

# **STRATEGIES TO IMPLEMENT ELECTRONIC COLLECTION OF MULTIPLE WORKSITE REPORT DATA**

**Michael Searson  
Bureau of Labor Statistics**

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From a 1992 Response Analysis Survey of employers, the Bureau of Labor Statistics (BLS) determined that employer payroll/ tax filing practices fell into two distinct groups: 1) those that prepared their own tax reports using payroll/tax software that was developed internally or purchased from a software vendor 2) those that chose to contract with a third party (typically a payroll provider firm) to prepare their payrolls and file their tax reports. Based on this information, BLS staff developed an electronic data collection strategy to reduce their costs and improve the employer response rates for one of their largest surveys, the quarterly Multiple Worksite Report (MWR), which is filed by 112,000 legal entities representing 1.2 million worksites.

For the past six years BLS has been working closely with the developers of payroll/tax software to include the electronic transmittal of MWR data in their systems to facilitate collection from their clients. BLS has also been discussing the inclusion of the electronic reporting option as an additional feature that firms providing payroll/tax-filing services could offer to their clients (small, medium and large employers). In the past, employers that had multiple establishments in many states had to manually file paper MWRs (voluntary in most states) with each state. With electronic reporting, data for all states are sent directly to BLS, which edits the data and forwards it to the proper state.

This paper discusses the background information noted above and the various approaches that BLS staff have used to solicit the cooperation of these firms to modify their systems to include electronic reporting as an option or additional service. Also discussed are BLS efforts to inform all employers of this one-stop reporting option.

## **Covered Employment and Wages (CEW) Program**

The CEW program is a by-product of the state Unemployment Insurance (UI) system. Each quarter, all businesses with UI covered employees must file a Quarterly Contribution Report (QCR) with their respective State Employment Security Agency (SESA). This report includes information on the number of employees for each month and total quarterly payroll of these employers, in addition to their UI contributions. These contributions are placed in a trust fund and used to pay UI benefits to eligible unemployed workers. Thus, the primary source of these CEW data is the administrative records of the SESAs. While these records are a cost-effective means to collect data on small and medium size businesses, BLS supplements these data with the Multiple Worksite Report (MWR) to address the additional statistical needs of the program. During state processing, these records are merged to create a database that provides the basis for a universe list of covered businesses within each state. The SESAs then share these data with BLS each quarter. Covering over 97% of total US employment and 7.8 million establishments, the CEW program serves multiple statistical uses. It is the universe list for sampling for most BLS business surveys and also provides the annual industry employment benchmarks for several other BLS Federal/State

statistical programs. It also provides the most timely and complete economic data for counties in the United States on a quarterly basis.

### **Multiple Worksite Report (MWR)**

As a part of the CEW program, the MWR is collected each quarter to dis-aggregate the employment and wages of numerous establishments owned by an employer that are reporting under the same UI account number in a State. The summary information for this employer is reported on the State's QCR. This procedure allows the employment and wages for each worksite to be placed in their correct industrial and geographical category. Also collected are the physical location address of each worksite, a worksite description (normally a store or unit number or other information meaningful to the employer), and various other business identification information. As stated earlier, these two reports are the major components of the CEW program, frequently referred to as the ES-202 Program. Since UI coverage is virtually 100 percent in all industries, the employment and wages from this program represent a virtual census of the Nation's employment and wages each quarter.

Approximately 112,000 legal entities file the MWR each quarter providing data for 1.2 million worksites. The term "legal entities" is used since there are a number of businesses that have numerous locations in more than one state and thus would be filing the MWR in more than one state. While the number of employers filing a MWR may represent a small percentage (1.4) of the total number of establishments in the CEW program, their employment and wages constitute 37 % of the total for the program. Most employers file paper MWRs either by inserting the monthly employment and wages in the appropriate boxes on the form next to the preprinted information (trade name, physical location address, and worksite description) for each of their worksites or they provide a computer printed facsimile of these MWR data. The MWR was created in 1991 to replace each state's own version of this form, which varied in size, color, shape, layout, data elements collected, etc. Completing the different state versions of this form was rather difficult for those employers that filed the report for numerous states. With the new standardized form, employers were able to develop computer programs to print the necessary data to file the MWR that would meet the needs of each state. Prior to the standardization of the form, most employers did not see the value in trying to create a "customized report" for each state.

