATE

By Chuck Caldwell

### A Historical Perspective on Area Unemployment Rates.

Several factors must be considered when designing estimating procedures for socio-economic indicators, such as area unemployment rates. Among those variables are: uses of the estimates, resources, geographic size of the estimated area, definitions, periodicity, sampling procedures, and availability of data.

Between 1961 and 1974 area unemployment rates for states and areas were produced by the use of a federally mandated handbook procedure. Extensive use was made of existing data from each state's unemployment insurance (UI) program and from the Bureau of Labor Statistics BLS-790<sup>1/</sup> employer survey. This procedure had the advantages of very low cost and reasonable comparability within a given area over a long time period. The estimates could be easily seasonally adjusted for use as an economic indicator without unreasonable distortions.

However, since each state's UI laws were unique the data was not comparable between states. Additionally, the changes in labor force concepts initiated into the nationwide unemployment rates in 1967 were not accounted for in the state and area estimates.

In recent years local area unemployment statistics were legislated to be the primary allocation data for billions of federal dollars. This legislation also required that estimates be provided for many more smaller communities. Since unemployment estimates are more difficult to produce accurately for small areas rather than large ones, the legislation often required data prior to the date that accurate estimates could be made. Funding adequate to produce area unemployment rates which were comparable for all areas throughout the United States did not occur.

Since 1974, several low cost attempts to improve the unemployment rates were made and are still being made by the Bureau of Labor Statistics and the cooperating Research and Analysis Sections in each state.

Until 1974 bedroom communities around the nation had artificially high unemployment rates. Conversely, central cities' rates were biased low. This

was because previous to that date there was no adjustment to place of residence. For example, the state of New Jersey had a large number of residents who worked in New York. Their employment was tallied in New York, but when they became unemployed they filed for benefits near their homes in New Jersey.

Residency factors to adjust employment to place of residence basis were incorporated into the estimates in 1974, along with adjustments to the current population survey (CPS) in the largest states. The CPS is a nationwide monthly household survey conducted by the Bureau of the Census. Labor force data from this survey is utilized by the Bureau of Labor Statistics to produce annual labor force components for states and the very largest metropolitan areas, which are comparable in concept to the national estimates.

Modest expansions of the household survey sample have occurred in recent years. This has allowed all states, including Alaska, to have their data adjusted each year to CPS controlled totals. Additional expansions in the CPS sample size will occur over the next three years nearly tripling the sample. This will permit monthly estimates for all states of employment and unemployment from the CPS. Alaska is scheduled to have an increased CPS adequate to produce monthly statewide estimates in January 1980.

Federal dollar allocations based on local unemployment rates have increased several fold in recent years. Alaska received \$63,466,139 in federal grants and programs based on the unemployment rates last year alone.

The expanded CPS sample scheduled for 1980 will not be adequate to estimate areas within Alaska. Rather the statewide CPS estimates of employment and unemployment will be apportioned, to each area, by procedures utilizing data similar to inputs of the handbook method referenced earlier.

Over time improvements to the apportionment procedures have occurred; some initiated by the Bureau of Labor Statistics (BLS), and some initiated by our research staff and approved by BLS. In the past year considerable study has been done to optimize the accuracy of both the local area

employment and unemployment estimates within the constraints of the available data. Additionally we have incorporated improved unemployment insurance claims data.

This year we are shifting our emphasis to improving the employment estimates by substantially increasing our BLS-790 sample. Aggregated results from this survey are critical to the local unemployment estimates and are also used to develop estimates of: local, state, and national industry employment; as well as state and national average weekly hours, average hourly earnings, and average weekly earnings of production or non-supervisory workers, by industry.

#### **Current Changes Effecting Unemployment Rates in Alaska.**

Modifications to the existing procedure and data can be categorized as follows:

- (1) Benchmark<sup>2/</sup> revisions to include more current data.
- (2) Modified procedures for developing the total statewide estimates of employment and unemployment.
- (3) Methods developed to more accurately apportion the state estimates to the census division level.

The unemployment rates included in this issue reflect adjustments of the statewide unemployment and employment estimates to levels derived from Alaska's portion of the monthly CPS sample taken in 1977. This more current CPS data will reduce the estimates of employment and unemployment in Alaska compared to the estimates that we have published in the previous year, which were based upon 1976 CPS levels.

Until this month, each state has trended their unemployment and employment estimates based upon the handbook procedures. An adjustment was made to the levels derived from the monthly handbook estimates by comparing the CPS levels of employment and unemployment to the handbook levels in the previous year. Beginning with the January 1978 data, the largest states will have a monthly CPS estimate for the statewide totals of employment and unemployment while the smaller states, which includes Alaska, will have a more complex adjustment based upon the previous six months of CPS data.

Unemployment rates for Alaska's 29 census division will show more dramatic changes than will the statewide estimates. Legislation mandates that the census divisions' estimates must add to the statewide totals. Therefore, the lower unemployment rate which will be reflected in the statewide estimates will have an effect upon the rates in all areas within Alaska. Modified procedures have now been incorporated in the area estimates to more accurately adjust employment to place of residence. Also, improved data resulting from a computerized search of unemployment insurance information will upgrade the allocation of unemployment within the less populous census divisions of Alaska.

#### **CPS Unemployment Estimates and Federal Allocations in Alaska.**

In 1962, a national commission known as the Gordon Commission developed concepts for unemployment and employment which were incorporated into the CPS estimates beginning with January 1967. These concepts defined unemployed persons as people who didn't work during the survey week, who did make specific efforts to find a job within the past four weeks and who were available for work during the survey week except for temporary illness. Others included as unemployment were those who were available for work but were waiting to be called back from a job from which they had been laid-off, or who were waiting to report to a new job within 30 days. Anyone who worked at all during the survey week as paid employees or who worked 15 hours or more as an unpaid worker in a family business and those who were temporarily absent from a job because of illness, bad weather, vacations, or labor disputes, were considered employed. These definitions pre-dated nearly all federal legislation which allocated funds based upon local unemployment rates. The concept was designed to maximize objectivity so that interviewers would not have to make judgements as to whether people were in the labor force or not. While objectivity is a worthwhile goal to increase the precision of the estimates it is masking perhaps the most serious component of the unemployed which are those workers who have given up all hope of finding a job.

Most communities in Alaska are isolated especially in the winter months. Travel between these communities is often relatively expensive, time-consuming, and even dangerous during severe weather. If the local industry closes for the long Alaskan winter often no other work exists in the community and travel to other communities is impractical. These Alaskans are then considered by

the CPS sampling procedures to be out of the labor force if they don't seek work. Furthermore, our severe weather causes frequent temporary shut-downs in which the jobless workers are considered to be employed by existing CPS concepts. The incidence of discouraged employment in the winter months in Alaska far exceeds the normal condition in other states and that federal funding based upon the unemployment rates will be inequitably low because this major component is not counted in our unemployment estimates.

---

1/ The BLS-790 is sent to a selected sample of employers on a monthly basis. Data from this survey is used to estimate nonagricultural wage and salary employment by industry on a current basis.

2/ Most economic time series utilize a sample trend made of the best available data at the time. Periodically the series is adjusted due to more complete information being available. This periodic adjustment is a Benchmark Revision and the point-in-time for which the more complete data was available is the Benchmark Date. Data is commonly referenced by its benchmark date, e.g., "data based on a March 1976 benchmark".

