

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION Quarterly Census of Employment and Wages
	CORRESPONDENCE SYMBOL OWS /DL
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ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 16-08

TO: STATE WORKFORCE AGENCIES

FROM: BRENT R. ORRELL /s/
Acting Assistant Secretary

SUBJECT: Collection of Monthly Employment Data for the Quarterly Census of
Employment and Wages (QCEW) Program

1. Purpose. To respond to questions from states concerning the QCEW program, and to remind them of the importance of collecting these data and the appropriate use of unemployment insurance (UI) administrative funds to collect the data.
2. References. Sections 303(a)(6) and 303(a)(8) of the Social Security Act (SSA); Section 3304(a)(11) of the Federal Unemployment Tax Act (FUTA), requiring state adherence to the Federal-State Extended Unemployment Compensation Act of 1970, as amended; 29 CFR Part 97; OMB Circular A-87; Unemployment Insurance Program Letter No. 30-93, dated June 22, 1993; Fiscal Letter No. 1-90, dated October 9, 1990; and the state annual Labor Market Information Cooperative Agreement with the Bureau of Labor Statistics (BLS), which includes the QCEW program, OMB Control No. 1220-0012.
3. Background. The QCEW program, formerly known as the ES-202 program, collects UI data from employers, including monthly employment, total quarterly wages, taxable wages, and employer contributions. These data are used by states, the Employment and Training Administration (ETA), and BLS for a variety of important purposes. For example, states use monthly employment data in the calculation of insured unemployment rates (IUR) for federal-state extended benefits (EB) triggers; the ETA uses QCEW monthly employment data to project revenues and unemployment fund balances, and to estimate FUTA taxable wages for purposes of determining the rate of FUTA tax returned and each state's share of any Reed Act distribution. Both ETA and the states use QCEW employment data to measure the extent of UI covered employment as a percentage of all workers, and to monitor employment and wage trends. BLS uses these employment data for national financial and

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economic statistics, to establish employment benchmarks for the Current Employment Statistics Program, and as a sampling frame for most BLS establishment surveys. In addition, the Bureau of Economic Analysis uses the data to develop the wage and salary component of the National Personal Income and Gross Domestic Product statistics. Given the scope and importance of QCEW data use, they should be accurate, consistent and reliable.

4. Recent Questions. Recently states have questioned the propriety of collecting monthly employment data on the quarterly UI employer contribution and wage report, and use of state UI administrative funds for this purpose.

- a. Requirement to Collect Data. Because this information is required for calculating the IUR for EB purposes, states must collect these data and must follow-up when data are late or missing. Failure to do so would conflict with Section 303(a)(6), SSA, which requires, as a condition of a state receiving its UI administrative grant, the “making of such reports, in such form and containing such information, as the Secretary of Labor may” require. Moreover, failure to obtain accurate monthly employment data means that states will not operate an EB program that triggers “on” and “off” in accordance with Federal law. This failure may result in employers in the state losing their credit against the FUTA tax.

- b. Use of UI Grant Funds for Data Collection. Costs of collecting monthly employment data, including follow-up for late or missing employment data, should be paid from the Federal UI grant to the extent authorized under Federal law. Costs of collecting data not used for UI purposes, such as the multiple worksite reports and the Annual Refiling Survey, should be charged to the QCEW program as specified in each state’s cooperative agreement with BLS.

The extent to which a cost is payable under a Federal grant is determined by using the cost principles of OMB Circular A-87. Regulations at 29 CFR 97.22 require the use of the OMB Circular for such purposes. This requirement is implemented through the Labor Market Information Agreement that each state signs with BLS. (See paragraph (G) of Part I, Administrative Requirements.)

5. Action Required. Administrators are requested to inform appropriate staff of the contents of this advisory.
6. Inquiries. States should contact the appropriate Regional Office for additional information.