In September 1992, the CEW staff of BLS published the first standardized record format for collecting data in an electronic/magnetic medium for employers in any of its statistical programs. The reporting requirements and format specifications for the MWR followed those developed by the Social Security Administration (SSA). The logic was that if the large employers were familiar with the SSA format and specifications, then adding the reporting format for the MWR data to their systems would be easier to accomplish. The filing of the MWR is not mandatory under federal law but is required by various state laws, regulations, statutes, etc. in 23 states.

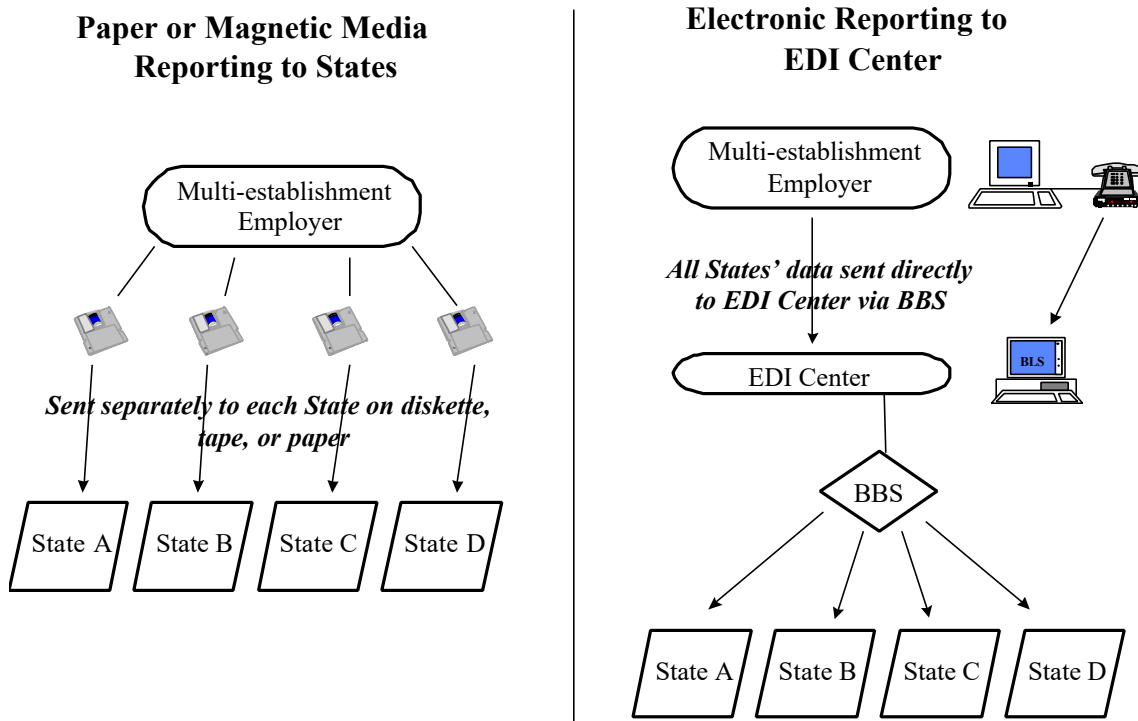
### **Electronic Data Interchange (EDI)**

On February 22, 1995, BLS opened an Electronic Data Interchange (EDI) Collection Center in Chicago, Illinois. This center was initially created to facilitate the collection of data for the Current Employment Statistics (CES) survey in a timely and cost-efficient manner. The CES program is a survey of approximately 400,000 establishments each month that has a very short period to collect and edit respondent data (maximum of 2 weeks) prior to preparing estimates and publishing their data (1 week). Thus, data for the Nation for this program is published within three weeks of the reference period. The EDI Center's initial focus was to assist the collection of these data from very large multi-state employers. In 1996 upper level management in BLS added the MWR data to the EDI Center's list of data that could be collected from employers.

