Good afternoon. My name is Gordon Berlin, and I am the President of MDRC, a nonprofit, nonpartisan education and social policy research organization that is dedicated to learning what works to improve policies and programs that affect the poor. Founded in 1974, MDRC evaluates existing programs and tries out new solutions to some of the nation’s most pressing social problems, using rigorous random assignment research designs or near equivalents to assess their impact. Many of our research projects are funded through contracts with federal agencies.

I am pleased to be here today to speak with you about making a simple change to the law governing the National Directory of New Hires (NDNH) database, maintained by the federal Office of Child Support Enforcement (OCSE), that will remove a barrier to accurate, cost-effective assessment of the employment effects of federally supported social policy programs — a barrier that results in unnecessary duplicative costs for the federal government and in excess reporting burdens for the states. This is an issue of some urgency in a time of severe budget constraints and fiscal austerity. Congress must have credible, nonpartisan information to understand whether federally supported programs actually help people find work and increase their earnings. The information is critical for Congressional determinations regarding whether discretionary social programs merit the continued investment of taxpayer money.

Research firms that are funded by federal agencies to evaluate programs often rely on data collected by states from employers on employment and earnings, data that the states already report to the federal government for certain child support enforcement and other purposes. These data are housed in accessible form at the federal level within the National Directory of New Hires (NDNH) database. However, research contractors are generally unable to access this essential database for assessing whether federally supported programs actually work. Instead, they are forced to get the very same data directly from the states, at great cost to the federal government and at considerable burden in duplicative reporting for the states. If the NDNH database were made available to evaluators (with appropriate privacy safeguards), it would enable Congress and the federal agencies to assess the impact that social programs have on jobs and earnings at much less cost and burden to the federal government and the states.

During this testimony, I will describe the problem faced by evaluators and will suggest a cost-effective and safe solution for making the data that is housed within the NDNH available to researchers working on federally funded program evaluations.

BACKGROUND AND STATEMENT OF THE PROBLEM

Each year, governmental agencies, often at the direction of Congress, enter into grants and contracts with research firms, in order to determine the effectiveness of government-funded programs. By doing so, government signals its interest in determining whether its investments in social policy programs are achieving the returns that Congress anticipates when it appropriates funds to create or support the program.
Typically, a governmental agency enters into a contract with an independent, nonpartisan firm, such as MDRC, to conduct the evaluation. Contracting evaluations is one way an agency ensures that studies are conducted in an independent and nonpartisan manner.

Governmental contracts for this work typically require the research organization to gather existing data to measure the outcomes of those who are receiving the services of the program and those who have similar characteristics but are not participating in the program. In most evaluations, the research firm obtains data after securing the legally effective informed consent of the program participants. The prospective subjects are informed regarding the degree of confidentiality that will be applied to all the data that is collected from and about them.

For all federal studies, research firms assume the responsibility for keeping the data confidential and secure – including housing individually identifiable data on secure servers with password-protected access controls, using encryption, and stripping data of identifiers after initial processing.

Once the evaluating organization has collected data on the outcomes for participants and non-participants, the evaluator analyzes the data, estimates the impact of the program, and reports the findings. Importantly, the data is always reported in a “grouped” format; no individual-level data is released. This information is vital for decisions about continued government investment in discretionary programs.

One of the best sources of data for determining program effectiveness is earnings records, particularly when employment and earnings are outcomes of interest. Earnings records derive from the information that employers report each quarter to state unemployment insurance agencies, including earnings paid to every employee during the quarter, data regarding new hires, and information about unemployment compensation.

In many evaluations, the earnings data is matched with other data sources, including welfare, food stamps, and childcare subsidy receipt; subsidized housing records; educational and criminal records; birth, marriage, and divorce records; and survey data on family income, family formation, and child well-being. This matching across data sources enables a research firm, such as MDRC, to analyze the effectiveness of programs and policies intended to increase employment and earnings, as well as to determine the effects that a program has on a range of other important social outcomes, such as the relationship between employment and welfare receipt or criminal behavior or the relationship among earnings, family income, and children’s education and behavior. Many of these analyses cover extended periods of time, thereby enabling the measurement of the long-term effects of programs and policies on a range of social outcomes.

Information regarding individual workers’ quarterly earnings is maintained in state labor or employment security agencies for the unemployment insurance program. Currently, an evaluator must obtain this data from each state agency where it is housed. Because evaluations of governmental programs take place in multiple jurisdictions, the evaluator must spend considerable resources to ascertain each state’s requirements for data acquisition and then apply for the data. State statutes and administrative procedures govern access, and these procedures differ among the states. The significant costs of these data acquisition efforts are passed on to the federal agency and ultimately to taxpayers. And not all evaluators can successfully overcome the hurdles imposed by state agencies for access to the data — thereby limiting what policymakers know about program performance.

