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**Potential New Content and Structures for the U.S. Census Bureau’s Business Register<sup>1</sup>**

**Abstract**

Over the next five years, the U.S. Census Bureau will evaluate three potential enhancements to its business register. These new enhancements will improve the overall coverage, quality and usefulness of the business register for internal users in the Economic Programs Directorate at the U.S. Census Bureau, external data users, and for data providers by limiting the amount of respondent burden. The three enhancements are described as follows:

- First, the Census Bureau is working with the Bureau of Labor Statistics to craft an agreement to exchange information to supplement each agency’s decentralized register frame. These two agencies conducted a formal Register Comparison Project and, as an outgrowth of this project, the Census Bureau would like to obtain from BLS information about smaller multi-unit companies. Availability of this information will provide continuous breakouts of multi-unit companies; reduce annual mailings for the Report of Organization Survey, which keeps the register up-to-date; and refine geographic level data for products generated from the register.
- Second, the Census Bureau would like to internally convert to a common identification scheme for current survey collections and tie that common ID to the business register. Because of processing stovepipes developed over the years, many current surveys have instituted their own identification of companies and reporting units. Consolidating and communicating information about companies across programs is hampered by this inconsistent approach. Instituting a common identifier opens the possibility for more timely updates to the business register from current surveys.
- Finally, the 2012 Economic Census affords the opportunity to introduce an enterprise collection to better identify business units within companies, and better model the way businesses operate beyond the enterprise and establishment (location) levels currently maintained on the business register. Additionally, an enterprise collection would spawn new data products to better understand the economy.

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<sup>1</sup>This report is released to inform interested parties of ongoing research and to encourage discussion of work in progress. Any views expressed on methodological, technical, or operational issues are those of the author(s) and not necessarily those of the U.S. Census Bureau.”

## **Introduction**

The business register at the U.S. Census Bureau (BOC) houses information for more than 26 million businesses. The business register is assembled primarily using administrative tax information from the Internal Revenue Service and from direct collections of information conducted by the BOC, including the annual Report of Organization Survey (referred to as the Company Organization Survey, or COS), the Annual Survey of Manufactures (ASM) and the quinquennial Economic Census. These direct collections provide organizational changes to the business register and detailed information on establishments.

The register classifies economic enterprises as employer (with paid employees) or nonemployer (no paid employees) entities. For employers, it distinguishes enterprises operating at multiple locations (known as multi-units) or at a single location (known as a single unit). The register maintains data for each location or local unit, hereafter referred to as an establishment.

Having a useful and relevant register provides the framework for producing most of the BOC's economic statistics. The register supports current economic programs in terms of sample selection, sample maintenance, and benchmarking operations. Additionally, the business register serves as a micro-data set for data products at the county, state and U.S levels, as input to research by the BOC's Center for Economic Studies, and as the frame for the Economic Census and related programs. Enhancing the business register can improve products and reduce respondent burden, which are key goals for the Economic Programs Directorate at the BOC.

To meet these goals, the register underwent significant modernization in 2002 in adopting new methods, more organized information structures, and advanced technology (Walker, 2001). Since that time, the register has expanded its offerings in terms of new tools, added functional capabilities, and stronger user outreach (Salyers, 2007). This paper addresses the next series of improvements being evaluated for the register, which focus on improved content and information flows, as follows:

- Acquiring and integrating more data from the U.S. Bureau of Labor Statistics (BLS);
- Creating two-way information flows among the register and current economic programs; and
- Collecting information to better profile and measure the nation's enterprises.

These new opportunities will allow the BOC to integrate information that meet objectives to share information more broadly across programs, and enhance knowledge management and organizational effectiveness.

## **Acquiring and Integrating More Data from the U.S. Bureau of Labor Statistics**

### **Background**

Using BLS business data at the BOC is not new. Starting in the 1990's, the Census Bureau began receiving industry classification codes from BLS. These BLS codes, which are based on the North American Industry Classification System (NAICS), provide industry classification for new businesses on the BOC register. Over time, they have replaced other administrative sources as being the "best" NAICS code when a census code is not available. Also for new businesses, BLS provides BOC with an indicator that identifies if the firm has multiple establishments. If the BOC has these firms as single units, these single units are mailed in the COS to obtain the establishment location information. Finally, the BLS supplies the physical address information for records on the BOC register when one is not available.

The use of the BLS NAICS codes reduced the mailing of classification forms to small businesses in the 2007 Economic Census. Also, use of the multi-location indicator to target single units in the COS allowed the BOC to reduce “splitters” which are typically worked during the Economic Census. Splitters are defined to be single units that become multi-units.

In 2004, the BOC and the BLS sponsored a joint project evaluating the differences and strengths of their respective registers (Becker et al, 2005). Both registers serve a similar purpose in providing a list frame of businesses in the United States from which data about the economy are produced. Yet, both lists are constructed from different administrative programs, leading to differences in basic variables such as employment, payroll and number of establishments. These differences cause variations for data users integrating both sets, namely those users producing or working with statistics from the national accounts. Aligning the registers over time, and better understanding their differences, are key goals of both agencies. While the BLS can use data from the BOC to enhance its register, this paper only covers the BOC interests.