EDI, as used in BLS, is the transmission of data electronically from a respondent to BLS. The standard formats are provided to the employers and they translate their firm's files into this format. Once the translation software is developed, the recurring data files can be provided to the EDI Center quickly, accurately and at less burden for the employer. Thus EDI can dramatically reduce ongoing respondent burden, particularly for the largest, multi-establishment firms, which are requested to participate in most surveys.

The EDI Collection Center opened two new doors of opportunity for firms. First, the EDI Collection Center offers large multi-State firms the option to transmit their paper data for all States to one facility rather than potentially fifty different sites. The EDI Collection Center edits and distributes these data to the respective States. The responses to this new reporting option were very enthusiastic. The second opportunity was the ability to transmit these data electronically, rather than using a magnetic medium-tapes, cartridges, or diskettes. The use of magnetic media requires a disposal or return of confidential information that increases the processing costs for the employer and BLS. Both of these points demonstrate a reduction in the burden on the part of the employer. The employer would no longer have to receive the MWR forms each quarter, prepare the information that would be manually posted on the MWR forms, and then mail the appropriate information to the different States. The process for submitting magnetic medium compared to the use of the EDI Collection Center is shown graphically in Figure 1.

Figure 1



Firms would obviously incur some start-up costs to evaluate the changes that would be required to their system and to write the programs that would be needed to create the electronic file that would meet BLS requirements. Also included in these costs are those associated with testing the system and the overlap test period where the company would be required to submit the paper MWRs and the electronic file as well. Based on discussions with employers, the EDI Collection Center staff determined that it takes an average of six to nine months from the time that the initial solicitation contact is made before an employer provides a test file to review. The process usually involves the preparation of a cost proposal by the payroll department and the systems' staff, which is then reviewed by higher level management to determine its cost/benefit ratio. If the project is approved, it is usually assigned a low priority relative to the programming updates that are needed to address modifications to State and Federal tax laws.

The experience of the EDI Collection Center staff is that it takes several test files before an acceptable file is approved. On average, it takes three test files to obtain a "good" file. The reasons for this seem to vary by firm but are a function of those items already mentioned. Additional delays may also occur if an approved test file does not fall in sync with the overlap test period. For CES data, an overlap of three months is required whereas an overlap of two quarters is required for the MWR data. For instance, if a test file is not approved until after an MWR has been submitted for the current quarter, the firm will need to wait until the following quarter to begin the overlap period.

These costs have been cited as being potentially very high by some firms and often noted as the reason for their non-participation. Other firms have responded that a lack of staff time available to perform this work as the reason for non-participation. Most of their available programming staff resources are spent maintaining the systems to reflect the constant State and Federal tax law revisions that were mentioned earlier.

The central collection procedure also has enormous cost savings potential for the States and ultimately for BLS for the reasons listed below:

- 1) Less postage required for mailing the MWR forms to firms and its subsequent return;
- 2) less staff required to process the MWR forms (opening the mail, sorting the forms, etc.);
- 3) less data entry of the MWRs; and,
- 4) reduction in the errors caused by posting errors on the employer end or data entry errors on the State end.

### **Development of Strategy**

For these reasons, the MWR staff decided that a more effective approach to having firms utilize the new EDI Collection Center was to develop an effective strategy that maximized our limited staff resources. Using our knowledge of employer trends in payroll/tax filing practices and the contacts in the payroll industry that we developed over the past 3-4 years, our strategy involved a number of different approaches to make employers aware of this new cost-effective and respondent burden reduction capability. Rather than targeting each individual employer as a potential EDI Center candidate, we chose to spend the vast majority of our time working with a select group of firms. First, those firms providing payroll/tax filing services for a fee (called Payroll Provider Firms or PPFs) and second, those that develop payroll/tax filing software (called Payroll Software Developer Firms or PSDFs). The logic being that having the PPFs and the PSDFs install the required software in their systems for the use of their clients would preclude the need for any of their clients to repeat this process.

