

An Integrated Unemployment Series - and beyond

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One of the problems Britain's new Government will have to sort out is how to deal with unemployment statistics. The politics of the dole queue statistics belongs to old Labour. New Labour should not uncritically accept the picture presented by the largely discredited Count of Claimants.

The Royal Statistical Society recommended that the Labour Force Survey Unemployment Series should be used instead of the Count of Claimants (Working Party, 1995). But the LFS Series also has serious defects. To rely on the LFS instead of the Count of Claimants would be like moving a crutch from the left arm to the right.

The LFS Unemployment Series and the Count of Claimants cover different populations. For historical analysis, and for charting progress in the next few years, it would be better to use both crutches. The best short term solution is an *Integrated Series* which would cover those unemployed according to *either* the Count of Claimant *or* the LFS Series. Even the RSS Report stated that 'the union of the CC and the LFS is a valid measure of unemployment ..' (Working Party, 1995, p 380), though the Report did not follow up this promising idea.

The use of an Integrated Series would be to follow the pattern set by the Social Change and Economic Life Initiative (SCELI) Programme of Research based upon surveys made in 1986. The SCELI research recognised and investigated unemployment falling within both concepts on the grounds that it was not possible to maintain a clear distinction (Gallie et al., 1994, pp 7-8).

In the longer term main reliance could well be placed on a restructured LFS. But the current LFS questionnaire bears

the taint of both Thatcherism and Brussels bureaucracy. In order to properly measure unemployment the LFS needs redesign.

Diverging coverage

The Royal Statistical Society Report recommended that the Labour Force Survey sample size should be increased to make it feasible to publish monthly statistics according to the ILO definition of unemployment. The RSS did great service in putting the subject of unemployment statistics on the political agenda. But one crucial omission from the RSS Report was a failure to note that the populations covered by the Count of Claimants and the ILO/LFS Series have diverged.

In 1984, when the annual LFS was started the coverage of the LFS and the Count of Claimants was relatively close. The population common to both series - people counted as unemployed according to both the ILO criteria and the Count of Claimants - amounted to 58% of the coverage of both series. But by 1997 the common coverage had shrunk to 40%.

The Count of Claimants and the LFS Series are both generally assumed to be valid measures of unemployment. The greater the divergence between the population covered the greater the distortion in looking at only one series. The greater the divergence the more important it becomes to cover both populations with an Integrated Series.

Weaknesses in the Count of Claimants

The well known defects of the Count of Claimants are the thirty changes in rules affecting entitlement to Unemployment Benefit made in the 1980s, and the introduction of the Job Seekers Allowance in 1996. These definitional changes themselves make comparability over time difficult. But the effects of these changes in the rules themselves are probably dwarfed by changes resulting from

continued pressure by the Government on Department of Employment officials to reduce the number of claimants.

Beatty et al (1997) point out that the numbers claiming sickness or invalidity benefit increased from 574 thousand in 1981 to 1.8 million by 1995. Beatty et al go on to show that in places like South Wales, Liverpool, the North East, and Glasgow more than twenty percent of men of working age are incapacitated by sickness or benefit.

If their argument is correct, the success of Conservative governments in reducing the number of claimants has created the biggest single problem in using the statistics. In many parts of the country claimant unemployment has, in effect, been disguised by a move to incapacity benefit. Beatty et al calculate that the national 'excess of permanently sick' in Britain in January 1997, estimated by comparisons between the proportions in different parts of the country, amounted to 1.3 millions.

Omissions of the LFS Series

Respondents to the LFS are unavoidably influenced by their interactions with Department of Employment officials. The LFS Series cannot therefore escape from problems associated with the Count of claimants. It is unlikely that many of the 1.3 million people which Beatty et al estimate have become labelled as incapacitated will tell LFS interviewers that they are seeking work and available for work. The LFS Series is supposed to comply with International Labour Office definitions and to be comparable across countries, but, if Beatty et al are right, the social influence of the Claimant regulations and procedures largely erodes that comparability.

