

Executive Summary

Our primary thesis is that labor force activity and productivity are attributes that adhere to the individual. Economic well-being (or lack of it), in contrast, is a function of family income from all sources and the number of persons who are dependent upon that income. An unemployment measure could only serve as a measure of economic hardship in a world where earnings constituted the only major source of income, where there was only one earner per family, and where there was a representative family size and composition. Thirty years ago, when our labor force concepts and their measurement were first designed, the world was assumed, by and large, to fit that description. Families were assumed to have one male breadwinner (the husband), plus a nonworking wife and two children. There were also few public income support programs to alleviate economic hardship.

The world has been changing since then. Recent trends in family patterns have made it untenable, if it ever was tenable, to use the unemployment rate as a measure of economic hardship. In fact, we would go so far as to say that labor-market-related hardship is more a psychological concept--the hardship that results from the diminution of self-respect and self-image of those whose offer of work is not accepted by the labor market, and the resulting damage to the perceived future labor market chances of the children of the involuntarily unemployed.

First, the relationship between individual earnings and family income has broken down. Most families now have more than one earner. Many earners have no dependents. For 30% of American families the primary economic support does not come from the earnings of a male head.

About 50% of poor families have no earners at all. But most of the rest have at least one earner (many of whom work full time all the time) and getting on for a fifth of poor families more than one. In addition, the breaking off of persons who used to be counted as dependents of primary families into families or households of their own has further weakened the correspondence. The divorce rate is now high. The remarriage rate is also high. Family membership in the U.S. today is thus constantly changing and in ways that bear no direct relation to the earnings of individuals in those families.

Second, labor force status and behavior can no longer be inferred from demographic and family status. There are full-time career workers among men, women, mothers, youths, and those over 65. There are also part time and in-and-out workers among all groups. The type of labor force participation to be expected from a worker or potential worker should be inferred from the past practice of that worker. In addition, the labor market value of that worker to society depends not on the fact that the worker is offering to contribute productive time but on the value of that time as reflected in the human capital of that worker measured by the wage rate. It also depends on what nonmarket productive time use is lost to the social product by reason of that labor market time.

We have four specific recommendations.

Recommendation I: Hardship Measurement. We believe that a major new longitudinal survey, modelled on the Michigan Longitudinal Panel Study is needed, in order to provide a comprehensive account of the material resources available to households. The Current Population Survey has not stayed abreast of new and importance changes in the sources of material support available to households and families.

The survey should aim at getting a full account of pretransfer net money income, including gross earnings, property income, self-employment income, and with deductions for costs of earning such as transportation, special tools, and care for children during working hours. In the area of transfers and taxes, all public sector programs should be taken into account: social insurance, assistance benefits, whether cash or in-kind, and all taxes levied on income or wages. Two categories of private transfers should also be taken into account: first, employee benefits not paid for by payroll deductions, such as retirement contributions or employer-paid health insurance premiums; and second, cash and in-kind transfers between households.

Recommendation II: Labor Force Measurement. We urge that a major revision take place in the form and function of our gathering of labor market data from individuals. There are two principal ways in which our current procedures are deficient. First, they do not provide the context of nonmarket productive uses of time, which is needed for interpretation of movements in paid work activity. We propose the following categories among which hours in a sample week be distributed: (a) market work, (b) work in the home, (c) child rearing, (d) school and other training, (e) job seeking.

Second, they do not provide useful categories for exploring and comparing differences in behavior among adults with respect to the paid labor market. Enough information is needed to permit the classification of adults on the basis of their previous paid work experience. We suggest the following categories. The first five categories all refer to adults aged 21-71 years of age: (a) labor force entrants, (b) prime

full-time labor force, (c) inactive adults, (d) other experienced workers, (e) other workers. The last two categories encompass those of other ages: (f) youths 16-20 years of age regardless of work experience, (g) elders over 71 years of age.

Third, the measurement of unemployment as an index of disequilibrium in the labor market should be substantially refined to make it a more reliable indicator of the amount of labor power seeking changes in their paid employment situation. We need to know the distribution of adults by productivity and, therefore, propose that current or most recent wage or earning rate be gathered for this purpose. In terms of categories for tabulation, it would be sufficient to form three groups--low, medium, and high--using half the median wage and twice the median wage to demarcate the intervals.

The survey we envisage here does not have to be designed to provide multiyear longitudinal data. The major emphasis should be on getting current statistical indicators.

Recommendation III: Small Area Statistics. We feel that data from the routine administration of the universal Food Stamp Program, augmented perhaps by limited additional reporting on the employment of members of beneficiary households, provide a very promising source of data on small areas. The basic criterion is similar to the poverty criterion. The size of benefits is directly related to the gap between a unit's income resources and the eligibility limits, so that the size of benefit can be used to infer gradations of hardship. It has been proposed that the Food Stamp Program be eliminated. But proposed reforms also have nationally uniform components whose eligibility depends on income and family size, which could provide a similar data base.

Recommendation IV: The Press Release Monthly Numbers. Our

suggestion would be to replace the overall unemployment rate with three numbers. First, the incidence of unemployment among the full-time experienced labor force aged 21-71 should be noted. Second, an indicator of overall unemployment should be noted, reflecting how many hours of offered employment (weighted by the wage rates at which they are being offered) are not being accepted by the market. Third, the monthly change in the total amount of time spent in job search might be noted. To the extent that the public need a readily interpretable number reflecting the extent of economic hardship, we feel that the official poverty count should be used (preferably with the more comprehensive coverage of income suggested in Recommendation I).