### **New BLS Data Uses**

Using files generated from the Register Comparison Project, the BOC identified further uses of BLS data to enhance the quality of the register as follows:

- Acquiring BLS multi-unit data for companies operating within states and using that data (1) to split out significant single units on the register and (2) to replace direct collection for selected multi-units on the COS.
- Using BLS “client” data for Professional Employer Organizations.

### ***Acquiring BLS Multi-unit Data***

As noted previously, using the BLS multiunit indicator as one criterion, the BOC currently targets and sends the COS to significant single units. For businesses confirmed to be multi-units in the COS, information about locations is added to the register. This process of adding the locations is done manually, since any new location of a multi-unit needs to be researched to ensure it’s not part of an existing enterprise.

The process of splitting out single units has helped the BOC maintain a more consistent register in non-census years. Prior to obtaining this information from BLS, the COS frame was strictly comprised of multi-units. Single unit “splitters” were only identified in the economic census, causing a surge in the number of establishments every five years. This new practice has created a more consistent file for users, and has helped to refine the geographic detail needed for tabulations produced from the business register. With additional data sharing, we could obtain the breakouts by location directly from BLS and not mail these cases in the COS. Thus, this initiative would save money.

There are several categories of multi-units mailed in the COS, with one category identified as “growth” companies. Based on the trend of administrative payroll, these enterprises show substantial changes. From the COS, the BOC obtains information about their locations, including organizational status, name and address, and industry classification. In lieu of mailing these cases, BOC could use data from the BLS. This conclusion is based on research comparing the establishment records for these companies on both files. The growth companies account for roughly 7,000 of the 45,000 enterprises mailed in the COS. Even though these cases would not be mailed, they would be manually reviewed as part of the normal clerical processing of the COS. Initially this would be done to evaluate the quality of the BLS file. More automated methods for adding these into the register would be sought to reduce costs once the quality was verified to be reliable.

### ***Acquiring BLS Client Data for Professional Employer Organization***

A professional employer organization (PEO) administers the payroll, workers' compensation, human resources, and employee benefits for client businesses. It does this by hiring a client company's employees and then leasing them back under contract to the original employer. This practice is known as co-employment or employee leasing.

Currently, the BOC has no systematic way of identifying PEO clients through its collections or its primary administrative source, the Internal Revenue Service. Because of this, there are inconsistencies associated with how employment and payroll are tabulated across industries, leading to possible duplication of estimates. As part of BLS, the states collect client data for businesses that operate as PEO's. Obtaining the BLS data for clients of PEO's would allow BOC to assess the current handling of PEO's and to develop more systematic processes for identifying and handling them in the future.

### **Creating two-way information flows among the register and current economic programs**

The business register has these two major levels for consolidating information: the enterprise level and the establishment level. Linkages identify establishments belonging to enterprises, as well as to appropriate tax reporting units known as Employer Identification Numbers or EIN's. The business register serves as the frame for current survey programs and as a source for benchmarking these programs to the Economic Census. The COS and ASM are key tools for updating the organizational structure and linkages of multiunit enterprises on the register in non-census years.

The BOC conducts more than 100 current economic surveys on a monthly, quarterly, and annual basis. As such, these surveys often identify organizational changes for large enterprises sooner than the COS and ASM. Yet, there is no systematic way to leverage this information to update the register on a more continuous basis rather than waiting until the next COS and ASM collection. There are two reasons for this. First, the enterprises are often surveyed at business or division levels in current surveys so there's not always a one-to-one link to the register. Second, when survey processing was decentralized, many programs developed their own method of identifying reporting units. These practices continue today. Without a common identification structure, it's very hard to link information from current surveys to the register, as well as among the current surveys for purposes of enhancing data review, creating new data products, or leveraging micro data sets.

Sharing information about organizational changes across programs benefits data providers, especially large enterprises who report in multiple programs. These data providers complain about having to repeat the same information to the BOC for each program area. Additionally, because the identifier is used on survey instruments, a common one across surveys would help in facilitating reporting, especially for electronic reporting.

At present, current survey staffs have access to the register and use it in a variety of ways to update and reconcile their sampling units. They also sometimes report organizational changes to the register staff for review and action. However, the data sharing among current surveys and the register is not done in a consistent and systematic manner.

Starting in 2002, the business register adopted a *serial* identification scheme for all structures. This new scheme allowed enterprises and establishments to undergo changes in ownership and organizational status through linkages rather than through a change in identification. The compelling reason for doing this was to provide a longitudinal history of an organization. With the new register, plans were made to convert the current surveys to the same identification scheme to

create a uniform enterprise picture across programs. This process was completed for establishment-based surveys, but has stalled for those canvassed at reporting unit levels.