Another problem with the LFS Series is that it follows ILO definitions and counts everyone who works more than one hour a week as in employment. So the LFS Series excludes *claimants in employment* - that is claimants who work less than 14 hours a week and earn less than £43 a

week. There are about 300 thousand claimants who are counted as in employment by the LFS Series.

When employment increases the number of *claimants 'in employment'* falls. When employment falls the number of *claimants 'in employment'* increases. In other words this group behaves as if it were composed of people who are unemployed, not as if it were composed of people who are in employment.

A third problem is that the LFS statistics exclude claimants classified as economically inactive. The estimated number of *'economically inactive' claimants* varies widely. At the peak of the 1990 boom there were only 300 thousands. But the number had more than doubled by the winter of 1993/4. In general when employment increases the number of *'economically inactive' claimants* falls. When employment decreases the number of *'economically inactive' claimants* increases. In other words this *'economically inactive' group*, like claimants labelled by the LFS as *'in employment'*, behaves as if its members are unemployed.

The great strength of the LFS Series is that it covers those not entitled to Unemployment Benefit. About half of these *LFS non-claimants* are women. But women account for only a quarter of claimants. The number of *LFS non-claimants* increased steadily in the 1980s, and in the 1990s has hovered with remarkable stability around the million mark.

It would not be reasonable to exclude a million people from being counted as unemployed because they are not entitled to receive Unemployment Benefit. But the pattern of steady growth and stability in the number of *LFS non-claimants*, has occurred independently of major changes in the level of employment. This demonstrates that the LFS Series is not a good measure of unemployment. The sensitivity of the LFS Series to changes in the level of employment depends wholly upon respondents who say that they are claimants.

The RSS Report declared that a monthly LFS Series could displace the Count of Claimants as the headline figure. That view is naive. Neither the government nor the RSS decides on the headlines. The newspapers and other mass media can be expected to continue to give prominence to the Count of Claimants. And they would be right to do so! The Count of Claimants is a better indicator of trends in the labour market than the LFS Series.

The seeking work criterion

It is not a simple matter to explain the lack of sensitivity of the LFS Series, and the explanation offered here is an oversimplification (see Thomas, 'Harmonisation or Bureaucratisation' or 'Conflicts between validity and objectivity', for more detailed accounts). But it appears that the problem centres on the seeking work criterion recommended by the ILO and reinforced by Eurostat and the LFS. In order to qualify for LFS unemployment respondents have to state that they have taken steps to find work in the previous four weeks.

One problem with this criterion is that it excludes those who can be called 'go-getters', who move directly between economic inactivity and employment without apparently going through any seeking work stage. Such people according to the ILO, Eurostat, and LFS criteria are never unemployed.

Another problem with this criterion is that it captures counter cyclical movement. It includes people who were looking for work three weeks earlier, but not those who took steps to look for work after the date of the LFS interview. The evidence seems strong that the population sampled is biased towards those who are marginal to economic inactivity and biased against those who are marginal to employment.

Modification of the seeking work criteria and the associated questions could improve the measurement of unemployment. One possibility would simply be to centre

the reference period on the date of the LFS interview. Respondents could be asked about steps taken in the previous two weeks instead of four weeks. This should reduce coverage of those marginal to economic inactivity rather than to employment. Respondents could be asked about the steps they intended or expected to take to look for work in the next two weeks. Such a question should increase the coverage of those who would otherwise be excluded as 'go-getters' (see Thomas, Ray 'Conflicts between validity and objectivity', forthcoming).

Other reforms needed in the LFS

The strength of the LFS, as distinct from the LFS Unemployment Series, is that it is a survey - so that it is possible to make more socially relevant analysis than would be possible from any administrative series. The LFS provides information on the number of self-employed, on the number of part-time workers, and on the numbers with more than one job. The LFS sample covers a household for five successive quarters - which supports longitudinal analysis.

Many of the questions asked in the LFS relevant to the measurement of unemployment are not well designed. The LFS asks part-time workers, for example, '*why you took a part-time job*'. In the Spring of 1994 a little over 800 thousand people said that they were in part-time work because they had not been able to find full-time work. This statistic has been misleadingly reported under the head 'Reasons for working part-time . . .' (Naylor, 1994). But the substantive problem is that part-time workers are not asked if they would like to work full-time.

