Report to the Sunset Advisory Commission Study on the Collection of Occupational Data

Texas Workforce Commission Mission:
To promote and support a workforce system that creates value and offers employers, individuals, and communities the opportunity to achieve and sustain economic prosperity.

TEXAS
WORKFORCE SOLUTIONS

Introduction

In January 2015, the Sunset Advisory Commission requested that the Texas Workforce Commission (TWC) conduct a study on the collection of occupational data as part of the unemployment insurance tax system.

Specifically, TWC was requested to study four areas:

1. Financial and other impacts on employers reporting the additional information, based on their size;
2. Overall costs to TWC to collect and analyze the additional occupational information;
3. Limitations in collecting and analyzing the additional information; and
4. Benefits to having the additional data and potential uses, including matching the occupations to educational outcomes.[1]

TWC, in collaboration with the national Workforce Information Council, conducted a survey of employers in 2015. Employers were asked to estimate cost and availability of data, and results were broken down by firm size. The survey showed significant concern among employers about mandating submission of additional occupational data via unemployment insurance tax returns. Those concerns covered numerous topics. However, implementation costs and compliance-burden issues were most often mentioned. TWC estimates that the initial cost to employers could range from $478 million to $1.2 billion, with annual recurring costs of $342 million to $715 million.

Costs to TWC are estimated at $3.1 million in the first year, and a total five-year cost of $7.9 million to collect this data.

Many of the limitations with this data are common to employment data in general. There were concerns about data quality related to occupation coding.

[1] Sunset Advisory Commission, *Report to the 84th Legislature* (Feb. 2015), p. 82.

Benefits include improved reporting on education and training outcomes and perhaps reduced costs of collection of labor market data in Texas.

Several states, including Louisiana, Oregon, Washington and Alaska, currently collect occupation and other data variables on unemployment insurance tax records.

Costs to Employers

Given the wide variety of employer types in Texas and that this information is not currently required in any large state, it is difficult to ascertain with precision the likely cost to employers. To provide a better indication, TWC and the non-profit Workforce Information Council (WIC) collaborated in 2015 to conduct a survey examining Texas employer's capabilities and concerns regarding the possibility of Unemployment Insurance Wage Record enhancement, including a requirement to list a job title or occupation for each employee.[2]

Methodology. The survey was conducted from July 1 to August 8, 2015. Email invitations were dispersed to 31,058 Texas employers, using approximately half the email addresses on file for Unemployment Insurance (UI) wage reporting in 2015. The overall sample consisted of several randomly selected sub-samples of companies, each sub-sample representing a workforce size range (0-to-9 employees, 10-to-24 employees, etc.). This methodology was chosen to ensure a sufficiently diverse representation of companies of each size range within the overall sample. This sample size is the largest ever conducted on this topic in the United States, by a fairly large margin. During the response period, two email reminders were sent. Ultimately 5,623 employers completed the survey, for a response rate of 18.8 percent. The response rate was similar for businesses of all sizes.

Cost. Texas survey respondents were asked to estimate the initial, start-up cost of adding a wide variety of variables to the mandatory unemployment tax returns, including Standard Occupation Classification (SOC) codes and job titles. Employers were asked to name the data variables that would cost the least and the most to add. They were then asked to estimate the cost for the high-and low-cost variables. Some but not all of the employers named SOC Codes or job titles as either the highest or lowest cost variable. For those employers that named either as their high or low cost variable, the results are summarized in the charts on the following pages.

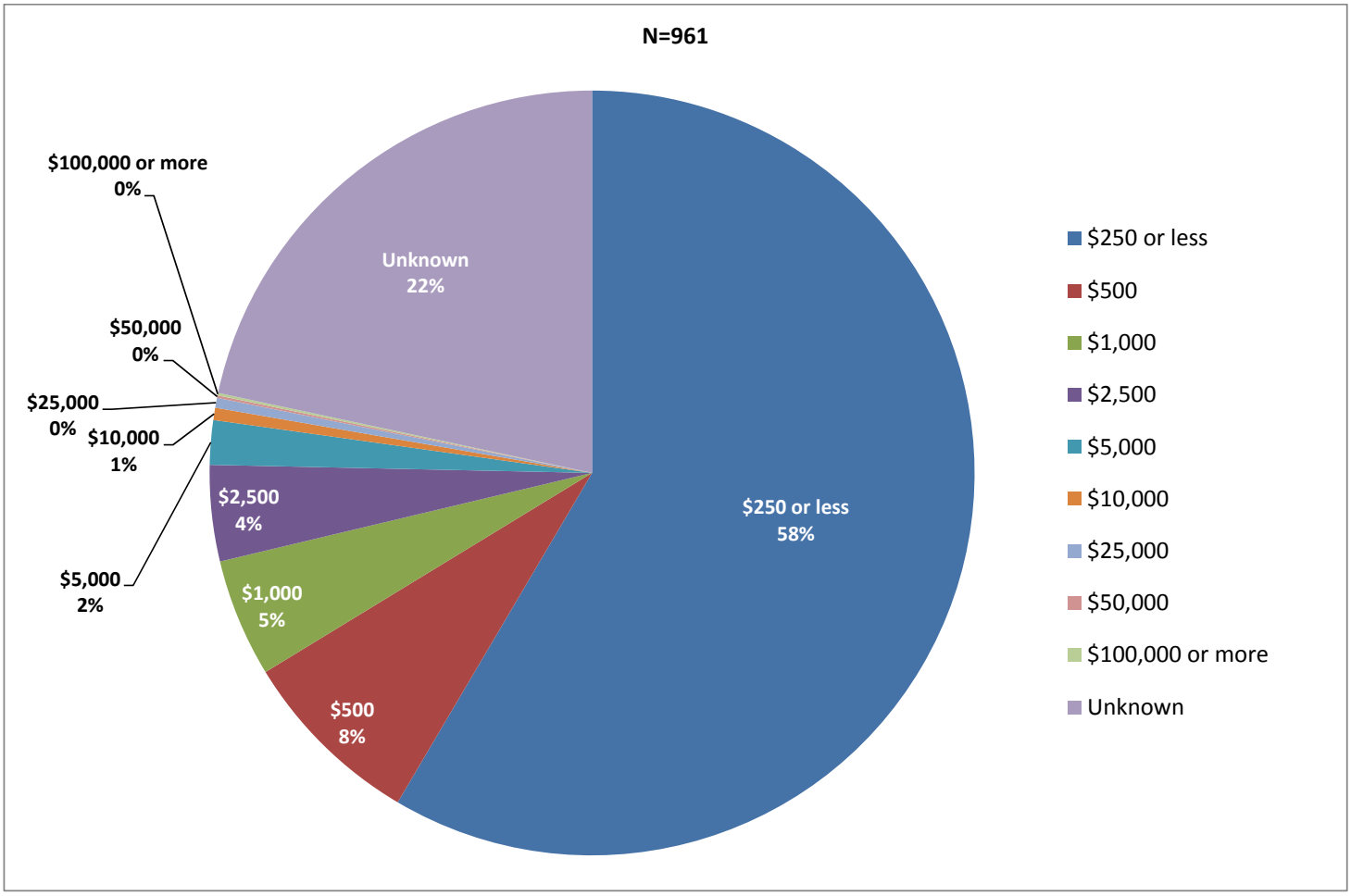
The weighted average response for employers listing occupational data as a "low cost" variable was $950 per employer in initial start-up expenses, with over half reporting that the cost would be $250 or less. The weighted average response for employers listing occupational data as a "high cost" variable was $2,390[3] with nearly half estimating costs at $500 or less. Not surprisingly, costs increased as the number of employees went up: 79 percent of employers with 9 or fewer employees estimated cost at $250 or less. Only 18 percent of employers with 1,000 or more employees fell into that same category.

