What harmonised and register unemployment rates do not tell

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Britta Lüdeke (BA)
Agenda

- What should and what do conventional statistics measure?
- How to explain differences in RU and LFS-U across countries?
- „Hidden“ facts in measuring long-term unemployment
- Conclusions
What should unemployment figures tell us?

- Entire job deficit in the economy?
- Lack of work providing a living wage?
- Jobless people actively seeking for work?
- How many people actually have an employment problem?
### What do RU and LFS statistics measure?

#### Similar criteria but diverging operationalisation

<table>
<thead>
<tr>
<th></th>
<th>RU</th>
<th>LFS</th>
</tr>
</thead>
<tbody>
<tr>
<td>…to be without work</td>
<td>DE &lt; 15 hs  AT: Income threshold</td>
<td>&lt; 1 hs</td>
</tr>
<tr>
<td></td>
<td>NL &lt; 12 hs  FI &lt; 4 hs</td>
<td></td>
</tr>
<tr>
<td>…to seek “actively”</td>
<td>To register with the PES</td>
<td>De facto job search:</td>
</tr>
<tr>
<td></td>
<td>More active forms of job search (IAPs,</td>
<td>list of options</td>
</tr>
<tr>
<td></td>
<td>regular job interviews; defined</td>
<td></td>
</tr>
<tr>
<td></td>
<td>search requirements)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>differ across countries</td>
<td></td>
</tr>
<tr>
<td>To be available</td>
<td>„immediately“</td>
<td>To start working within</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the next 2 weeks</td>
</tr>
</tbody>
</table>
How to explain differences in the relation between RU and LFS-U across countries?

Relation registered unemployed / LFS-unemployed 2014

Source: Eurostat, national statistics (UK, IT, ES, IE)
Relation registered unemployed / LFS-unemployed 2014

Relation registered unemployed / LFS-unemployed 2004

Source: Eurostat, national statistics (UK, IT, ES, IE)
Common features across countries

Relation registered unemployed / LFS-unemployed for age groups

Source: Eurostat, national statistics

Graph DE 55+

Relation for age group < 25 years - relation total
Relation for age group 55 years and older - relation total

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Common features across countries

- Younger age groups (15-24): LFS unemployment > RU
  - Students looking for a job
  - Not eligible for unemployment benefits

- Older age groups (55+): RU > LFS unemployment
  - Relaxed obligations to seek work
  - Receipt of unemployment benefits or early retirement pension
Main reasons for RU/LFS–U differences

- ALMP participation usually break unemployment spells in RU statistics, but not necessarily in LFS statistics

- But: Individuals in subsidized employment are usually counted as employed in the LFS

- Changes over time mainly due to
  - Increase / decrease of ALMP
  - Institutional regulations; e.g. use of disability/ early retirement as exit routes out of labour force
  - activation; e.g. abolition of existing exemptions from active job search for older unemployed
Country-specific regulations influence response behaviour in “harmonised” labour force surveys

Labour market status of working age population 15-64 in %

**Germany**
- Employed: 69.3%
- Unemployed: 3.6%
- Inactive (total): 27.0%
  - Inactive due to (early) retirement: 8.9%
  - Inactive due to illness / disability: 4.1%

**Austria**
- Employed: 66.9%
- Unemployed: 4.0%
- Inactive (total): 29.1%
  - Inactive due to (early) retirement: 13.1%
  - Inactive due to illness / disability: 5.3%

**UK**
- Employed: 67.6%
- Unemployed: 4.5%
- Inactive (total): 28.0%
  - Inactive due to (early) retirement: 8.9%
  - Inactive due to illness / disability: 6.3%
ALMP = main reason for differences in the relation between RU and LFS-U

Sweden: ALMP participation explains low RU

Source: Eurostat, AMS Sweden
Activation requirements change RU/LFS-U relation over time

Germany: Stricter job search requirements

Graph 55+

Source: Eurostat, Statistik der Bundesagentur für Arbeit

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“Hidden” facts in measuring long-term unemployment

- Official long-term unemployment = 12 months *continuously* unemployed

- But unemployment spells are often interrupted and continue without proper regular employment between unemployment spells

- Both statistics do not adequately reveal long-term exclusion from regular employment

- Measuring the sum of individual unemployment spells in a longer period (chronic unemployment) shows a distinct picture
Finland and Germany compared:
Consistently large differences in LTU rates (LFS)

Long-term unemployment (12 months or more) as percentage of total unemployment

Source: Eurostat
... but similar dynamics of individual unemployment careers in a longitudinal perspective