The advantages to this approach are numerous. First, the number of employers to be contacted to inform them of the centralized, electronic MWR transmittal option to the EDI Center would be dramatically reduced. Second, the time that each of these employers would have to spend on researching, programming, set-up, and testing would also be reduced as most of these tasks would have been already completed by the PPF or PSDF. Simply stated, the PPF and PSDF approach was viewed as “having the biggest bang for the buck”. If one of these firms installed this capability within their system, then BLS had the potential to have all of their clients provide these MWR data in an electronic medium with minimal effort compared to the time and expense of contacting each employer and having them go through the research, cost/benefit analysis, proposal development and testing activities cited by the EDI Center staff earlier in this paper.

## **Survey of the Payroll Industry**

This strategy was based on the findings from a 1993 report that was conducted by BLS staff to determine the reasons for a divergence in the employment series between the CES and CEW programs between December 1990 and January 1991. That study enumerated the extensive degree to which firms either use a PPF or a payroll/tax software system that is purchased from a PSDF. The study estimated that approximately thirty-five million employees were covered in some way by the payroll processing industry (PPFs or PSDFs), about 32 % of total employment.

The study revealed that employers fell into two main categories, those that prepared their own payrolls and did their own tax filings with Federal and State governments and those that contract these tasks to a third party, principally a PPF. Within the first group, there was a further split as to whether the software that was used to perform these activities was developed “in-house” or purchased from a PSDF. To summarize, the report categorized firms into three main groups:

- 1) those who prepare their own payrolls and file their own tax reports using their own “in-house” payroll/tax software;
- 2) those who prepare their own payrolls and file their own tax reports using payroll/tax software purchased from a PSDF; and,
- 3) those who utilize the services of a PPF

For those firms using a PPF, the PPF would offer the filing of the MWR data for all the appropriate States electronically to the EDI Collection Center as one of their services that they provide for their clients. The client would usually pay a fee to the PPF for this service. For those firms that use the software of a PSDF, the PSDF would incorporate the necessary software in their system that the clients use. The client would then be able to utilize the electronic transmittal to the EDI Collection Center with minimal start-up costs since the PSDF had absorbed these costs in providing this additional feature to their payroll/tax system. The same start-up cost reductions would be applicable to those employers using a PPF.

While this strategy seemed rather straightforward, it was predicated on the assumption that the PPFs and PSDFs would want to add this feature to their payroll/tax systems for their client’s benefit. In 1991, firms providing these payroll services or software for lease were slow to react to the introduction of the new MWR form. It was only when their clients started to indicate a need for their systems to address collecting and storing employment and wages data by worksite did these companies react. In the subsequent years of continuous work with PPFs and PSDFs, a growing number have included this feature in their software.

## **Participation in Payroll Conferences**

Since 1991 BLS staff have been attending the annual conferences of two payroll associations. The American Society for Payroll Management (ASPM), which has approximately 500 members, first invited BLS to speak at their 1991 conference to explain the new MWR form and its impact on the members of their association. This association is composed mainly of the upper level management

of the payroll and tax operations of very large companies. Their members are typically from Fortune 500 companies. It is an excellent forum to discuss new program initiatives that affect their members. At the 1992 conference when the magnetic medium specifications were first released, the attending participants received this transmittal option of these statistical data to the States with minimal interest. The same reaction occurred at conferences sponsored by the American Payroll Association (APA), which has 18,000 members. BLS staff began attending the APA conferences in 1993. Interest increased dramatically, however, when the single electronic transmittal was introduced.