[2] For more information on other states' efforts in this regard see: Workforce Information Council, *Enhancing Unemployment Insurance Wage Records Potential Benefits, Barriers, and Opportunities: A Summary of First Year Study Activities and Findings* (Sept. 2014), accessed June 22, 2016.

[3] Since an "Unknown" cost has no monetary value, this answer choice is not used in computing the median.

Graph: Cost Estimates of Including SOC or Job Title

(Employers that Selected either as "Low Cost" Variable)



Graph: Cost Estimates of Including SOC or Job Title by Number of Employees

(Employers that Selected either as "Low Cost" Variable)

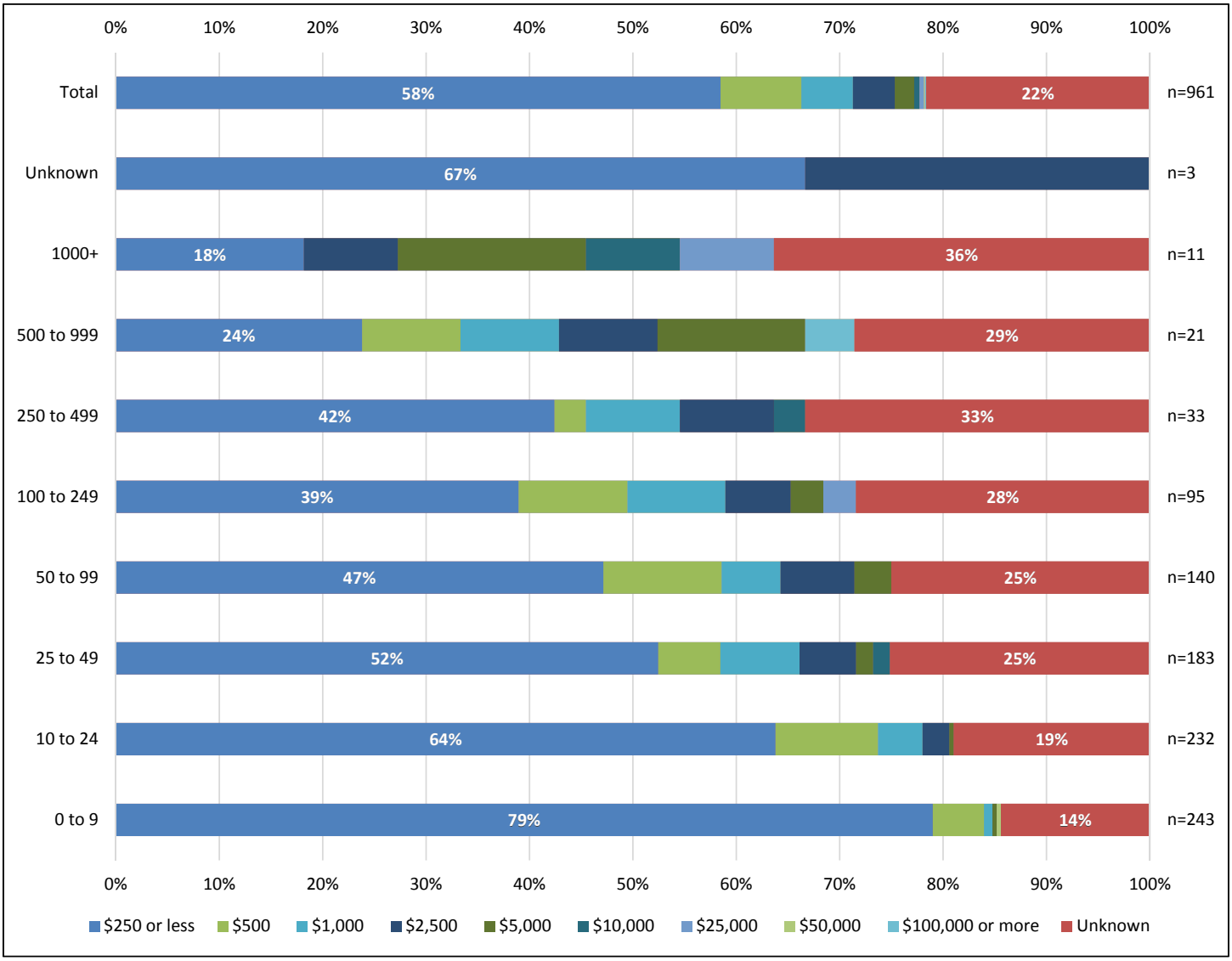


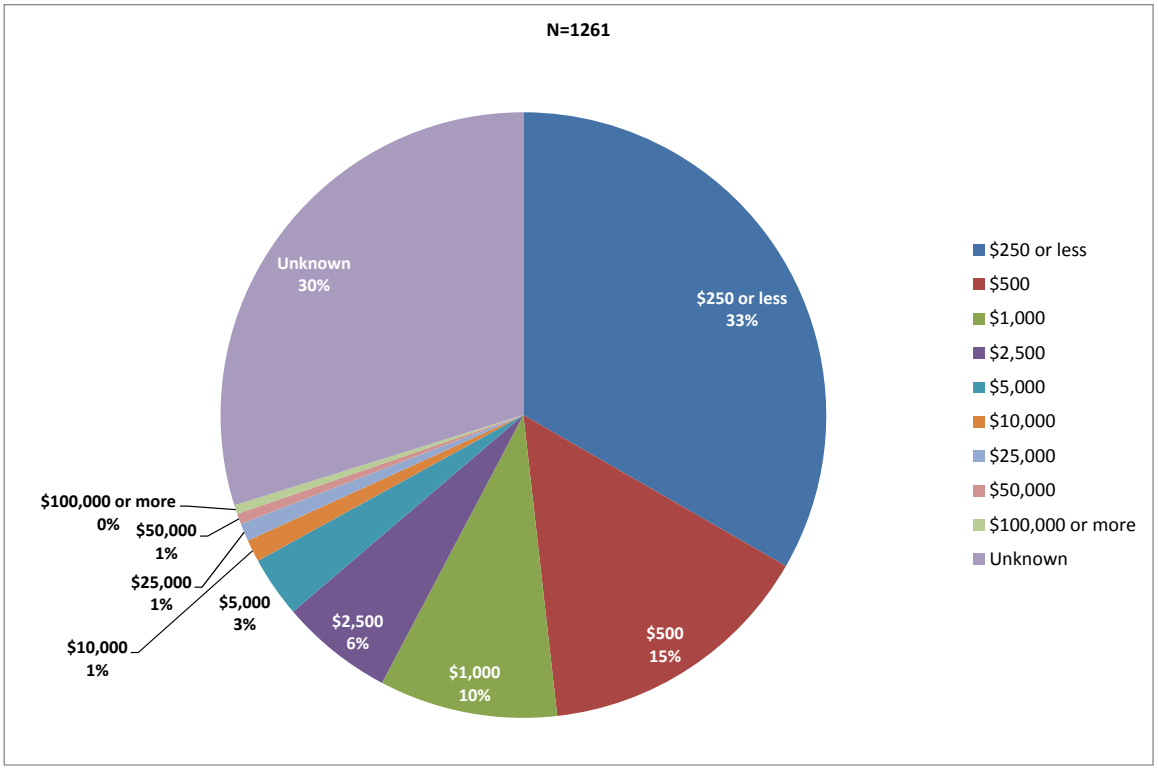
Table: Cost Estimates of Including SOC or Job Title by Number of Employees

(Employers that Selected either as "Low Cost" Variable)

Size	0 to 9	10 to 24	25 to 49	50 to 99	100 to 249	250 to 499	500 to 999	1000+	Unknown	Total