Chronic unemployment in Finland and Germany, 2006-2013

Source: IEB (Germany) and Statistics Finland

Chronic unemployment of labour force (GER)
Chronic unemployment of total unemployment (GER)
Chronic unemployment of labour force (FIN)
Chronic unemployment of total unemployment (FIN)
Conclusions

- Unemployment figures do not tell us exactly how many people actually have an employment problem

- Conventional statistics do not adequately reveal long-term exclusion from regular employment

- Country-specific institutional and social security regulations still have an important influence on internationally “harmonized” unemployment statistics

- Importance of recurrent unemployment spells (chronic unemployment) needs to be taken into account when monitoring unemployment and evaluating policy measures
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Back up
Labour market measures - treatment of breaks in the unemployment spell

<table>
<thead>
<tr>
<th></th>
<th>Unemployed</th>
<th>Active measure</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Broken</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duration at the end of each month</td>
<td>1 2 3 4</td>
<td>0 0 0 0</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>Person is counted as registered unemp.</td>
<td>Y Y Y Y</td>
<td>N N N N</td>
<td>Y Y Y Y</td>
</tr>
<tr>
<td><strong>Suspended</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duration at the end of each month</td>
<td>1 2 3 4</td>
<td>4 4 4 4</td>
<td>5 6 7 8</td>
</tr>
<tr>
<td>Person is counted as registered unemp.</td>
<td>Y Y Y Y</td>
<td>N N N N</td>
<td>Y Y Y Y</td>
</tr>
<tr>
<td><strong>Continuous/Continuous</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duration at the end of each month</td>
<td>1 2 3 4</td>
<td>5 6 7 8</td>
<td>9 10 11 12</td>
</tr>
<tr>
<td>Person is counted as registered unemp.</td>
<td>Y Y Y Y</td>
<td>Y Y Y Y</td>
<td>Y Y Y Y</td>
</tr>
<tr>
<td><strong>Continuous/Discontinuous</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duration at the end of each month</td>
<td>1 2 3 4</td>
<td>5 6 7 8</td>
<td>9 10 11 12</td>
</tr>
<tr>
<td>Person is counted as registered unemp.</td>
<td>Y Y Y Y</td>
<td>N N N N</td>
<td>Y Y Y Y</td>
</tr>
</tbody>
</table>

Source: Eurostat
### Labour market measures - treatment of breaks

<table>
<thead>
<tr>
<th>Country</th>
<th>Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT</td>
<td>Broken if activation periods &gt; 28 days</td>
</tr>
<tr>
<td>DE</td>
<td>Broken except activation measures (continuous/discontinuous)</td>
</tr>
</tbody>
</table>
| ES      | Broken: All measures that include a job contract  
          Suspended: Training measures and any other intervention |
| FI      | Always broken                               |
| FR      | broken                                      |
| IE      | Some measures - broken, others continuous  
          live register in IE not used for national RU-statistics |
| NL      | Always broken                               |
| PL      | Nearly always broken (except one measure)   |
| SE      | Always broken                               |
| UK      | Some measures: broken, others no answer      |

Source: Eurostat
Influence of social policy regulations on RU DE: Changes w.r.t. job search requirements for older workers

Unemployment - Register data and Labour Force Survey Germany

Graph DE  Common features

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How we define chronic unemployment (CU)

= Out of regular labour market for long (= at least two consecutive years) while still in labour force (= each year employment + unemployment + ALMP participation more than half of the year) and/or regular employment < 30 days / year

**Germany**: Consistently *higher level of LTU than CU* but LTU and CU follow a similar trend

**Finland**: Consistently *lower level of LTU* than CU
Efforts to improve ILO statistic: Supplementary indicators to capture „disguised” unemployment

- Unemployed
- Inactive

Persons available but not seeking
Persons seeking but not available
Potential additional labour force
Efforts to improve national statistics: Finland use of broader concept to capture those difficult to employ

**MEE employment service statistics, January 2013**

<table>
<thead>
<tr>
<th>Unemployed</th>
<th>Difficult to employ</th>
<th>Long-term unemployed</th>
<th>Repeatedly unemployed</th>
<th>From ALMP to unemployment</th>
<th>From ALMP to ALMP</th>
</tr>
</thead>
<tbody>
<tr>
<td>294,100</td>
<td>151,722</td>
<td>67,542</td>
<td>40,142</td>
<td>39,883</td>
<td>4,155</td>
</tr>
<tr>
<td>= 52%</td>
<td>= 23%</td>
<td>= 13,7%</td>
<td>= 13,6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Graph showing trends from 2005 to 2014 with categories Recurrent participation in ALMP, Unemployed after participation in ALMP, Recurrent unemployment, and Long-term unemployment.