

Modernizing the Current Population Survey

Discussion

FESAC MEETING
DECEMBER 8, 2023

JASON FABERMAN
FEDERAL RESERVE BANK OF CHICAGO

The views expressed here do not necessarily reflect the views of the Federal Reserve Bank of Chicago or the Federal Reserve System.

This discussion benefitted greatly from comments and suggestions from Katherine Abraham (University of Maryland), Steven Davis (Stanford University), and Giuseppe Moscarini (Yale University).

Overview

- Large declines in CPS response rates, large increases in survey costs
 - Issue clearly needs addressing
 - Issue spilling over to reliability of subsidiary CPS statistical products (e.g., LAUS)
- Census-BLS Plan: Five-year modernization plan
 - Move survey to web-based design; focus direct interviews on traditionally hard-to-reach respondents
 - Minor survey redesign to accommodate web-based collection
 - Extensive testing on collection, questionnaire, usability, and production of statistics
 - Testing on effects on ASEC, other CPS supplements
- Open questions on process moving forward
 - Thoughts on move to web collection?
 - Potential for use of administrative records?
 - Other concerns on response rate declines?

Immediate Responses

- Overall, approach for moving to web-based survey, improvement in response rates seems sound, with some small(ish) questions
 - How will web-based design relate emails to **physical addresses**? (i.e., dealing with geographic moves out of CPS scope, capturing new residents at existing address)
 - Scope for improving **item nonresponse** with web-based design? (e.g., through enforcement of skip logic in web survey)
 - Any foreseeable issues with **time consistency of estimates** post-redesign?
- Using administrative data and other outside data
 - Seems more relevant for LAUS than CPS survey itself or supplements
 - **Main issue:** CPS is not revised (but LAUS is) – implies greater scope for using outside data (e.g., QCEW, UI records) to improve estimates
 - Using multiple months for more reliable measure, more frequent revisions less of a concern (policymakers are used to this in other major indicators)
 - Bigger concern is maintaining reliability at finer **geographic detail** (important for wide range of data users)

Broader Response

- **Why are we only focusing on the response rate issue?**
 - Last major CPS redesign was 1994 (30 years ago)
 - Nature of the U.S. labor market has changed considerably since then, some CPS questions struggle to capture these changes (will focus on these for remainder)
 - Proposed plan spans five years and foresees edits to survey questionnaire, extensive testing of survey instruments
- **I would suggest a much broader and extensive CPS redesign**
 - The changes in the nature of work in the U.S. since the 1990s suggest a redesign will be needed eventually to maintain **relevance** (independent of response rate issues)
 - Given the time frame for the current modernization proposal, any future redesign would likely not be implemented before the **mid-2030s**.
 - There are significant **cost savings** and **time savings** from addressing the response rate issue and the broader demands of survey redesign together

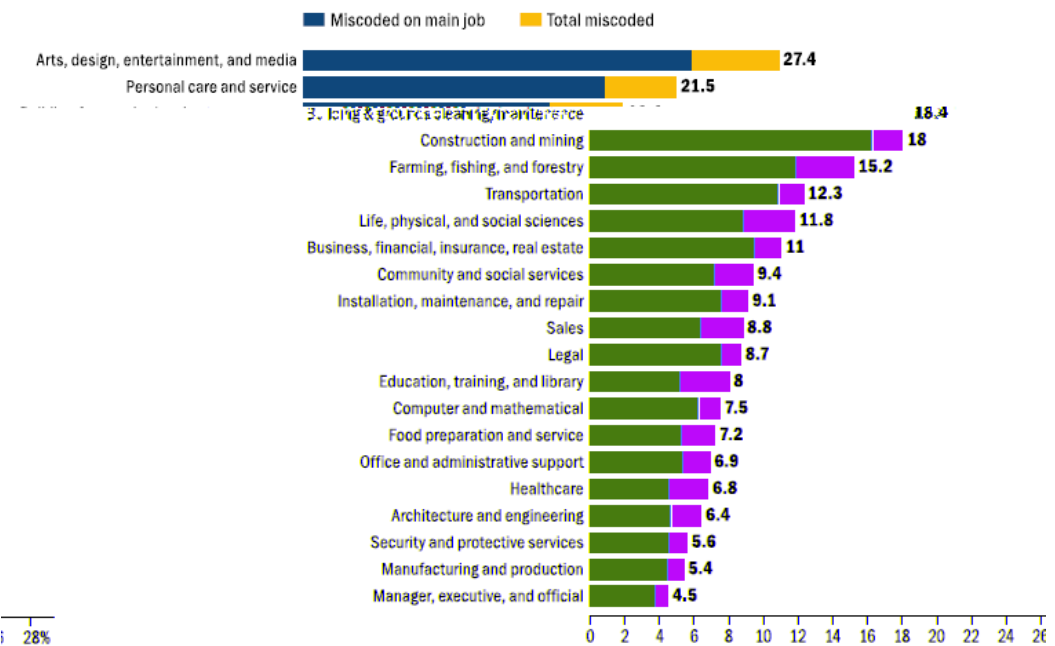
Issues for a Broader Redesign to Address