### **Vendor Exhibit Hall Participation**

After the first year of attending each of these conferences, BLS staff requested that the associations provide a booth in their "Vendor Exhibit Hall" for BLS staff to distribute materials that the participants would be interested in receiving. The Vendor Exhibit Hall was filled with private sector firms that offered a variety of payroll, tax filing and other related products and services, including PPFs, PSDFs, Time and Attendance Systems, payroll/tax advisory newsletters and manuals, UI cost management services, employee background services, etc. Also participating with a booth in the hall were staff of the SSA and Internal Revenue Service. Both associations granted our request and now provide a booth at no expense to our staff. At our booth, BLS staff provide materials on MWR electronic reporting specifications and requirements and EUS Express, the booklet explaining our Bulletin Board System that is used to transmit the data electronically to BLS. We also explain the electronic reporting test phase process and answer attendee' questions on these and related issues. Most of the attendees (normally 200 and 1,600 at ASPM and APA, respectively) visit the Vendor Exhibit Hall since many of the private sector vendors entice participants to stop at their booths by holding drawings for prizes at the end of the show.

Another reason for participating in the Vendor Exhibit Hall is the opportunity to provide the sales and technical representatives of the PPFs and PSDFs, in addition to the attendees, with various materials (electronic reporting requirements and format specifications booklet). At the same time, BLS staff also pick-up brochures on the principal products or services that the other vendors provide. It is also a great opportunity to familiarize the PPFs and PSDFs with the need for their firms to include the electronic filing of the MWR in their systems. For the past 3 years, we have prominently displayed a placard that lists the PPFs and PSDFs that currently include the electronic MWR filing in their systems or offer it as a service on a wall of our booth. BLS staff then invite the PPF and PSDF representatives to visit our booth and point to the placard. We then suggest that the inclusion of the MWR electronic reporting feature could be the deciding factor when an employer is selecting a PPF or PSDF. We tell them if all other factors in the selection of a system for a PSDF or service for a PPF are generally equal with a competitor and the competitor has this feature, this inclusion could be the determining factor in the selection of the competitor's product.

Also at the booth, employers who stop and express an interest in MWR electronic filing are asked whether they use a PPF or if they use purchased software from a PSDF. If they respond positively to the PPF question, they are asked "which one". If it is one that is currently working on the inclusion of this feature as an addition to their system in the near future, we advise them of this fact. If it is not, BLS staff inform them that our efforts to date with that PPF have not proven

successful and we ask them for their assistance. First, they are asked to go visit their PPF's booth in the Vendor Exhibit Hall and tell their PPF representatives that they want this feature to be added as a service in the future. Next, we ask them if the PPF has a "Users Group", which is normally the case. The purpose of PPF "Users Group" is to receive customer feedback on their products---to note what works well or poorly, what functionality needs to be added, etc. BLS staff suggest that these participants send their comments on the need for MWR electronic reporting to all members of the User Group and ask other clients of the PPF that they know to send the same comments. The main point being that the PPF will listen to their customer's needs or they won't have as many clients in the future. Simply stated, "the squeaky wheel gets the grease" and the more comments from their clients of this reporting need, the more likely they will be to add this feature as a service of their firm.

This same approach is used with those attendees who indicate that they use a PSDF. If they indicate that they use purchased software, they are asked "which system". If it is one that has this functionality, the attendee is provided with a set of instructions on how to implement MWR electronic reporting in their system. We also suggest that they request their PSDF's User Group to consider having a class on "How to implement MWR Electronic Reporting" that would be jointly taught by staff of BLS and the PSDF at their next User Group Conference. BLS staff currently participate in two PSDF User Conferences. If the payroll conference attendee lists the name of a PSDF that BLS has had no success with in the past, then we use the same techniques as that for a non-participating PPF. We send them to the PSDF booth to talk to their representatives, discuss the need to involve the User Group, etc.

### **MWR Electronic Reporting Classes**

Also at the payroll conferences, BLS staff are invited to participate in various "Government Forums" or Question/Answer sessions with staff from SSA, IRS, Office of Child Support Enforcement, Immigration and Naturalization and other federal agencies dealing with various payroll/tax filing, withholding, new hire laws, etc. While these sessions provided an opportunity to make a statement or two about the centralized reporting of MWR data in an electronic medium, most attendees were interested in the other tax, legal issues than statistical reporting. Consequently, we asked both conference program coordinators if it would be possible to hold a class on MWR electronic reporting in lieu of participating in the various federal agency panels. Both agreed and for the past five years, we have been holding one and sometimes two classes on the electronic reporting option. In the class, we inform the participants of the proper method to report; review the various data elements and identification information and show their position of the paper MWR forms; and conclude with a live transmittal of MWR data to the EDI Center. During the class the attendees are advised of those PPFs and PSDFs that already offer this service or include this reporting option in their system. The same pitch is made for the attendees to go to the Vendor Exhibit Hall and discuss this inclusion with their representatives. Discussions with their User Groups is also mentioned as a means to increase the possibility of this reporting option being added for their convenience. Thus, BLS staff are very busy at these conferences between talking to attendees and PPF and PSDF representatives during the time that the Vendor Exhibit hall is opened and giving classes during the other time periods.



