



“ADDRESSING CONCERNS ABOUT THE INTEGRITY OF THE U.S. DEPARTMENT OF LABOR’S JOBS REPORTING” JUNE 6, 2012

Keith Hall
Senior Research Fellow, Mercatus Center at George Mason University

United States House of Representatives Committee on Oversight and Government Reform

Good Morning Chairman Issa, Ranking Member Cummings, and members of the committee. My name is Keith Hall, and I am a Senior Research Fellow at the Mercatus Center at George Mason University. Most recently, I was the Commissioner of the Bureau of Labor Statistics from 2008-2012. In my testimony today, I would like to talk about the Bureau of Labor Statistics (BLS) and its role in disseminating economic data.

The bureau is an independent statistical agency responsible for measuring labor market activity, working conditions, and price changes in the economy. It is an important part of their mission to not only collect, compile, and produce accurate and timely economic data, but also to help disseminate this information to support public and private decision-making.

I would like to discuss two areas of data dissemination that have significantly changed in recent years. The first is the public release of data to news reporters under prerelease, so-called “lockup” conditions. New technology has had such a significant impact on press lockups that it is necessary to reconsider how—or even *if*—these should continue in the future. The second is the dissemination of economic data and other BLS information through social media. It is my belief that statistical agencies like BLS should be free to fully utilize social media and any other future methods of dissemination without any restrictions that may affect their reputation as an independent, credible source of economic information.

The Press Lockup

Statistical agencies are tasked with ensuring that all users have equitable and timely access to data. They now release economic data in a number of new ways, the most common being through an agency website. Traditionally, however, the news media was considered the most effective distributor of economic statistics to the public, and “wire services” were the most practical and fairest distributor to media outlets. As a result, press lockups have long been a mechanism through which wire services receive—under carefully controlled conditions—the most important data about thirty minutes in advance of their announced release.

Through such a lockup, a wire reporter can:

- digest the new information,
- ask clarifying questions, and
- compose a factually accurate, lucid story that can be distributed to media outlets and can serve as the basis for wider news coverage.

As important as “equitable and timely access” to data is, the Office of Management and Budget (OMB) makes clear that data security is the top priority, and is the responsibility of a statistical agency. In fact, OMB directives state that prerelease data can be shared in a lockup only if the statistical agency head has established security arrangements to “ensure that there is no unauthorized dissemination or use.”

During my time at BLS, it became increasingly difficult to provide fair and timely access to data through a press lockup while at the same time maintaining adequate security arrangements. Technology and markets have changed significantly. Lockup participants may now have access to specialized computer equipment and software that links them directly to automated trading models. This effectively allows financial market transactions to be driven from inside lockups. Quoting from a 2009 article in a financial trader magazine (*The Trade News*): “Key economic indicators are released to financial markets through a small and exclusive group of accredited news agencies.... A trading model can now 'read' the specially-formatted data and enter into a trading position immediately, before the larger market has had time to read the release on newswires and digest its meaning.”

In my opinion, this has significantly raised the value of newly released economic data, such as from the monthly BLS employment release, and raised serious questions about whether the lockup remains an equitable method of data dissemination. Moreover, it seems the very concept of the media has become less clear and has complicated the credentialing process designed to screen access to the lockup room. Good or bad, I believe this will lead to a dramatic increase in competition inside the lockup room.

Social Media

The value of BLS data rests vitally on its credibility as an independent, objective provider of data. It is therefore important that its data be free of bias in its presentation and distributed free of any perceived partisan intervention. The BLS should also remain distinct from those parts of the Department of Labor (DOL) that carry out law enforcement and policy-making activities.¹ Therefore, BLS should not be required to be part of the Department’s so-called “Centralized Social Media” policy.

By end of 2010, dozens of BLS staff had developed an ambitious plan for using social media that included the use of Twitter, Facebook, Qs and As about BLS data on the website, LinkedIn, blogging, Wikipedia, podcasts, video sharing, website applications to solicit comments and reviews on BLS products, and photo sharing. This has all been on hold because BLS has not been able to carry out these social media activities independently and on the BLS website.