- The rise of the “**gig**” **economy** and measurement of type of worker
 - Survey seems increasingly challenged in measuring self-employment, independent contractors, other contingent workers
- **Respondent Identification Policy (RIP)** affecting measures of transitions, potentially other estimates that use dependent interviewing
 - Documented large effect on employer-to-employer transition estimates
- Potential increasing role of **remote work** going forward
 - Should ensure that respondents understand survey instruments eliciting “work from home,” “telework,” etc.
- Interaction between **Outgoing Rotation Group (ORG)** questions and declining response rates
 - Attrition has amplified response for earnings data in particular
- Check that **terminology** for various labor concepts still germane
 - E.g., why were many workers on temp layoff misclassified during the pandemic?

Addressing the “Gig” Economy

- CPS facing increasing difficulty identifying self-employed, particularly **independent contractors**
 - See Abraham et al. (2023)
- Issue spans respondent identification on main job & missing secondary jobs
- Recent research on contingent work, 2017 CPS Contingent Worker Supplement can help guide addressing issues
 - Distinguishing independent contractor vs. other self-employed in monthly survey would help
 - Could also bring questions from CWS to basic monthly CPS
 - More recommendations in *National Academy of Sciences* report (2020)

Figure 1: Among Those “Employed by an Employer,” Share Who Indicate They Are an Independent Contractor, by Occupation



Source: Abraham, Hershbein, Houseman, and Truesdale (2023)

Respondent Identification Policy (RIP) Issues

- RIP issue upending estimates based on dependent interviewing
 - Dependent interviewing key innovation of 1994 CPS redesign
 - Issue has had major impact on estimates of **job switching** (Fujita et al., forthcoming)
 - Potentially affects other measures that use dependent interviewing (increases **item nonresponse**)
- Some suggestions to address issue:
 - Evaluate alternative ways to implement RIP to reduce item nonresponse
 - Add forward looking “opt-in” question for initial respondents, asking if it is okay for future HH respondents to answer dependent-interview questions

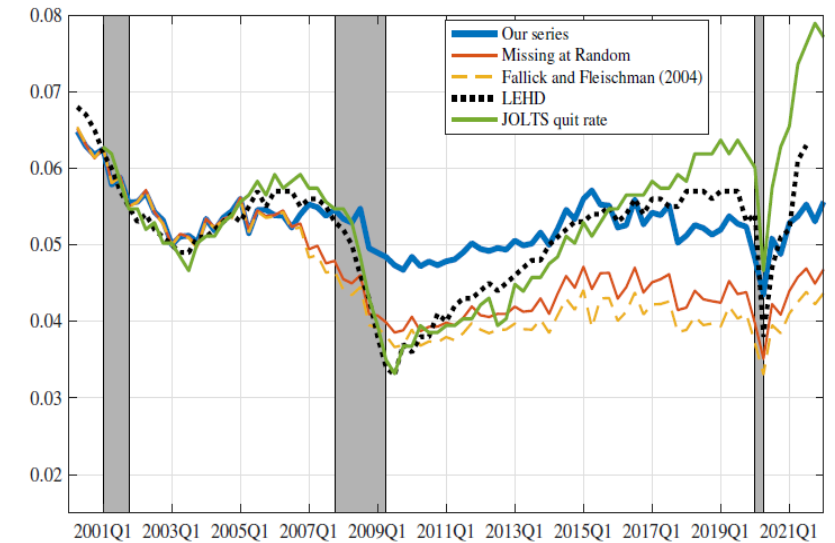
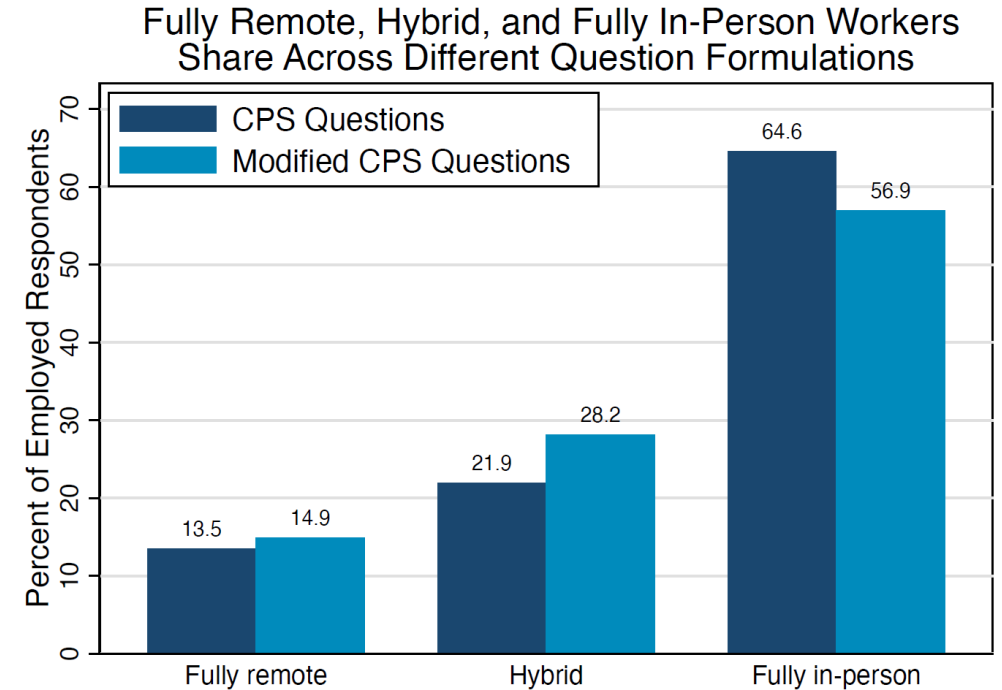