$250 or less	79%	64%	52%	47%	39%	42%	24%	18%	67%	58%
$500	5%	10%	6%	11%	11%	3%	10%	0%	0%	8%
$1,000	1%	4%	8%	6%	9%	9%	10%	0%	0%	5%
$2,500	0%	3%	5%	7%	6%	9%	10%	9%	33%	4%
$5,000	0%	0%	2%	4%	3%	0%	14%	18%	0%	2%
$10,000	0%	0%	2%	0%	0%	3%	0%	9%	0%	1%
$25,000	0%	0%	0%	0%	3%	0%	0%	9%	0%	0%
$50,000	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
$100,000 or more	0%	0%	0%	0%	0%	0%	5%	0%	0%	0%
Unknown	14%	19%	25%	25%	28%	33%	29%	36%	0%	22%

Graph: Cost Estimates of Including SOC or Job Title

(Employers that Selected either as "High Cost" Variable)



Graph: Cost Estimates of Including SOC or Job Title by Number of Employees

(Employers that Selected either as "High Cost" Variable)

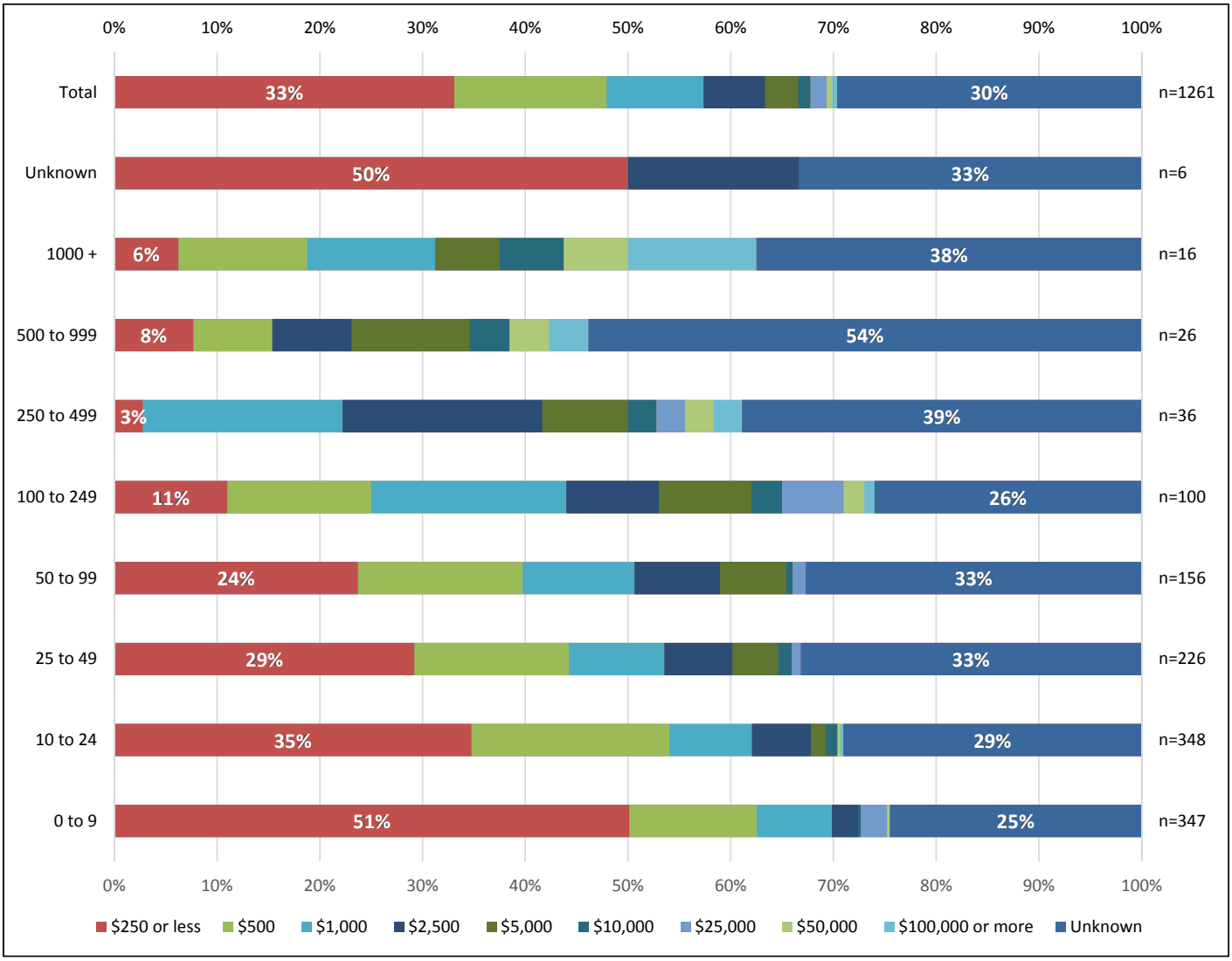


Table: Cost Estimates of Including SOC or Job Title by Number of Employees

(Employers that Selected either as "High Cost" Variable)

