

COUNTING INVISIBLE PEOPLE:

A Proposal to Study Discouraged Workers and U.I. Exhaustees

Submitted to:
Division of Labor Market Information
Ohio Bureau of Employment Services
145 S. Front Street
Columbus, Ohio 43216

Submitted by:
Center for Urban Studies
Youngstown State University
Youngstown, Ohio 44555

Contact person:
Terry F. Russ, Director
Center for Urban Studies
(216) 742-3355

January 1985

Introduction

Labor market research, by chance or design, has ignored two groups of workers in studying unemployment: (1) the discouraged workers--those who have given up looking for work but who want a job, and (2) the Unemployment Insurance (UI) benefit exhaustee. Both groups are important in delivering training or retraining programs, offering employment services, and extending other health and human services (e.g., health care, public assistance, etc.), and are the most difficult to reach and perhaps are most in need. In spite of their importance as target groups for public policy interventions, little is known about them and their relationship to unemployment roles, especially at the local level.

In the sections below, problems in understanding discouraged workers and U.I. exhaustees are reviewed. This is followed by an overview of a proposed research design to be used to answer questions about the two target groups. Finally, a budget and the time horizons for the project are offered.

The Discouraged Worker

Discouraged workers¹ are persons who would like to work, but have given up looking for a job, either because they believe jobs are unavailable¹ or because they believe they are unqualified for prospective work.²

[1] This includes those who have looked for but not found jobs, as well as those who have not looked.

[2] This includes those who lack training or skills, believe they are too old or too young, or have a personal handicap.

Discouraged workers are problematic from a public policy perspective because very little is known about them, how to count them, and their relationship to unemployment generally. In a recent report by the National Commission on Employment and Unemployment Statistics,^[3] policy analysts pointed out that five basic questions about discouraged workers remain unanswered:

1. How many discouraged workers are there?
2. To what extent are discouraged workers similar to the unemployed in socio-economic background, previous employment experience, desire for regular employment, skill and education level, and personal hardship associated with not working?
3. What are the health and human service needs of these workers? And how well are existing community programs serving these needs?
4. What sort of public policies would be required to increase employment or employment opportunities among discouraged workers?
5. What are the policy implications of including discouraged workers in official unemployment rate calculations?

[3] T. Aldrich Finegan, The Measurement, Behavior, and Classification of Discouraged Workers, Washington, D.C., June 1978.

Understanding and counting discouraged workers is an important public policy issue. First, at least one-fourth to one-half of those who are jobless in a community may be discouraged workers who are not included in federal unemployment rates. Second, because this group has essentially dropped out of work life in society, they are very likely to be underserved by many social programs. Third, they are probably poor, and without resources; this being the case, they are very likely to be helpless in the face of joblessness. The situation is exacerbated by the fact that some of these workers might have once been productive members of society, while others are still awaiting their first employment opportunity.

In spite of the importance of discouraged workers to local and state labor markets, the U.S. Bureau of Labor Statistics, which gathers labor force information has all but ignored them. For example, (1) what information is known about discouraged workers is only partially reported by the federal government at the national level, but virtually unavailable for the state and local levels; (2) what is not reported by the federal government remains largely unanalyzed and inaccessible to state and local policy-makers; and (3) there are no federal initiatives underway to gather information on discouraged workers in order to facilitate effective policy-making.

With the lack of information about discouraged workers, policy-makers at all levels of government are unable to understand the "true" level of joblessness or economic hardship in communities. Without this understanding, it has been difficult to develop programs and marshal funding sufficient to meet the needs of discouraged workers.

The U.I. Exhaustee

The portion of the unemployment rate calculation, based on actual tabulations of persons receiving Unemployment Insurance (UI), is very accurate. Administrative records exist which can be verified and counted for each unemployed person. The rate for other unemployed persons, who have exhausted UI benefits and remain unemployed for extended periods, are much less accurate. Those exhausting benefits must be indirectly estimated from administrative data, but cannot be directly counted.

Estimates of those exhausting U.I. are used by the U.S. Bureau of Labor Statistics (BLS) Handbook Method in calculating local unemployment rates. In incorporating these estimation techniques, BLS appears to make the following kinds of assumptions:

1. that all local areas have the same ratios between active and inactive claimants,
2. that the ratios vary or change in predictable, inevitable ways, and
3. that the number of exhaustees under- or over-estimated does not substantially affect overall employment rates for local areas.

The national Current Population Survey (CPS), conducted by the U.S. Bureau of the Census in order to calculate a national and state unemployment rate, further clouds issues concerning indirect estimates of the unemployed not under UI. The CPS, although a personal survey of all groups in the labor force, does not ask respondents about the reception and exhaustion of UI benefits. When the individual community Handbook calculations are adjusted at the state level, using the state CPS, it appears likely that indirect estimations of the unemployed U.I. exhaustees may become further distorted.

At present, then, unemployment rate calculations are only as good as their weakest link: in this case, indirect estimates of the unemployed. Unfortunately, there may be reason to believe that these rates are inaccurate because of the problems in incorporating indirect data sources.

Estimating the number of workers who have exhausted benefits is only one concern. The other involves the fact that so little is known about jobless workers who may have exhausted UI benefits. Specifically, the following questions have yet to be answered:

1. Does the availability of UI cause workers to postpone searching for jobs in order to collect benefits without working?
2. Once benefits are exhausted, under what conditions are workers likely to continue to use the Ohio Bureau of Employment Services (OBES)? How do workers feel about the effectiveness of OBES? What programs or services might encourage workers to use OBES?
3. Given worker demographics and occupations, what sorts of people are likely to exhaust UI benefits without obtaining further employment?
4. How long do people stay unemployed following the exhaustion of their UI benefits?