Figure 17. : Quarterly EE probability: CPS, LEHD and JOLTS

Source: Fujita, Moscarini, and Postel-Vinay (forthcoming)

The Rise of Remote Work

- Strong arguments for incorporating special, pandemic-related questions on remote work into CPS (monthly, ORG, or supplements)
 - Evidence thus far shows only small reductions in WFH post-pandemic (Barrero et al., 2021)
- Incorporation likely needs revision of survey instrument to broaden scope beyond pandemic-specific reasons for WFH
 - See WFH Research Report (Nov. 2023)
- Internal research also needed on respondents' understanding of terminology (i.e., "WFH," "remote work," "telework")



Source: WFH Research Report, November 2023

Other Issues for a Redesign

- **Outgoing Rotation Group (ORG)** questions and declining response rates
 - Earnings questions asked only in 4th, 8th months in CPS sample; attrition rates already high by that point
 - Alternative is to add earnings questions to 1st (and maybe 5th) months in CPS sample
 - Earlier timing of questions also lends itself to dependent interviewing approach, minimizing respondent burden
- Not clear **terminology** for various labor concepts are still germane
 - Large misclassification of temporary layoffs as “employed on leave” during pandemic lockdowns: issue with terminology (“layoffs” vs. “furloughs”), skip logic, or something else?
 - To some extent, self-employment/independent contractor issue is one of respondents potentially misunderstanding survey terminology
 - Testing of current, updated terminology on test/focus groups would help ensure that terms used in CPS are still relevant, recognizable by today’s workforce

Conclusions

- Current plan for CPS modernization addresses key issue of declining response rates, but should be much bolder and broader in its redesign
 - Response rates a key, but not only issue facing CPS
 - Last redesign was 30 years ago
 - Response rate issue and broader issues to address in a redesign would have significant cost savings and time savings if addressed simultaneously
- Recent research identifies several key issues for a CPS redesign to address
 - Issues span addressing changes in the nature of work in U.S. labor market and measurement challenges that have arisen because of them
 - Growing body of research with excellent suggestions on how to deal with challenges
 - Existing survey instruments in CPS special surveys, supplements, etc., likely also a good resource for survey redesign

References

- Abraham, Katherine G., Brad Hershbein, Susan N. Houseman, and Beth Truesdale, 2023. “The Independent Contractor Workforce: New Evidence on Its Size and Composition and Ways to Improve Its Measurement in Household Surveys.” NBER Working Paper No. 30997.
- Barrero, Jose Maria, Nicolas Bloom, Steven J. Davis, 2021. “Why Working From Home Will Stick.” NBER Working Paper No. 28731.
- Fujita, Shigeru, Giuseppe Moscarini, and Fabian Postel-Vinay, forthcoming. “Measuring Employer-to-Employer Reallocation.” *American Economics Journal: Macroeconomics*. <https://www.aeaweb.org/articles?id=10.1257/mac.20210076&&from=f>
- National Academies of Sciences, Engineering, and Medicine, 2020. *Measuring Alternative Work Arrangements for Research and Policy*. Washington, DC: The National Academies Press. <https://doi.org/10.17226/25822>.
- WFH Research, 2023. November 2023 Monthly Briefing. <https://mailchi.mp/2efac33188b6/wfh-research-updates-november-2023>