This social media plan has been on hold even though BLS maintains its own independent website where its data can be accessed directly by public users. And to be clear—the public is very interested in accessing BLS data. The bureau answers literally thousands of phone and email questions per month on their data from customers that contact it directly. In 2011, for example, BLS answered approximately 40,000 direct public inquires. To my knowledge, no other statistical agency has been denied the ability to disseminate data through social media. I don’t believe that blocking BLS access to social media is any different in principal than closing down its independent website or not allowing BLS to answer email or phone questions about its data without first being screened by DOL.

Recommendations for BLS Press Lockups

Because of the changing nature of the news lockup due to technological advances, I believe that the following changes for BLS lockups are long overdue:

- A written comprehensive lockup agreement that holds both news organizations and individual reporters and producers accountable for rule violations.
- An established, comprehensive set of rules of behavior and procedures for BLS, Employment and Training Administration (ETA), and DOL information and public affairs staff.
- Specified criteria for participation in press lockups.
- Secured IT and communications equipment in a locked cabinet.

¹ See [Principles and Practices for a Federal Statistical Agency](#) from the National Academy of Sciences. It is considered the authoritative guide for federal statistical agencies like BLS.

- A policy that prohibits media organizations from accessing the lockup room for maintenance activities without a BLS IT security specialist present.
- A policy such that no portable electronic devices are allowed in the lockup rooms.
- A policy where press agencies are entitled to only one work station unless there is extra room for more.
- A requirement that all news agency representatives (TV journalists included) to remain within a secure facility inside the Francis Perkins Building until release time.

Additionally, since OMB gives responsibility to the statistical agency for both maintaining adequate security and creating a level playing field in the dissemination of data, BLS should be given oversight authority for conducting all of its press lockups, developing and maintaining policy and procedures, and the authority to establish and implement credentialing and confidentiality protocols for participating news organizations and employees. This has the additional benefit of eliminating the appearance of conflict between spreading the Secretary's message to the press and maintaining security in the lockup room.

I also support the consideration of either replacing all news agency equipment with DOL owned-and-maintained work stations or even designating the first release of data to the BLS public website. In the latter option, the lockup room could still be maintained but the release time for the room would come only after the release first appears on the BLS website.

Conclusion

For BLS to effectively disseminate data directly to the public and maintain credibility as an independent, objective provider of data, DOL should not interfere with BLS' dissemination of economic data through any means. This includes all products printed or electronic. DOL should comply fully with OMB Statistical Policy Directive #4 and revoke their centralized social media policy.

Keith Hall is a senior research fellow at the Mercatus Center at George Mason University. From 2008 until 2012 he served as the thirteenth Commissioner of the Bureau of Labor Statistics. In this role, he headed the principal fact-finding agency in the Federal Government in the broad field of labor economics and statistics. The BLS is an independent national statistical agency that collects, processes, analyzes, and disseminates essential statistical data to the American public, the U.S. Congress, other Federal agencies, State and local governments, business, and labor.

Dr. Hall's research interests include labor markets, labor market policy, and economic data.

From 2005 to 2008, Dr. Hall served as Chief Economist for the White House Council of Economic Advisers where he analyzed a broad range of fiscal, regulatory and macroeconomic policies and directed a team that monitored the state of the economy and developed economic forecasts. Prior to that, he was Chief Economist for the U.S. Department of Commerce where he provided technical advice regarding the scope, emphasis, and state of the economic and statistical activities of the Bureau of Census and the Bureau of Economic Analysis, served as a special advisor to the Secretary of Commerce, and regularly conducted/supervised research projects on a wide range of economic and policy issues. Dr. Hall also spent ten years at the U.S. International Trade Commission where, among other things, he conducted and led independent studies related to international trade and trade policy. He has been on full time faculty in the Economic Departments at the Universities of Arkansas and Missouri, and has published a number of papers on international trade and international trade policy.

Dr. Hall received his B.A. degree from the University of Virginia and his M.S. and Ph.D. degrees in economics from Purdue University.