## **Publicize the new EDI Collection Center in Payroll Newsletters**

In addition to discussing the electronic reporting option at various payroll conferences, BLS staff recognized that many of their MWR respondents never attend these conferences. To make these staff aware of this reporting option, the APA and ASPM also included features in their magazines advising their members of this new development. Through contacts developed at these payroll conferences with firms providing various payroll/tax advisory services (newsletters, manuals, etc.), articles have also been published in a numerous payroll/tax filing journals, magazines, etc. The latest appearing in the issue of Research Institute of America's (RIA) that was written by Nora Daly of Oracle Corporation. Some of the firms providing the news services just mentioned have either included the electronic reporting requirements and format specifications on their websites or have provided a link to the appropriate website that displays the same information at BLS <http://stats.bls.gov/cew/cewedr00.htm>. Since 1993, this material has appeared in approximately 12 publications. These firms have been instrumental in helping BLS disseminate information on the central reporting of MWR data to the new EDI Collection Center in Chicago.

## **STATUS of MWR collected by the EDI Center**

<u>Number of</u>	EDI Collection Center 4Q 2000 Stats
Enterprises	49
Legal Entities	3,794
Number of Establishments	67,381
Employees	3,195,275

## **The Future for EDI**

To date, the concept of centralized electronic collection MWR data appears to be viable and valuable. Response burden can be reduced, timing maintained, and data quality improved. Firms are definitely pleased to be offered an alternative data collection method. The standardization of the format has been much appreciated by firms and remains a selling point. Interest among the respondents who provide the data is high, but this must be weighed against the DP resources available to accomplish the task. The potential number of firms reporting that may develop as PPFs and PSDFs add this feature to their systems makes the concept of centralized electronic reporting even more attractive.

Four PPFs are currently reporting MWR in an electronic medium for their clients and eight PSDFs have included this feature in their systems. Other PPFs and PSDFs are in various stages of analysis and design with possible inclusion in the next 18-24 months.

With the success of the MWR approach with PPFs and PSDFs, the BLS recently formed a workgroup to study this strategy with regard to collecting data for other surveys. Representatives from the Current Employment Statistics (CES), Occupational Employment Statistics (OES), National Compensation Survey (NCS), and the Occupational Safety and Health Survey (OSH) are examining the possibility of developing one standardized record reporting format that would include data elements for all BLS programs for use by PSDFs. After several meetings of the workgroup, the workgroup is leaning towards having two formats---one for establishment level data and one for data on individuals. Regardless of the number of formats, BLS may develop a comprehensive approach to dealing with the PSDFs rather than staff from each program contacting each PSDF separately and requesting electronic reporting for only that program.

In conclusion, BLS staff are developing a multi-faceted approach to having large firms report electronically for several of its statistical reports to the EDI Center. This approach should reduce their reporting burden and increase the quality of the data in the Bureau's CEW program while lowering overall program costs. BLS attendance and participation at payroll conferences has helped to disseminate the availability of this new reporting option to firms, PPFs and PSDFs. The class instruction and the booth in the Exhibit Hall provide an excellent forum to discuss these developments directly with the participants. The initial incorporation of the electronic reporting requirements into the systems of some PPFs and PSDFs will hopefully lead to its inclusion by most of these firms as they strive to remain competitive in the features that their systems provide.

**Note: Any opinions expressed in this paper are those of the author and do not constitute policy of the Bureau of Labor Statistics.**

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