Research Design

Research described in this section is divided into two parts. The first concerns a proposal to conduct a local CPS survey. The second involves an analysis of the data required for BLS on its national CPS.

Local CPS

Because past labor market research has relied heavily on the U.S. Bureau of Labor Statistics' (BLS), Current Population Survey (CPS), we are proposing to replicate that methodology as much as possible. This will allow for a direct comparison of local results to those available for the state and Nation.

The Center for Urban Studies proposes to conduct a local version of the national CPS in the Youngstown/Warren/Fast Liverpool area (comprising Mahoning, Trumbull, and Columbiana Counties in Ohio).

The CPS questionnaire will be used as a basis for contacting 3,550 households by telephone. Because any adult may respond for all other members of the household, some 7,800 completed questionnaires should be produced. Of these completed interviews, approximately 950 should be classifiable as either discouraged or U.I. exhaustees. Once the target groups—discouraged and U.I. exhaustees—have been identified, interviewers will make appointments with individuals to engage them in a personal interview. The personal interview format will allow researchers to obtain elaborate work history and attitudinal data.

Approximately 50 interviewers will be required to complete the project. In cooperation with the regional office of OBES, unemployed workers, with the skills necessary to participate in the project, will be hired. This will allow researchers not only to gather required information, but in the process channel funding to those in need in the region.

It should be observed that in the process of identifying the target groups under study, a by-product of the research will be a complete local CPS. This will allow researchers to compare local unemployment rates with those prepared by the state, using the BLS Handbook Method. Because unemployment rates were higher for the area in our previous study (See Division of Labor Market Information, OBES, "Estimating True Unemployment Rates for the Youngstown/Warren Area," August 1984), this will assist in the further evaluation of potential biases in BLS unemployment counting for Ohio cities.

National CPS

The Center for Urban Studies has acquired the national CPS data set for January 1984. The data set contains approximately 162,000 cases. At present, data from these studies concerning discouraged workers is not reported at the state-level. Additionally, national level reports on discouraged workers are simplistic and seldom published.

The Center for Urban Studies proposes to analyze the national CPS in order to understand the "discouraged worker" problem. Findings will concern a comparison of the Nation, the Midwest, and Ohio. Data from the local CPS described above will be included, as well. To our knowledge, research of this kind has never been published. It should make an important contribution to public policy formation underway at the state and local levels.

Project Administration

The project will be undertaken by the Center for Urban Studies at Youngstown State University. The Center, established in 1969, employs

fifteen full- and part-time professionals. The Center is funded partially through University monies and by means of grants and contracts from agencies at the local, state, and federal levels, including: Ohio Bureau of Employment Services, National Science Foundation, National Institute of Mental Health, Urban Institute, Ohio Board of Regents, Ohio Department of Education, Ohio Corrections Department, Ohio Department of Mental Health, and over 75 other agencies.

The Center is a public service research institution with a national reputation for the study of distressed communities. The Center has conducted over a hundred survey research projects in the last five years. Many of these projects have culminated in books, monographs, and articles which have received much acclaim. The Center's best-known products are two books[*] and a host of articles concerning the steel mill closings in Youngstown in 1977. This study, similar in method and scope to that in this proposal, has been used as a basis for public policy-making and debate on a national level.

The staff at the Center is well-qualified to undertake the study. Copies of resumes from key staff members are attached.

[*] Terry F. Buss and F. Stevens Redburn. Shutdown at Youngstown: Public Policies for Distressed Communities (SUNY, 1983).

Terry F. Buss and F. Stevens Redburn. Mass Unemployment: Plant Closings and Community Mental Health (Sage, 1983).

Budget Explanation

Personnel

a. researchers (a)	\$ 8,300
b. interviewers (b)	\$35,000
(1) telephone	(10,000)
(2) personal	(25,000)
c. clerical (c)	\$ 2,000

Operating

a. supplies	\$ 500
b. travel (d)	\$ 1,000
c. telephone (e)	\$ 400
d. postage (f)	\$ 800
e. publication (g)	\$ 200
f. miscellaneous	\$ 300

Subtotal (Direct Costs)	\$48,500
Indirect costs (15% of Direct)	\$ 7,275
Total	<u>\$55,775</u>

Budget Explanation

- (a) Refers to compensation for professional staff.
- (b) Interviewing costs include telephone and personal interviewers.
- (c) Refers to student assistance.
- (d) Some personal interviewers will be compensated because of long travel distances between interviews. This is especially the case in rural areas.
- (e) Refers to charges for local calls made by telephone interviewers.
- (f) Letters will be sent to potential respondents informing them about the project.
- (g) Refers to photocopying final report.

Time Horizons

Local CPS

Months

1 2 3 4 5 6 7 8

1. design	XXXXXXXXXX							
2. interview selection and training			XXXXX					
3. conduct interviews				XXXXXXXXXXXX				
4. data processing				XXXXXXXXXX				
5. report preparation						XXXXXXXXXXXXXXXX		

National CPS

1. data analysis	XXXXXXXXXX							
2. preliminary report			XXXXXXXXXXXX					
3. final report (combine with local CPS above)						XXXXXXXXXXXXXXXX		