Size	0 to 9	10 to 24	25 to 49	50 to 99	100 to 249	250 to 499	500 to 999	1000+	Unknown	Total
$250 or less	51%	35%	29%	24%	11%	3%	8%	6%	50%	33%
$500	13%	19%	15%	16%	14%	0%	8%	13%	0%	15%
$1,000	7%	8%	9%	11%	19%	19%	0%	13%	0%	10%
$2,500	3%	6%	7%	8%	9%	19%	8%	0%	17%	6%
$5,000	0%	1%	4%	6%	9%	8%	12%	6%	0%	3%
$10,000	0%	1%	1%	1%	3%	3%	4%	6%	0%	1%
$25,000	3%	0%	1%	1%	6%	3%	0%	0%	0%	2%
$50,000	0%	0%	0%	0%	2%	3%	4%	6%	0%	1%
$100,000 or more	0%	0%	0%	0%	1%	3%	4%	13%	0%	0%
Unknown	25%	29%	33%	33%	26%	39%	54%	38%	33%	30%

Based on the weighted survey averages and with 503,239[4] employers statewide, the total initial cost for all businesses is likely between $478 million and $1.2 billion.

Employers were also asked to estimate the annual cost of maintenance and reporting. The weighted average for employers that listed occupational data as low cost variables was $680. The weighted average for those listing occupational data as high cost variables was $1,420. Based on those averages and the 503,239 employers, the total annual cost would likely range from $342 million to $715 million. That yields a total estimated cost of between $2 billion to $2.9 billion in program years two through five.

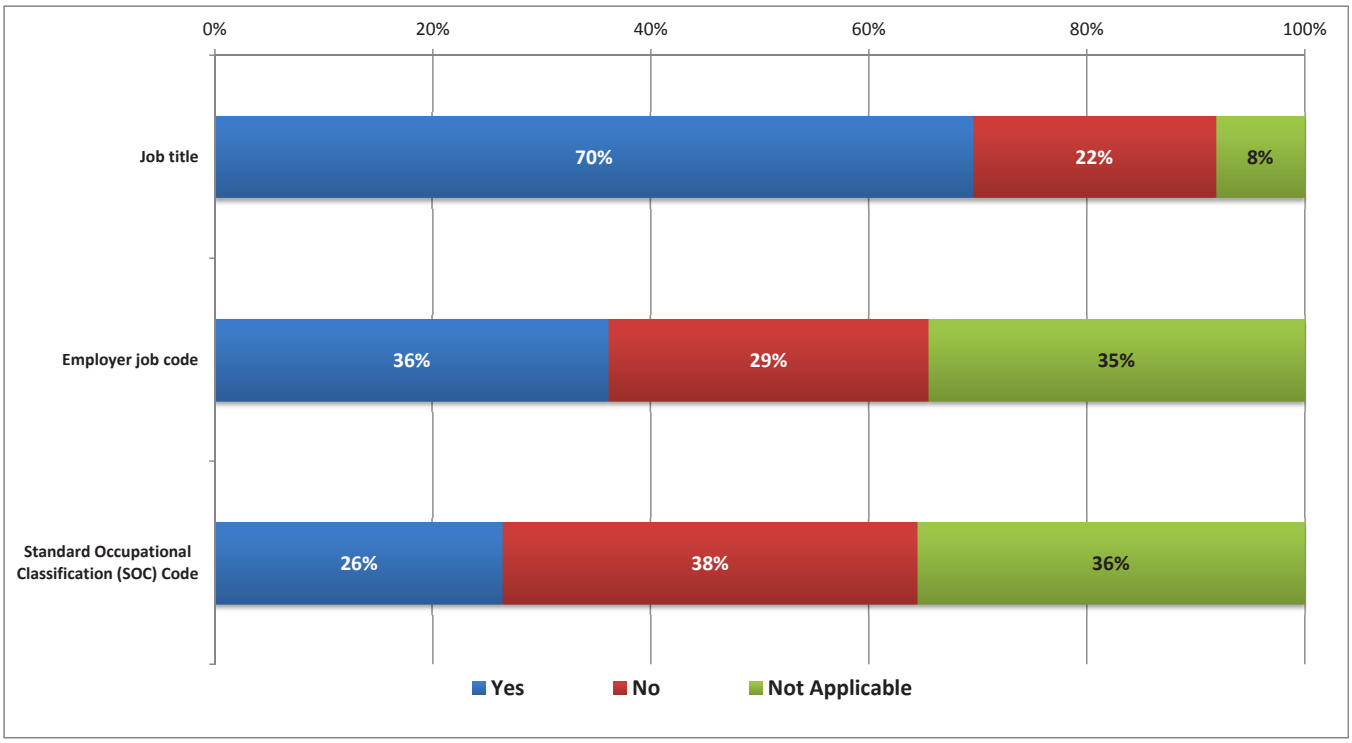
[4] Texas Workforce Commission, Quarterly Employment and Wages (QCEW), 4th Quarter, 2015.

Availability of Data

Seventy percent of the employers responding to the survey said that a job title is available for quarterly reporting; 36 percent use a job code specific to their enterprise and 26 percent use SOC codes. Of the employers who do not have occupation information available currently, 52 percent said they would have some degree of difficulty adding it. See the graphs below for additional information.

Graph: Data on Employee's Occupation Available for Quarterly Reporting?

(Among 5,510 Responding Texas Employers)



Graph: Difficulty of Adding Data on Employee's Occupation?

