

# Politicians and the proper use of statistics - a case study of unemployment

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Have you every heard a TV or radio interviewer ask a politician whether he or she is making proper use of the statistics being quoted? If presenters don't ask intelligent questions, then ministers won't give intelligible answers. We shouldn't blame just the politicians. How many times have you heard interviewers ask the rather stupid question 'What is the true level of unemployment?'

The Office for National Statistics does not help the situation by claiming that it produces statistics in an *objective, scientific and unbiased* manner - as it does in the booklet *The Government Statistical Service 1995/6* (ONS, 1996, being given away in my local bookshop). It is not a reasonable use of language to suggest that the Count of Claimants statistics for the number of unemployed is 'unbiased'. The Count of Claimants measure the numbers who, according to ministerial directive, are entitled to receive unemployment benefit. For the past seventeen years at least government policy has been directed at reducing the numbers so entitled. The statistics are notoriously biased in favour of government policy, and the statistics are objective and scientific only in the sense that they aim to measure the outcome of government policy.

Social scientists don't take such government statistics seriously. The *Penguin Dictionary of Sociology*, for example, states baldly that the Count of Claimants statistics are meaningless to sociologists concerned with the incidence of unemployment among different social groups (Abercrombie et al, 1994). But I haven't noticed that the sociologists have put forward their own definition of how unemployment should be measured. Perhaps the sociologists think, like the Royal Statistical Society, that it would be better to use the Labour Force Series to measure unemployment - instead of the Count of Claimants.

## The Labour Force Survey Series

The RSS has performed a valuable service in exposing the weaknesses of the Count of claimants Series, and in opening up the possibilities for alternative measures (Working Party On The Measurement Of Unemployment, 1995). But to use the LFS Series in its present form instead of the Count of Claimants would be to substitute one bureaucratic measure for another.

The main purpose of the LFS Series is to achieve comparability with the measurement of unemployment in other countries. It complies with the International Labour Office definitions and purports to measure, on the basis of responses to household survey questions, the currently economically active

population. But what survey respondents say to LFS interviewers in their own homes has no immediate consequences for the respondents, and may provide less reliable evidence than that of the Count of Claimants. Claimants usually have to go to the Unemployment Office and convince Department of Employment officials that they are genuinely seeking work, for example, in order to demonstrate entitlement to unemployment benefit.

The question of reliability is important because the LFS Series classifies half a million Claimants as economically inactive. Which series is right? Are these half a million really unemployed - as the Count of Claimants says - or are these half a million cheating the Department of Employment and the taxpayer because they are really economically inactive - as the LFS Series says?

What can be said is that the size of this group varies with the level of employment. The half million figure is the figure for the beginning of 1996. But at the peak of the boom in 1990 there were only 300 thousand economically inactive claimants. So how has this group entitled to unemployment pay increased its size by nearly 70% between 1990 and 1996, without demonstrating that it is 'economically active'?

The statistics do not give an answer to such a question. The relationship between employment and unemployment, as measured by both the Count of Claimants and the LFS Series, is tenuous. Neither of these measures of unemployment actually focuses on the measurement of unused labour supply. That is why the question 'What is the true level of unemployment?' is unanswerable on the basis of the current series.

## Internal and external validity

The social scientists' charge that the categorisations of official statistics reflect the interests of government and so are not meaningful is difficult to refute in the case of unemployment statistics. But social scientists are culpable in that they have not themselves put forward meaningful definitions of unemployment.

The social scientists' concept of *validity* is relevant. Validity is usually defined in terms of the question 'Does the statistic measure what it is supposed to measure'. In the case of unemployment statistics both published series are valid for their specific functions and purposes. The Count of Claimants is a valid measure of the numbers entitled to unemployment pay. The LFS Series is a valid measure of the numbers who are unemployed according to the ILO definition of currently economically active. But neither series is valid as a measure of unused labour supply.

The social scientists' distinction between *internal* and *external* validity is also relevant. External validity is defined in terms of the extent to which a statistic generalises to other populations, other times, and other settings (see, for example, Dooley, 1990). The concept of external validity is usually thought of in terms of generalising the results of experiments, qualitative studies, or small scale surveys. Perhaps this is why the concept of external validity has rarely been applied to the evaluation of official statistics. But the question to be asked

in the case of unemployment is 'Do the existing series measure what we want to measure?'

The object should be to define a hypothetical or target population i.e. the true number of unemployed. The definition should, in my view, specify as precisely as possible what we mean by unused labour supply. If we believe Professor Fred Smith's Presidential address, such definitions of target population are the most important concepts in statistics (Smith, 1993).

The definition of unemployment should take into account motivation and availability - as do the Count of Claimants and the LFS/ILO series - but it should recognise that these criteria are not independent of each other, and that both are dependent upon perceptions of the local labour market conditions. It is not reasonable, for example, to exclude what have become known as 'discouraged workers' i.e. those not seeking work because they do not believe that jobs are available. The definition should recognise that if there are no jobs available that people will acquire unpaid work commitments and will not always say that they are 'available' to take jobs which don't exist.

## An Integrated Series

Whatever individuals say to LFS interviewers or Department of Employment interviewers is relatively insignificant compared with the fact that both the LFS Series and the Count of Claimants are highly responsive to changes in the level of employment. It is difficult therefore to justify exclusions from either series as not being true unemployment. An *Integrated Series* which includes those counted as unemployed according to the Count of Claimants or the LFS Series would be a more valid indicator of unused labour supply than either existing series used alone (see Thomas, 1996, and Thomas, forthcoming).

An important virtue of such an Integrated Series is that it could be produced just as easily as the proposed monthly LFS Series (see Steel, 1996). But such an Integrated Series would not conform to a proper definition of unemployment and would only nibble at the information resources available from the Labour Force Survey which could be used to produce a measure which would conform to a proper definition.

There is no requirement, other than that of achieving comparability with other countries, that the measure of unemployment should be restricted to the ILO definition of *currently* active population. ILO discussions of how to measure unemployment also include the concepts of *usually* active population and *underemployed* population (Hussmans et. al., 1990). A proper definition of unemployment could be operationalised within both the ILO guidelines and the LFS information resources available.

No-one should interpret the argument of this paper as optimistic. The argument is that we should measure unemployment properly because of the size of the problem. But the use of statistics based upon a proper definition of unemployment would throw light on the dramatic changes which have occurred in the labour market over the past decade, and which may still be occurring.

Such statistics would reveal, for example, how flexible the labour market has now become. Such statistics would make it reasonable to try and answer the question 'what is the true level of unemployment', and they might make a marginal improvement in the prospects for a reduction in the level of unemployment.

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