American Economic Association

Committee on Economic Statistics: www.aeaweb.org/about-aea/committees/economic-statistics
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July 14, 2022

Dr. Eloise Parker
Assistant Director for Demographic Programs
U.S. Bureau of the Census

Dear Eloise:

We are writing in response to the request for comments on the revised plans for improving privacy protections of the CPS PUF. We have reviewed the very helpful background documents and the recordings of the public presentations at FESAC and at a recent Census Webinar. We have consulted with the AEA Committee on Economic Statistics and the AEA Committee on Government Relations. We have also reached out to the membership of the American Economic Association in a variety of ways (emails, twitter and EconSpark) encouraging individuals to either send you comments directly or to send comments to us that we could summarize. The comments below reflect a synthesis of the comments that we have received.

In providing these comments, we are sympathetic to the increasing challenges of privacy protection in the 21st century. The background paper provided by Census articulates how these challenges apply to the CPS PUF especially for smaller geographic areas. The comments we have received indicate appreciation for the changes in the proposed plans relative to those originally released in January 2022. Specifically, there is appreciation and support for the phased-in approach of the changes that will reduce the impact on longitudinal micro data analysis using the CPS. Relatedly, it is our understanding that the Atlanta Federal Reserve's wage tracker statistical product based on the longitudinal micro CPS will be much less impacted by the revised changes to the privacy protections. There is a thoughtful blog about this proposal that has been released by the Atlanta Federal Reserve that we have also drawn upon in this letter (https://www.atlantafed.org/blogs/macroblog/2022/07/13/rounded-wage-data-and-wage-growth-tracker--an-update).

While we have received comments that synthesizing some of the data for CBSAs of fewer than 250,000 people is an improvement over the plan to simply not report the identifiers for these CBSAs, there is still concern that using synthetic data will hamper the ability to understand the relationship between the geographic distribution of inequality or poverty with variables that are not included in the regression used to produce the synthetic data. We have noted that in the FESAC discussion that there was a suggestion for some form of tiered access that would permit validation of results estimated on the synthetic data without requiring a full FSRDC project. We think this option should be explored. A related but distinct suggestion from both FESAC and the Webinar comments is to release multiple implicates for the synthesized geography.
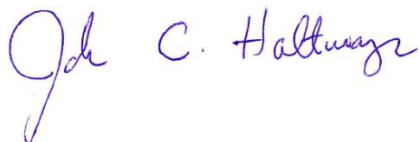
Even though the proposed rounding is a considerable improvement relative to the plans originally released in January 2022, there remain substantial concerns about the impact of rounding of earnings data for economics research. We have received comments that the proposed current rounding procedures will severely hamper research in a number of areas. This includes (i) understanding the impacts of minimum wages and using minimum wage changes (state, local, and federal) as sources of variation to test theories of the labor market which often are differentiated by the size of spike at exactly the minimum wage; (ii) nominal wage rigidity (which requires exact wages); (iii) behavioral models of the labor market where the extent and pattern rounding of actual wages (not artificial rounding in the data) can be used to test different behavioral models; and (iv) understanding wage dynamics and responses to inflation and labor market shocks. Related to this concern, we received numerous comments about whether there are compelling reasons for such rounding.

To provide more guidance on these concerns, we have received comments on the specific challenges the proposed changes will pose for studies of the impact of the minimum wage. For one, there are 30 states and numerous localities with minimum wages above the federal minimum wage, limiting the value of the proposed flag for the federal minimum wage. For another, studies of the impact often use information about the distance between the actual wage and the minimum wage. Such studies will be difficult with the revised CPS PUF. Again, perhaps some form of tiered access without a full FSRDC project is an option that should be considered for use of the data that is sensitive to rounding.

We have also received comments expressing concern about the impact of the proposed changes for less sophisticated users of the data. For example, while dynamic rounding has some appeal, many users may not understand its implications. Similar comments have been received about the partial synthetic data. In particular, many researchers using the simulated data may believe they can be used to estimate some parameter in the population, when in fact this will not be possible. Transparent documentation of the changes as well as guidance as to appropriate use of the data can help ameliorate this particular concern.

We hope these comments are useful to you as the plans for improving privacy protection in the CPS PUF are finalized.

Sincerely,

John C. Haltiwanger, Professor of Economics, University of Maryland, and Chair, AEA Committee on Economic Statistics

Kenneth Troske, Professor of Economics, University of Kentucky, and Chair, AEA Committee on Government Relations

CONTACT: Martha Starr, Washington, DC, Representative of the American Economic Association and Director of Government Relations. martha.starr@aeapubs.org. 703-283-0054.

Individuals whose comments we have drawn upon include:

Professor Daron Acemoglu, Department of Economics, MIT
Professor Joseph Altonji, Department of Economics, Yale University
Professor David Autor, Department of Economics, MIT
Professor Christopher Bollinger, Department of Economics, University of Kentucky
Professor Karen Dynan, Department of Economics, Harvard University
Professor Janice Eberly, Kellogg School of Management, Northwestern University
Professor Sherry Glied, Robert F. Wagner Graduate School of Public Service, New York University
Professor Erica Groshen, Industrial and Labor Relations School, Cornell University
Professor Thomas Holmes, Department of Economics, University of Minnesota
Professor Joseph Hotz, Department of Economics, Duke University
Professor Lawrence Katz, Department of Economics, Harvard University
Professor Helen Levy, Gerald R. Ford School of Public Policy and Institute for Social Research, University of Michigan
Professor Charles Manski, Department of Economics, Northwestern University
Professor Robert Moffitt, Department of Economics, The Johns Hopkins University
Professor Daniel Sichel, Department of Economics, Wellesley College
Professor Stephen Trejo, Department of Economics, University of Texas
Professor Jacob Vigdor, Evans School of Public Policy and Governance, University of Washington