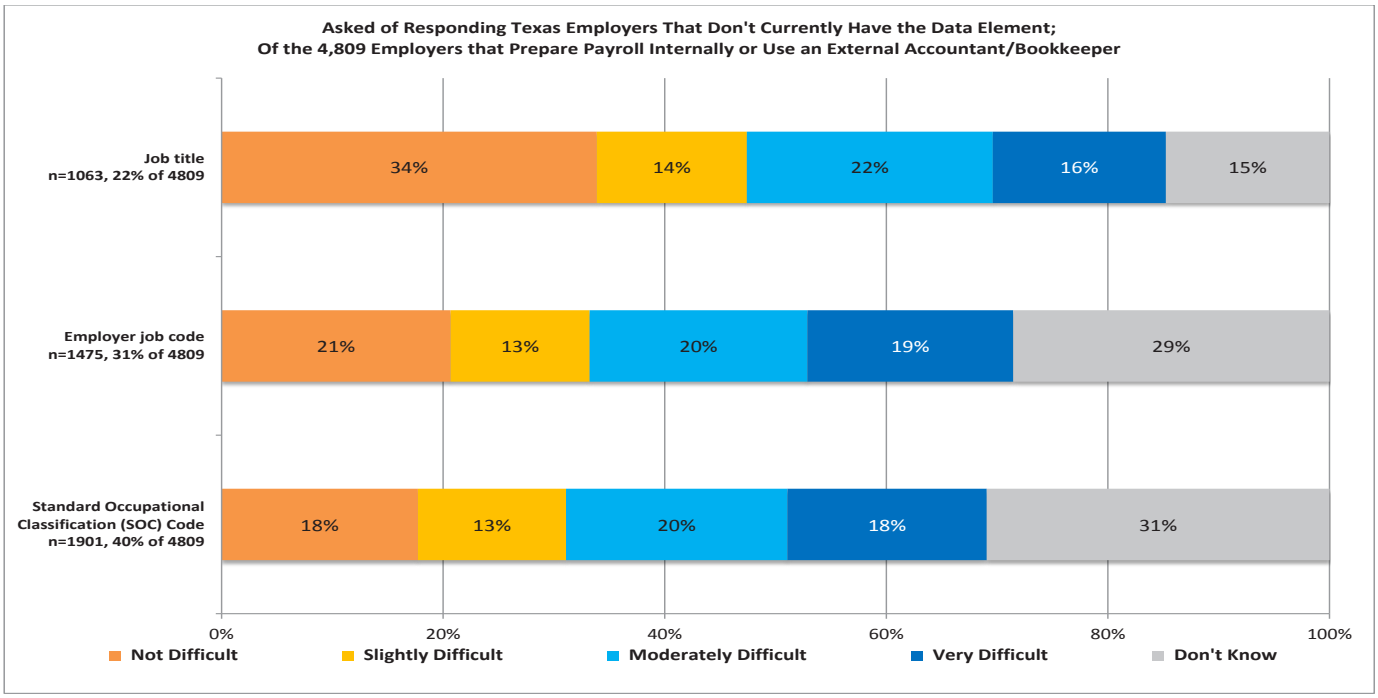


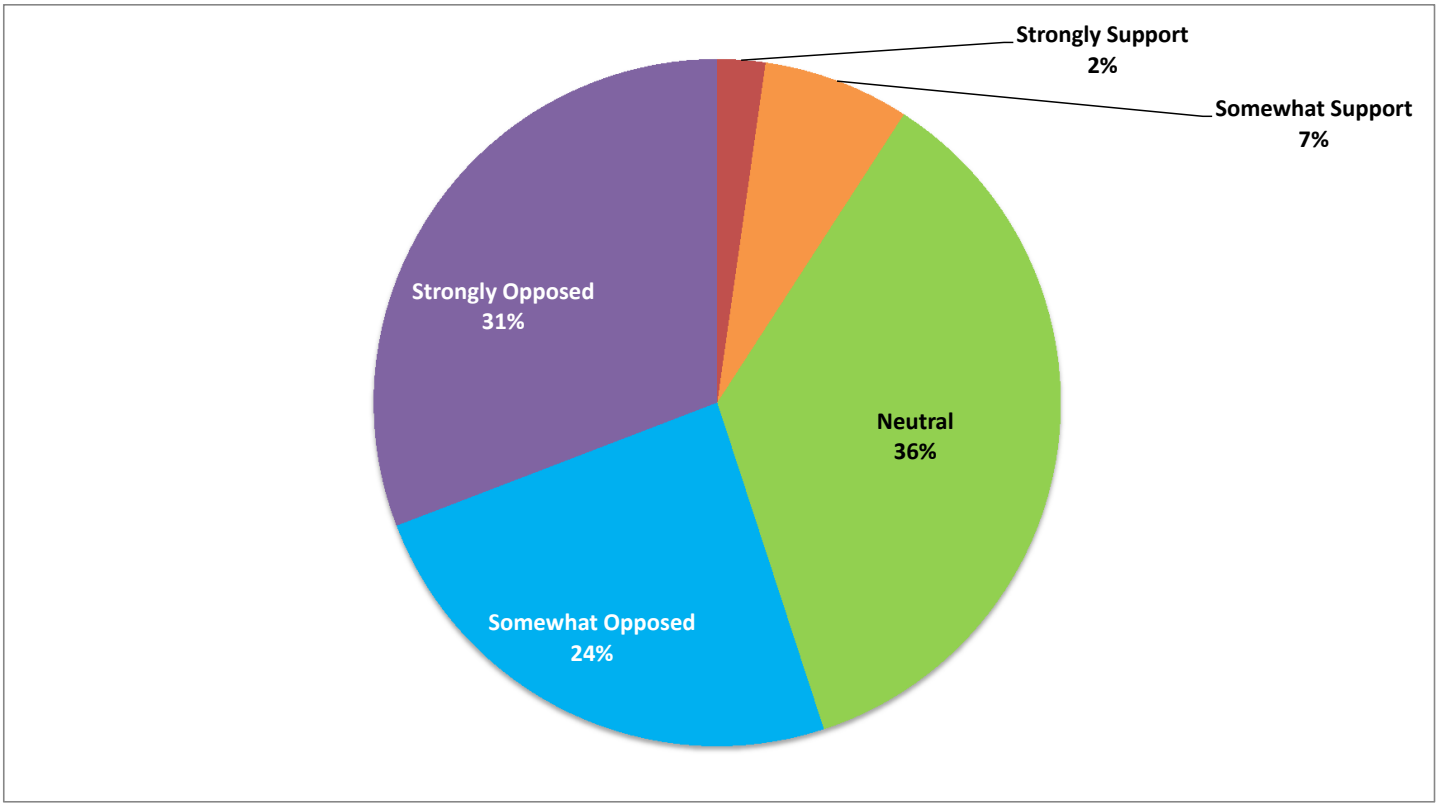
Table: Difficulty of Adding Data on Employee's Occupation?

