Economic Perspective

UNOFFICIAL UNEMPLOYMENT ESTIMATES - A COMMENT

by Elizabeth Tait

By any criterion - social, economic or political - The Department of Employment's statistics of unemployment are among the most important to be publisned. The monthly statistics in particular represent the primary source of current information on unemployment and, as such, command considerable media attention. Increasingly, however, eacn month's figures have met with growing scepticism about their ability to reflect the true level oi joolessness in the economy. As a resulo, alternative unofficial estimates of unemployment, from the modest to the extreme, have proliferated. For example, in July 1983 when officially recorded unemployment in Scotland was 330,342, unofficial estimates* range from approximately 350,000 to over 500,000. The purpose here is to explore the factors which have led to such divergent estimates for unemployment.

In October 1982, the transfer oi the unemployment count from a manual register-based system to the computerised claimant-based system coincided with cnanges in the method oi payment of benefits. Details of these cnanges have been well documented elsewhere**. An important consequence of these changes has been the introduction of major discontinuities not only in the total and seasonally adjusted unemployment time series but also in unemployment rates, unemployment/vacancy ratios and other series derived from them. Although there are certain advantages associated with these changes, these have been gaineu at the expense of comparability of available data which makes analysis of trends in unemployment extremely difficult.

Unofficial attempts to resolve this problem have centred on the estimation of what the monthly totals of unemployment since October 1982 would have been had the old system still been in operation. Inadequate supplementary data on the groups of people most affected by the changeover militates against accuracy but some indication of the likely extent of the difference in the unemployment totals on the old and new systems can be obtained by looking at the respective figures for total employment between May and October 1982 when the Department of Employment operated the two systems in tandem. Total unemployment on the old basis was 9.9% higher on averag_ than the claimant basis*** and 11.5% higher in July, the month in which unemployment among school leavers tended to peak on the old system. Applying these percentages to the claimant basis figure of 330.3 for July 1983, a rough estimate of between 363.0 and 368.3 thousand for total unemployment on the old system is obtained. Although subject to a wide margin oi error, the above calculation provides a crude benchmark against which some of the unofficial estimates appear at first glance to be improbably high. The explanation for this lies partly in differences in the definition of unemployment, with data shortcomings also providing scope for considerable variations.

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* **Glasgow Herald** 5/8/83 Mr James Milne, General Secretary of the STUC

** **Department of Employment Gazette** "Compilation of the Unemployment Statistics, September 1982

*** Beal, D, **Quarterly Economic Commentary**, Fraser of Allander Institute,February 1983

In the broadest sense, unemployed labour consists of people, available for and willing to work at current wages and conditions. The published figures do not measure this, indeed do not purport to do so. Rather they record the number of claimants for particular classes of benefits, while the old series recorded the number registered as available for work, not all of whom were claimants.

The definitions of unemployment underlying alternative unofficial estimates at the upper end of the range are based to varying degrees on the view that both old and new systems understate the true number of people out of work in Scotland and that some account must be taken of hidden or disguised unemployment. Thus, according to these approaches, estimates of all those believed to be looking for work, but not included in the count, should be added to the monthly total of recorded unemployment. An estimate of the size of this category is difficult to obtain because by definition it is by and large unrecorded but some indication of its relative size can be obtained from the **1981 Labour Force Survey** which estimated that in 1981 there were approximately 400,000 unregistered unemployed in the UK as a whole, i.e approximately 17% of total registered unemployment, of which Scotland's share would be about 58,000. Since the **1981 Labour Force Survey** was conducted prior to the recent change to the claimant basis, it is likely that this figure significantly under-represents the number of unregistered unemployed in July 1983, particularly since it is known that almost 24,000 school leavers were excluded from the count that month. In July 1983 there were in addition over 60,000 people on government schemes in Scotland, approximately 40,000 of whom, according to the Department of Employment, would otherwise have been unemployed. It can also be argued that an estimate of the number of discouraged workers, i.e. those who have given up the search for employment but would take jobs if they became available, should be included. The Department of Employment provides no estimate for this group in the belief that in the UK their numbers are small and their identification open to dispute.

These various adjustments combined indicate thus far that unofficial estimates which imply a level of joblessness in excess of 450,000 appear plausible. From these estimates, however, must be deducted some estimate of the number of people who are recorded as unemployed but are not in fact looking for work. Various surveys carried out between 1979 and 1981 put this figure at anywhere between 10-20% of registered unemployment in the UK, which in the Scottish context could be between 35,000 and 70,000 people. However these statistics are based on sample surveys and are subject to a high degree of uncertainty. The only unambiguous conclusion that can be drawn is that there is insufficient information to permit a reduction in the potentially very wide margins of error associated with the unofficial estimates based on a wider view of unemployment.

Some important conclusions follow from the implication that actual joblessness may be much higher than official statistics indicate. If there is not to be undue emphasis on the monthly count but that it is nevertheless to remain an indication of the level of unemployment, then detailed information on all categories, both registered and unregistered, must be forthcoming on a frequent, consistent and regular basis. From 1984 the annual **Labour Force Survey** will provide some relevant data. Secondly, to the extent that the level of joblessness in the economy is understated by the official figures, there is less scope for reductions in recorded unemployment since any additional jobs created in the economy will partly be taken by the non-registered unemployed. Finally, failing to measure the number of people who genuinely seek work but cannot find it may result in the denying of adequate resources to the alleviation of unemployment.