A business case (Walker, 2004) was developed for implementation of common identifiers, creation of information to identify establishments making up current survey reporting units, and exchange of information between the register and current surveys. This would require development of software to identify signals on the register that are relevant to current surveys and a method for providing that information to the surveys on an ongoing basis. Also, a systematic process for the register to receive updates from current surveys was proposed. However, due to limited resources these improvements have not yet been implemented.

In spite of the delays, some effort has been made to bring the register and current survey information together. In 2006, a new table was created in the register that consolidates all the reporting parts for an enterprise across all surveys in which they are selected to report. This information is refreshed weekly based on information pulled from current survey files. Format programs are run to take the resulting table and generate a “company calendar” to inform respondents of their reporting profile. While the calendar is useful in looking at an enterprise’s reporting parts across surveys, it is often difficult to distinguish coverage given the proprietary nature of identifying these units. More work is being conducted to better determine how to standardize and structure these reporting units to create more uniformity and adopt the serial identifier.

### **Collecting Information to Better Profile and Measure Enterprises**

The BOC is considering the merits of instituting an enterprise collection program for the 2012 Economic Census. The current Economic Census is conducted, for the most part, on an establishment basis. For multi-unit companies mailed in the census, all the establishment questionnaires are bundled together in one mailing package, with a consolidated form that asks limited information about the enterprise, that is, information about domestic and foreign ownership and control. An enterprise collection program would extend the consolidated form currently mailed, and not replace any part of the establishment-based Economic Census. An enterprise collection would yield the following benefits to the BOC:

- ***Improve Quality of Programs:*** The BOC could improve the quality of statistics generated from the register as follows:
  - Some companies report their income to IRS under different EINs than are used to report payroll taxes. As a result some income tax records are not linked to our employer records. The enterprise collection would provide an instrument to match companies to their income records and improve the register. Currently, these income EIN’s look like nonemployers on the register if not linked to an employer record. Obtaining this information gives us a more systematic definition of the nonemployer and employer universes for statistics produced from both sources.
  - Data collected at the enterprise level would be used in Economic Census edits in comparisons of the enterprise totals to the sum of data reported at the establishment level and to data from tax filings. This would help with the coherence of data reported for an enterprise by identifying misreporting – either double counting or missing components in published census data.
- ***Capture Data Not Reportable at the Establishment Level:*** Some existing questions on the Economic Census forms may not be effectively reported at an establishment level, like information related to expenses or pension funds. These data may more accurately be provided

by the enterprise level. This enterprise collection could also obtain information about PEO clients beyond what BLS collects.

- ***Release New Data to Better Understand the Economy:*** Today's economy calls for new information about globaliztion, research and innovation, technology, and supply-chain and inventory management – information that cannot be answered by your typical retail store, but can be more effectively answered at the enterprise level. A collection at the enterprise level could provide a framework for a series of new data products. These data products could be about the new economy and use existing register information to release data about company size, diversification and specialization, and organizational changes such as mergers, acquisitions, and divestitures.
- ***Recognize Divisions and Companies within Enterprises:*** This enterprise collection could expand the profiling of the business register. Currently establishments are linked to tax reporting units (Employer Identification Units) and to enterprises. These links are critical to producing the annual County Business Patterns (CBP) report and assist in current survey frame development and support. However, they are not adequate for many of our current survey data collections that require a reporting unit at a level lower than the enterprise, but more aggregated than the establishment in order to collect timely industry specific data. These survey programs develop their own reporting units based on information extracted from the business register, primarily representing aggregates of similar industry classifications. An enterprise collection could be used to identify business units within the company that would be maintained on the business register and provide a sampling unit for these current surveys, support links to current survey reporting units, and result in better profiling and coherence of structures and data.
- ***Recognize New Classifications:*** Through new inquiries and new information about organizational structures and the way companies operate, the enterprise report would provide a means to develop and maintain a meaningful enterprise-based version of NAICS. The classification system for enterprises could take into account things like vertical integration and contracting out to better define activity at an enterprise level. For example, perhaps it would be useful to make distinctions among companies that control the manufacturing process even if they do not own domestic manufacturing plants versus those companies that are strictly wholesalers. Challenges recognized for heterogeneous (diversified) companies could be better analyzed for new approaches in classification. Recognizing how enterprises operate and refining classification at an organizational level would give new insights not seen with existing industry-based data products.

## **Summary**

Enhancing the business register with new information sources is challenging. To obtain BLS information (and conversely share BOC information with BLS), both agencies need to align their improvement programs and convince the Internal Revenue Service to allow the sharing of information. Legislation is still pending to allow for this to happen easier in the United States. Additionally, both agencies would benefit from a procedural knowledge of how organizational structures for multi-units are collected and maintained on each register. Establishing, maintaining and standardizing current survey organizational structures requires an internal commitment for resources to focus on this long-term goal; this will challenge us as day-to-day work and other priorities take precedence over development of something that essentially works for these areas. Finally, the enterprise collection needs additional research and conversations with companies to assess burden, focus inquiries on specific economic questions for policy makers, and reflect new products without duplication of existing information.

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