Difficulty	Not Difficult	Slightly Difficult	Moderately Difficult	Very Difficult	Don't Know
Job Title	34%	14%	22%	16%	15%
Employer job code	21%	13%	20%	19%	29%
SOC (Standard Occupational Classification)	18%	13%	20%	18%	31%

Employer Position on Wage Record Enhancement

The survey also asked employers whether they would support such a requirement. Fifty-five percent of respondents were somewhat to strongly opposed.

Graph: Texas Employer Positions on Wage Record Enhancement



The findings are remarkably robust with regard to the size of the employer, with at least half of every size category either somewhat or strongly opposed.

Graph: Position on Enhancing Wage Records, by Employer Size Class

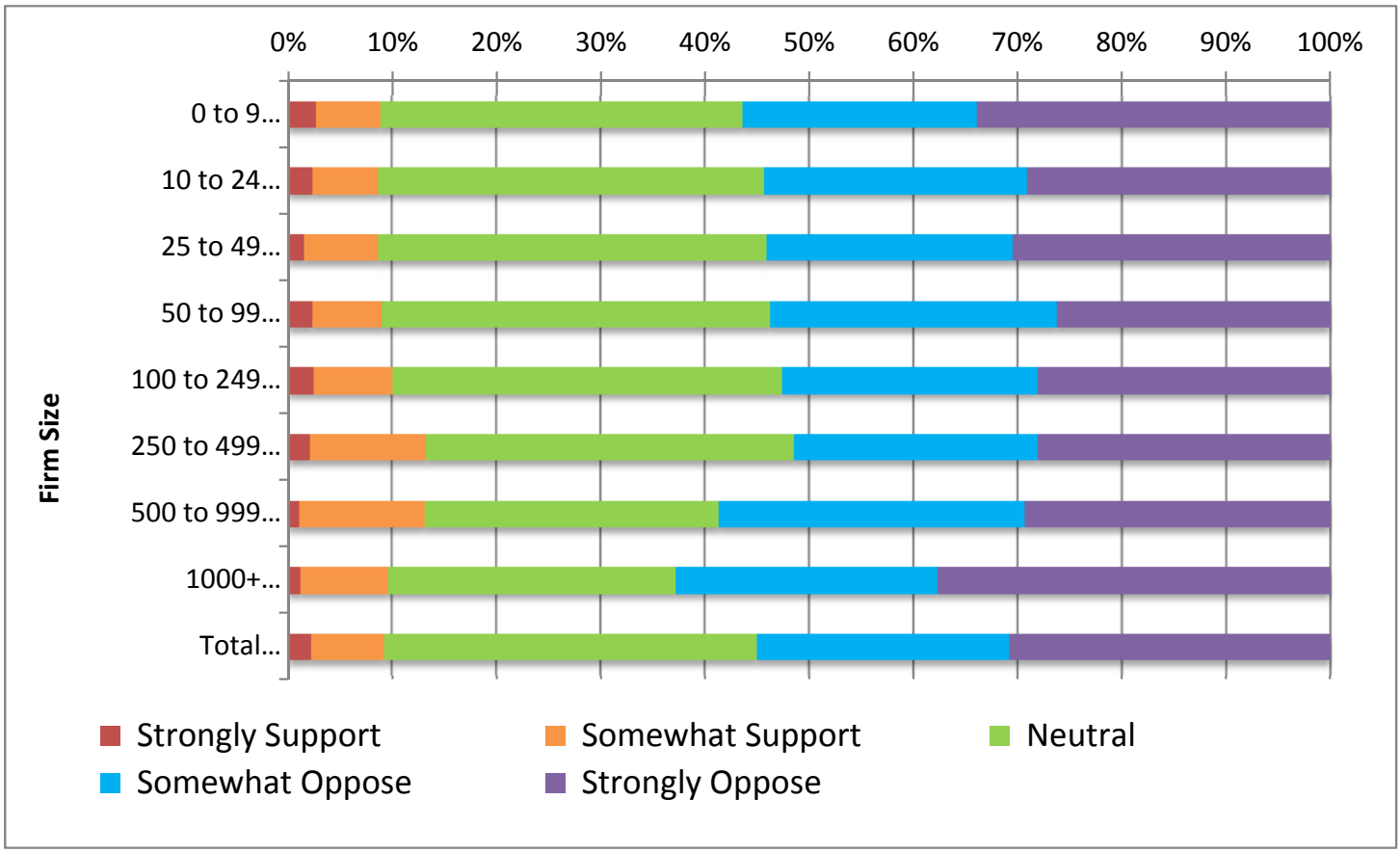


Table: Position on Enhancing Wage Records, by Employer Size Class

Position	0 to 9	10 to 24	25 to 49	50 to 99	100 to 249	250 to 499	500 to 999	1000+
Strongly Support	3%	2%	2%	2%	2%	2%	1%	1%
Somewhat Support	6%	6%	7%	7%	8%	11%	12%	8%
Neutral	35%	37%	37%	37%	37%	35%	28%	28%
Somewhat Oppose	22%	25%	24%	28%	24%	23%	29%	25%
Strongly Oppose	34%	29%	31%	26%	28%	28%	29%	38%

Employers were also asked to provide input on various aspects of UI Wage Record enhancement. As shown in the table below, the requirement to report electronically was the only factor that was rated as "no concern" by a majority of respondents. The largest issues revolved around compliance, such as penalties about inaccurate or untimely reporting, and implementation costs.