The LFS statistics for the number of *claimants in employment* gives only an indicator of the scale of underemployment

because it covers only claimants. Nearly three quarters of claimants in employment are male. But four fifths of part time-workers are women. A question which asked all part-time workers if they would like to work full-time would make it possible for the first time to get a clear idea of the scale of underemployment in Britain.

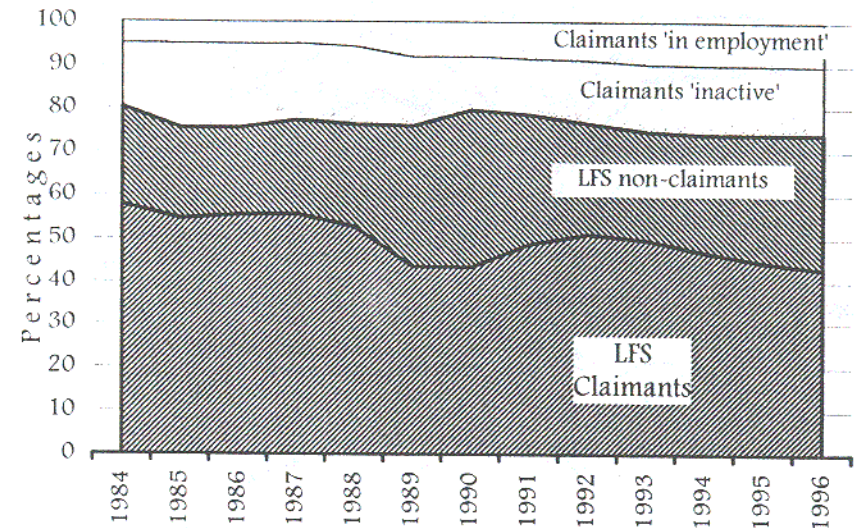
In other areas the LFS asks the questions, but does not publish the answers. The LFS asks people why they don't want to work. Respondents to this question do not appear in any of the unemployment statistic. But those who answer positively to the precoded answer 'Looking after home and family' include those who are given special attention in the Labour government's declaration on one parent families.

The answers to the question '*..what was the main reason you did not want work?*' seem well buried in LFS micro-data. The Department of Employment does not publish the answers to all LFS questions, and there does not appear to have been any major studies of the answers given to this question on reasons for not wanting work.

It would be more difficult to use the LFS to investigate unemployment hidden or disguised by the permanent sickness label, as identified by Beatty et.al. If people have come to believe that they are unfit for employment then they are likely to say to LFS interviewers that they do not want to work, and they are unlikely to declare that they are seeking work or that they are available for work. The LFS could make a start to further investigation by publishing series for the numbers who say that they do not want to work because they are long term sick.

Such reforms of the LFS would take time to implement, and it would take time to assess the results. Until such developments have occurred the most comprehensive way of measuring unemployment is the Integrated Series.

Chart 1 Composition of unemployment in Britain 1984-1996



Notes:

LFS claimants are those counted as unemployed by both the LFS Series and the Count of Claimants. The line above LFS claimants is therefore a measure of the proportion of population common to both measures. Claimants 'in employment' and claimants 'economically inactive' are included in the Count of Claimants, but not in the LFS Series.

The figures come from the LFS conducted in the Spring quarter of each year, except that the total number of claimants corresponds to the published Claimant Series. The distribution of claimants between the different groups is estimated by the LFS because of a shortfall in the number of respondents who say that they are claimants.

