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# THE GEORGE WASHINGTON UNIVERSITY

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WASHINGTON, DC

May 4, 2023

Statistical and Science Policy Office  
Office of Information and Regulatory Affairs  
Office of Management and Budget  
Washington, DC

Re: Annual Integrated Economic Survey (OMB Control No. 0607-XXXX)

I am pleased to submit this letter in response to the Census Bureau's request for comments on the proposed new Annual Integrated Economic Survey (AIES), as published in the *Federal Register* on April 4, 2023 (88 FR 19906).

As a public policy research professor at George Washington University, I provide professional staff support to the American Economic Association's [Economic Statistics Committee](#) (AEASat).

The new AIES—integrating the Annual Retail Trade Survey (ARTS), Annual Wholesale Trade Survey (AWTS), Service Annual Survey (SAS), Annual Survey of Manufactures (ASM), Annual Capital Expenditures Survey (ACES), Manufacturers' Unfilled Orders Survey (M3UFO), and the Report of Organization—should, as the Census Bureau suggests, reduce respondent burden, increase data quality, and allow greater operational efficiencies. In addition, the AIES may include new questions each year on policy-relevant topics such as technological advances, management and business practices, exporting practices, and globalization.

I enthusiastically support OMB's approval of the Census Bureau's request to conduct the AIES, with a recommended term of clearance:

In light of the Census Bureau's finding in Supporting Statement Part B "that NAICS classifications can be unnatural or challenging for some businesses," the Census Bureau shall carry out additional research to estimate the percentage of AIES respondents that select an incorrect NAICS code; estimate the extent to which differences in NAICS code assignments by the Census Bureau and the Bureau of Labor Statistics for the same establishments are due to misclassifications in the Census Business Register; and indicate to OMB within one year of ICR approval the Census Bureau's plans for achieving a significant reduction in NAICS misclassification.

My reasoning for the proposed term of clearance is as follows. Per the attached the Census Bureau slide deck, in research on the AIES, it found:

- One of the major findings to come from this interviewing [of 28 companies] was the mismatch in unit definitions. We noted that at least seven companies may have been misclassified or may not have understood Census Bureau distinctions among classifications, for example, a 4 digit vs 6 digit NAICS classification. We also noted that

the NAICS taxonomy is unnatural for respondents; that is, because NAICS is a standardized classification system, and businesses often need more or different details in their chart of accounts, mapping records to the corresponding NAICS is challenging for some and impossible for others.

- Thinking about the problem of misclassification identified in phase 1, we then asked respondents pointedly about their NAICS Classification. In this case, first, we asked about their six digit NAICS classifications, calling it their 'specific' industry. Remember that six - digits is the most specific principal business activity code we have. We then asked about the four digit NAICS classification – so, less detailed - and called it the 'general industry'. Note that the interviewers walked respondents through each of the six digit NAICS codes we could find for their company, asked for feedback or impressions, and then did the same for the four digit NAICS codes. This part of the interview was time consuming and difficult; we noticed that respondents had trouble understanding their NAICS classification, and then struggled to think of how their business units might relate to their NAICS classification.
- It seems that the industry classification either worked or didn't, with few falling in between: We were surprised at how the NAICS data that we had in our records was inconsistent both across and between companies.

As you are aware, the Biden-Harris Administration is quite focused on enhancing U.S. competitiveness in global markets in key sectors and technologies. In reading Supporting Statement Part A.2, I was surprised to not see that a key use of the AIES would be to guide federal industrial policy and strategy, for example, the implementation of the CHIPS Act to promote greater domestic self-sufficiency in semiconductors. However, due to the lack of synchronization of Census and BLS business registers, for NAICS 334413 Semiconductor Manufacturing in 2020, the ASM has 103,028 jobs, while the BLS QCEW has 184,956 jobs. With such a mismatch in federal statistics for the same industry, effective industrial strategy becomes difficult to achieve. Through this ICR, OMB has the opportunity to help address this issue.

I appreciate the opportunity to provide comments on the AIES and hope you find them of value.

Sincerely,



Andrew Reamer  
Research Professor