Graph: Texas Employer Ratings of Wage Record Enhancement Features

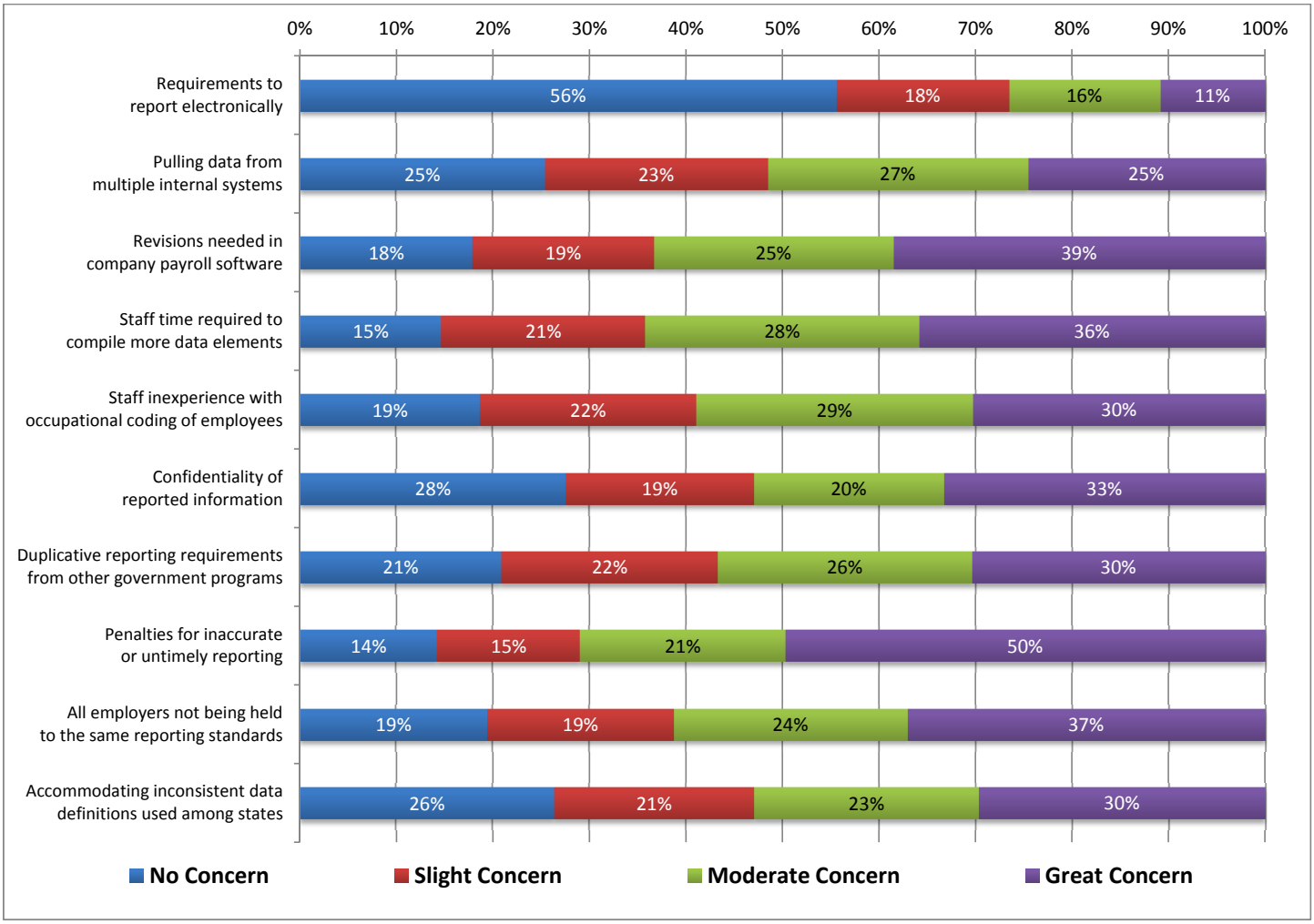


Table: Texas Employer Ratings of Wage Record Enhancement Features

Position	No Concern	Slight Concern	Moderate Concern	Great Concern
Requirements to report electronically	56%	18%	16%	11%
Pulling data from multiple internal systems	25%	23%	27%	25%
Revisions needed in payroll software	18%	19%	25%	39%
Staff time required to compile more data elements	15%	21%	28%	36%
Staff inexperience with occupational coding of employees	19%	22%	29%	30%
Confidentiality of reported information	28%	19%	20%	33%
Duplicative reporting requirements from other government programs	21%	22%	26%	30%
Penalties for inaccurate or untimely reporting	14%	15%	21%	50%
All employers not being held to the same reporting standards	19%	19%	24%	37%
Accommodating inconsistent data definitions used among states	26%	21%	23%	30%

Costs to TWC

Requiring submission of occupational data as part of the UI tax system would result in added costs to TWC in the areas of information technology (IT), tax administration, outreach, and data validation. A precise cost estimate is difficult to determine until the program scope and activities are more firmly established. However, at this time, first year start-up costs are projected at $3.1 million, with ongoing annual costs of approximately $1.2 million, resulting in a total project cost over five years of approximately $7.9 million.

TWC estimates a first-year cost for IT and administration at $1.4 million, $0.6 million of which is in IT. In years two through five, TWC estimated a cost of $150,000 per year for administration and maintenance. Outreach and employer relations are expected to total $150,000 in year one and then $50,000 annually after that. Data coding and validation are projected at $1.5 million in the first year, of which $500,000 would be for technology. In years two through five, costs were estimated at approximately $1 million annually.

The project would require an additional of 14.2 Full-Time Equivalent employees (FTEs) in the first year, four of which would be in technology. TWC estimates a permanent addition of 2.1 FTEs to administer the new requirement and 10 FTEs would be required annually to review, code and process the occupation information reported by employers.

As noted, much of the costs and personnel required to set up and administer this proposal would occur

in the first year. Adding additional data elements to electronic UI reporting forms would also require some additional computer programming costs. TWC would need to do employer outreach and the change would require additional resources to audit and validate occupation reports.

TWC's unemployment insurance program is partially funded by the U.S. Department of Labor, which has strict limits on the use of federal dollars. Adding enhanced Unemployment Insurance data elements to the TWC UI system is not within the guidelines for federal dollar support, meaning the costs of expanding the TWC UI system would have to be paid for from General Revenue.

Limitations of the Data

The primary limitations of the data revolve around the ability of employers to accurately report job titles and SOC codes. In order to utilize occupational information reported on UI wage records, job titles or descriptions must be converted to a standardized code. There are slightly more than 800 SOC codes, but employers use millions of job titles specific to their enterprises. Many SOC codes have multiple specialties under them, often with unique career paths, skill and experience requirements. TWC already collects occupation information in the Occupational Employment Statistics surveys. These sample surveys are conducted in cooperation with the federal Bureau of Labor Statistics and occupations are coded by TWC economists according to federal standards. That same review would be necessary in this project, adding to the overall cost estimates in the previous section.

Benefits of additional occupational data collection

Collecting occupational information with unemployment tax returns would allow TWC to produce more precise data on labor market outcomes. The benefits of this enhanced data include the following:

1. Better regulation of career schools.
   This was the primary benefit noted by the Sunset Advisory Commission staff. TWC would be able to more accurately verify employment and wages of career school graduates from existing wage records. TWC currently relies on self-reported data to determine what proportion of career-school graduates obtain jobs in the occupations for which they trained. By requiring businesses to report occupational information, this number can be precisely and objectively determined.