Source:

Labour Market Trends

Chart 2 Measures of unemployment, and employment, 1984-1996

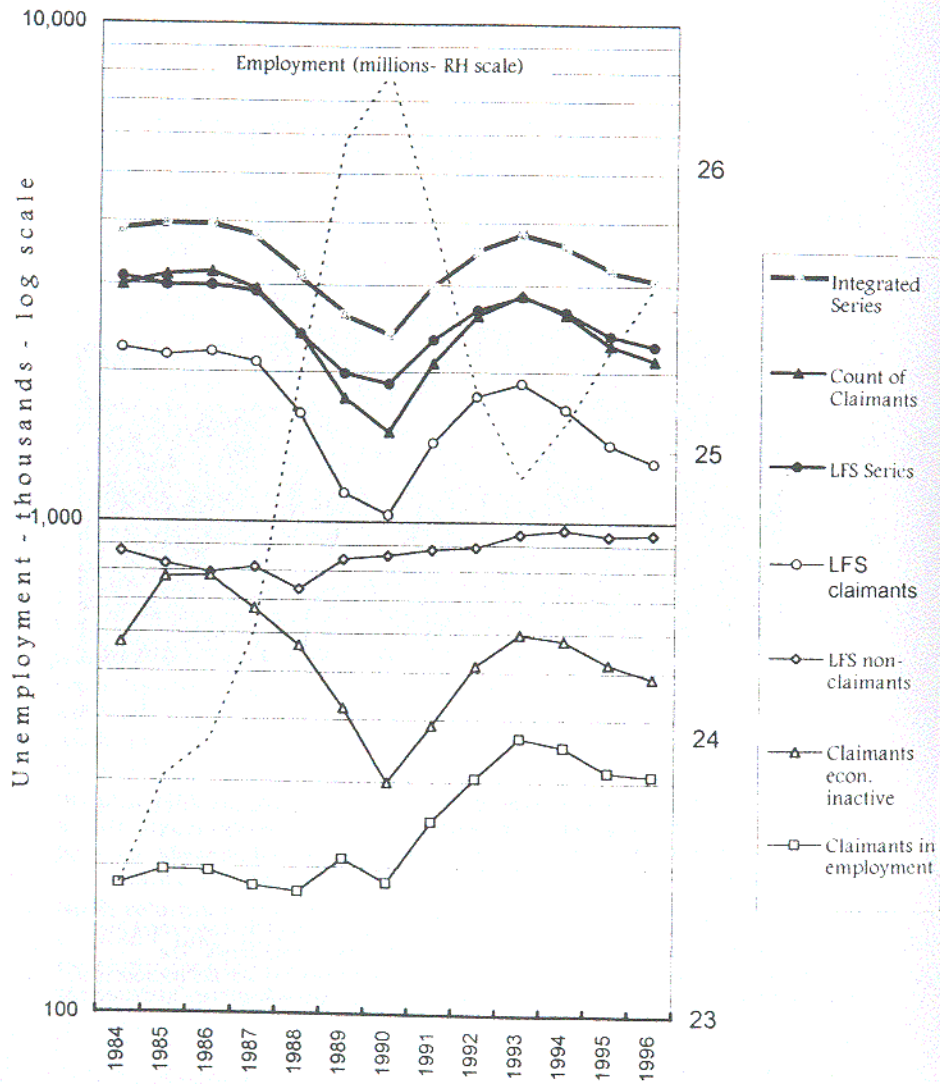
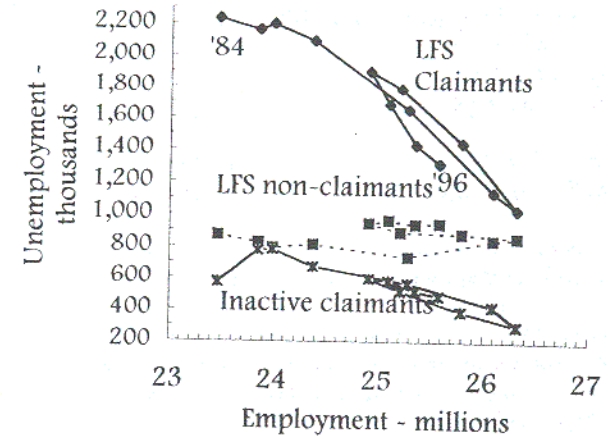


Chart 3 LFS claimants, LFS non-claimants, and Inactive claimants, versus Employment, 1984-1996



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