The costs for the states to make the data available are also significant. While states typically charge for transmitting the data to the evaluation firm, costs associated with the negotiation for the data in the first place are likely not covered and thus are also passed on to state taxpayers.
Imagine an evaluation of a federal program being conducted in 10 states. The costs associated with obtaining employment and earnings data would include researcher staff time to determine, negotiate, and comply with administrative procedures (and pay administrative fees) related to acquiring the data from 10 separate state agencies and then to do the technical work of checking, processing, and standardizing data from different state systems. And that doesn’t take into account the costs of the additional burdens placed on the states. In addition, for some studies, states can only transmit data to the federal department funding the evaluation, and the department must then arrange for evaluators to obtain the data — another source of costs.

The extra effort and costs associated with seeking earnings data from the states for program evaluations are not necessary. The same data that is maintained by the states is held in the National Directory of New Hires (NDNH) database, which is lodged within the Office of Child Support Enforcement (OCSE) of the U.S. Department of Health and Human Services (DHHS). Indeed, the state data that is sent to OCSE is combined with employment data from other states, as well as from federal employment sources, thereby creating a rich trove of data regarding individual employment and earnings.

This dataset, while available for the enforcement of child support, is only accessible for use by researchers without personally identifying information. Currently, Section 453 of the Social Security Act, which governs the NDNH database, permits the DHHS Secretary to provide access to the data for research purposes, in the words of the statute, “found by the Secretary to be likely to contribute to achieving the purposes of the (statute)” — this restriction requires that access be allowed only for research that serves purposes of the child support and Temporary Assistance for Needy Families (TANF) programs. While the federal Office of Child Support Enforcement (OCSE) will conduct matches between the NDNH and other data sets on behalf of researchers with studies related to the TANF or child support programs, by law, it may not release identifiers to the researchers. Without personal identifiers, researchers cannot match employment and earnings records efficiently with other information they have already collected from study participants.

Thus, the same data that federal contract evaluators must acquire from the state employment agencies, at great effort and expense, already reside in a federal database that is currently accessible only to federal and state agencies.

The information in the database can be made available to evaluators if Congress makes a small change in the legislation governing NDNH, permitting research firms conducting studies on behalf of federal agencies to receive identifiable data subject to security protections. Such a change, which I describe next, would improve the efficiency and value of program evaluation, thereby enabling government to make more informed decisions about its investments in social programs.

A SOLUTION

A simple amendment to section 453 of the Social Security Act could authorize the release of individually identifiable employment and earnings data for evaluations undertaken to assess the effectiveness of federal programs. Such an amendment would enhance the effectiveness of social policy evaluation because it would ensure the availability of data needed for outcome measurement. It would decrease costs now incurred by both federal and state governmental agencies, and it would sustain the confidentiality and security safeguards already applicable to individually identifiable data housed within the database.

Data housed in the NDNH database are currently made available to state and federal agencies for authorized purposes, including administering programs and verifying employment and income. These purposes are in addition to the principal purpose for which the NDNH was created, namely to
assist state child support agencies in locating parents and enforcing child support orders. Access to the data for research purposes is permitted for some purposes — but without personal identifiers.

Here is what an amendment to the law might allow: it could permit the Secretary to provide research firms with access to personally identifiable information for evaluations undertaken to assess the effectiveness of any federal program in achieving labor market outcomes; it could authorize federal agencies managing research contracts to oversee the access; it could ensure that the costs of providing the data are covered by the research firms’ contracts; and it could make the federal agencies and the research firms under contract to them responsible for ensuring data privacy and security once the data are transferred.

What would this change accomplish? It would reduce significantly the cost of obtaining access to employment and earnings information, even with the imposition of fees to cover the costs of releasing NDNH data. Since the NDNH database already exists, the marginal cost of providing data to additional users would undoubtedly be substantially less than paying for contractors to acquire the very same data from the states individually. With the cost reduced, agencies could more efficiently evaluate how effectively their programs are helping recipients improve their employment outcomes.

Beyond the cost savings, access to the NDNH database would give researchers a central source of data, one that would be particularly helpful for multistate evaluations, evaluations taking place in cities with high rates of cross-state employment (the DC metro area, for example), and studies targeting populations with high mobility rates, especially for longitudinal studies over many years. The NDNH would also provide more accurate information from employers operating in multiples states, who have the choice of reporting employment in the state where each employee works or reporting on all employees to one state employment security agency. NDNH data also include employment records from federal agencies and the military, whereas state systems do not.

It is important to emphasize that the change I’m recommending would not compromise the security of personally identifiable data, nor weaken privacy protections. We and our colleagues at other research organizations, who already get access to these data (through costly and cumbersome state-by-state processes), take privacy, confidentiality, and data security very seriously, and we maintain the strictest security protocols to protect the data we collect and analyze. Federal contracts will continue to require strict adherence to data security protocols. Indeed, we have been accessing, using, and successfully protecting the very same employment and earnings data for more than 30 years, data obtained from the states on behalf of the federal government, with the contractor acting as government agent.

**CONCLUSION**

In sum, a relatively simple fix to existing law governing the NDNH database — giving researchers evaluating federal programs access to personally identifiable employment and earnings information — would eliminate unnecessary duplicative data collection efforts, reduce reporting burdens on state governments, save federal and state taxpayers money, and improve the quality and efficiency of federally supported evaluation research, all while continuing to protect the privacy of individuals.

Thank you for the opportunity to testify today.