2. More accurate data on educational and training outcomes generally. TWC currently produces reports on employment outcomes for individuals who have completed agency training programs and graduates of Texas public two- and four-year institutions of higher education. The latter is in partnership with the Texas Higher Education Coordinating Board.

   Currently, TWC can determine if a training or school graduate is employed and their total wages. However, the agency cannot identify whether or not the individual is employed in an occupation related to the training or degree received. By collecting occupational data, TWC could make that determination and thus provide additional insights for prospective students and policy makers.

3. More complete occupational data.
   Currently, TWC occupational employment statistics are tabulated from voluntary employer surveys and obtaining adequate response rates is becoming increasingly difficult. Adding occupational data to the UI tax reporting system would dramatically increase the amount of data available for analysis. The statistical properties of data are largely a function of sample size so more reports contribute to a more accurate picture of employment data to stakeholders. Additionally, the program would relieve some survey response burden on employers. More accurate data could help identify with greater precision, where high-demand jobs are, and what those jobs pay.

4. Streamlined data collection.
   An enhanced UI wage record program could also potentially reduce overall costs and employer survey response burden if those records can be substituted for, rather than merely supplement, the current Occupational Employment Statistics program. However, that would likely also require additional data variables on the wage record, such as base pay (excluding bonuses and overtime), hours worked and possibly others, so that data could be merged across programs.

Employer Views on Benefits of Wage Record Enhancement

The survey asked employers their opinions of the benefits that accrue from collecting occupational data as part of unemployment tax returns. The results are summarized below:

Graph: Texas Employer Views on Benefits of Wage Record Enhancement

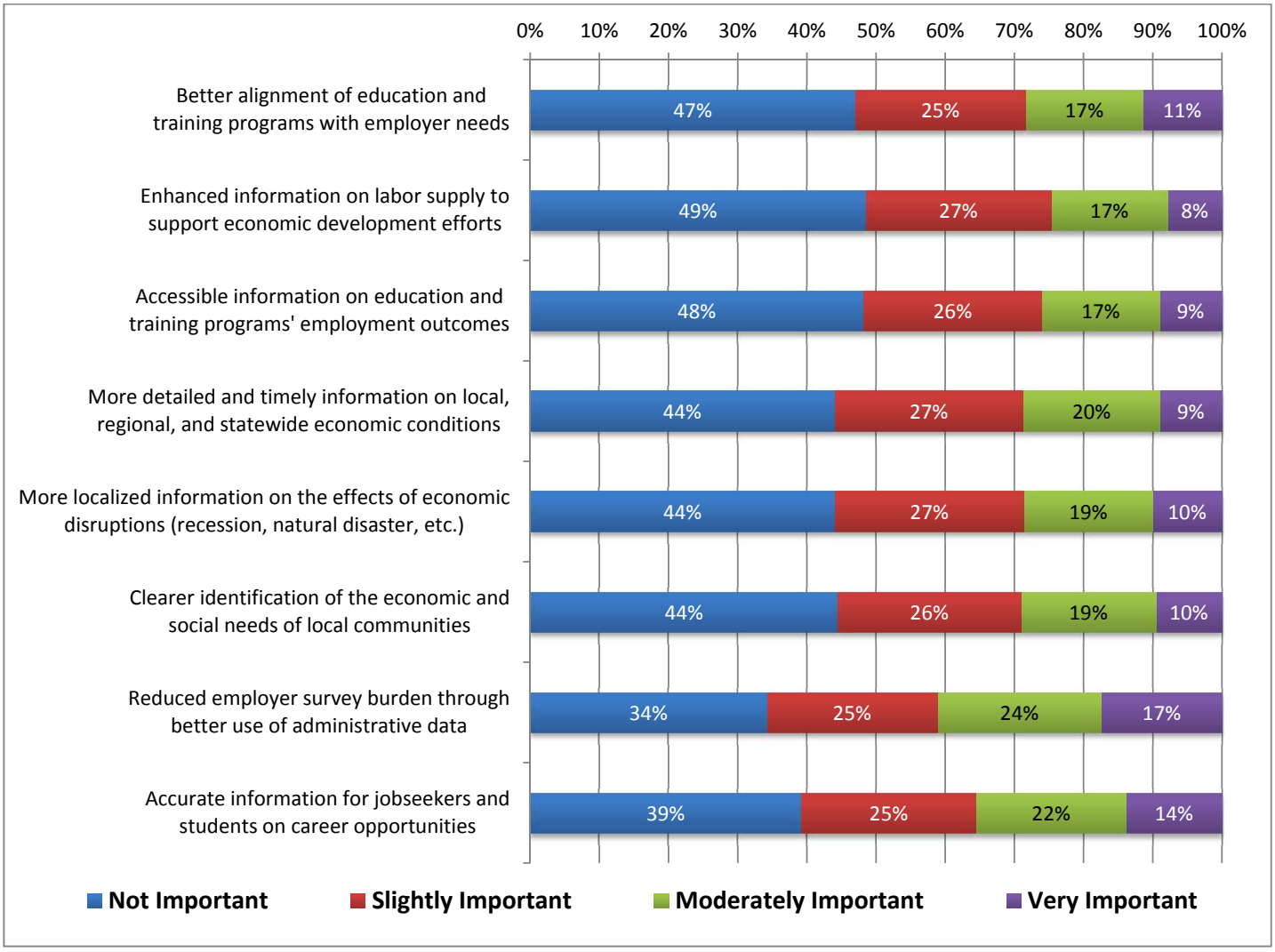


Table: Texas Employer Views on Benefits of Wage Record Enhancement

Position	Not Important	Slightly Important	Moderately Important	Very Important
Better alignment of education and training programs with employer needs	47%	25%	17%	11%
Enhanced information on labor supply to support economic development efforts	49%	27%	17%	8%
Accessible information on education and training programs' employment outcomes	48%	26%	17%	9%
More detailed and timely information on local, regional, and statewide economic conditions	44%	27%	20%	9%
More localized information on the effects of economic disruptions (recession, natural disaster, etc.)	44%	27%	19%	10%
Clearer identification of the economic and social needs of local communities	44%	26%	19%	10%
Reduced employer survey burden through better use of administrative data	34%	25%	24%	17%
Accurate information for jobseekers and students on career opportunities	39%	25%	22%	14%

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