

A job-creating powerhouse? The way we measure unemployment can lead to misleading conclusions

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“Our economic plan has helped deliver sharp falls in long-term youth unemployment”, wrote the Conservatives in their 2015 [manifesto](#). But how we measure unemployment, and what we interpret those measures to mean can be misleading, argues [Monica Threlfall](#). She explains that percentages illustrating a proportion of the labour force are often reported as if illustrating a proportion of the entire population, leading to flawed conclusions regarding the predicaments or successes of entire age groups.



Ever since the economic crisis hit Europe, Greece and Spain have attracted media attention over their astoundingly high youth unemployment. Leading economic analysts have decried that over half of these countries' young people – 58 per cent and 55 per cent respectively in 2013 – are jobless and desperate. By contrast, the UK's youth unemployment rate was 'only' 21 per cent. More recently the spotlight on France has spawned commentary around their 'youth unemployment' of 40 per cent as a possible cause of discontent and radicalisation in the Paris banlieues.

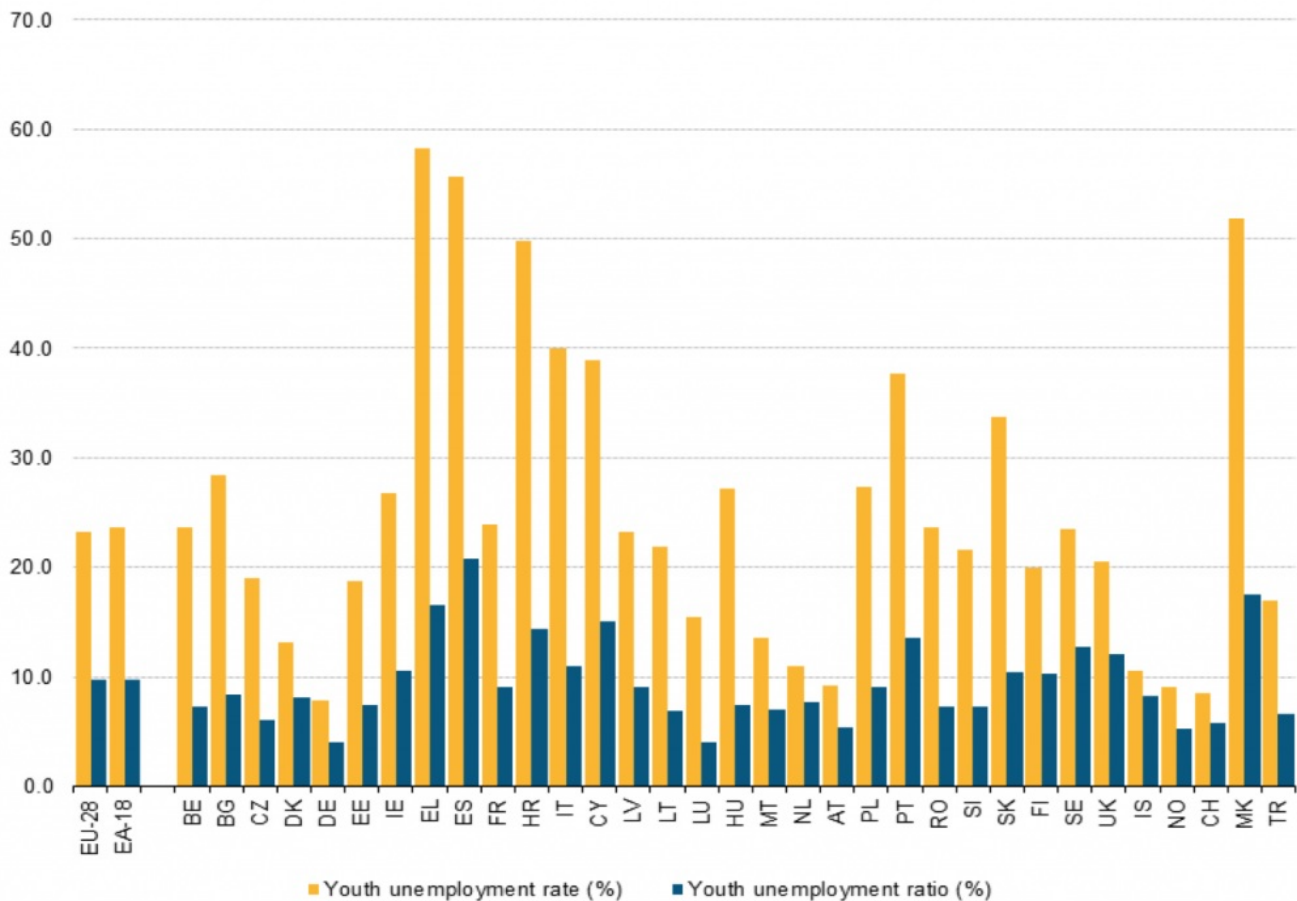
Are these figures wrong, or are they misinterpreted? The percentages weren't wrong as such. What has been and remains problematic is analysts' and commentators' understanding of unemployment rates. Let us remember the unemployment percentage is only a proportion of the labour force, not of the population. So it's wrong to assert that 50 per cent or even 20 per cent of young people are unemployed.

Furthermore, the labour force is a fuzzy concept that few can visualise clearly. It is made up only of people in paid employment (that means working at least one hour a week) together with those who have done not a single hour of paid work but are [actively searching](#) for employment. The term 'labour force' excludes all who have found a job but cannot start immediately; those who have given up their active search for a paid job but still want one; all who do unpaid care work at home or for relatives; as well as students and pensioners. So the unemployment rate is the percentage of the unemployed within the whole cake of unemployed and employed together – a cake already shrunk by excluded 'ingredients'.

But for an accurate political discussion of unemployment, and especially a useful one for understanding unemployment among the young (aged 16-25) and among core age women of 25-49 (covering the long child-rearing age), there is a better statistic: the unemployment *ratio*, which is the percentage of unemployed over the population of those age/gender groups. This is not based on the labour force, but on the hard data of population censuses.

Differences between the two measurements can make a dramatic difference to interpretation. Yet even renowned economic analysts and commentators have tended to confuse the two measurements and conflate the 'young labour force' (the basis of the unemployment *rates*) with the 'young population' (the basis of the unemployment *ratios*). As a result, public political discussion has been distorted. For instance, much of public opinion in Britain believed that over half of Greek or Spanish youth are unemployed, when the actual figure was closer to 16 per cent and 20 per cent respectively, and this had gone down to 15 and 19 per cent by [the end of 2014](#). The confusion was due to writers having given us the correct figure for the unemployment rate but interpreted it as if it were the figure for the young population.

Figure 1: The Youth Unemployment Ratio (proportion of young population) contrasted with the Youth Unemployment Rate (proportion of labour force), by EU country and totals



Source: Eurostat latest all-EU harmonised whole year averages for 2013 (see [data table](#)).

The graph shows that such confusion makes a startling difference, and why it cannot be ignored in debates about the crisis. The yellow columns of unemployment rates do show that Greece and Spain (and Croatia and Macedonia) have double the unemployment rates over labour force than others, including the UK. Nonetheless the UK's performance is 2 to 3 points worse – not better than – the EU-28 average. By contrast, the dark blue unemployment ratios show that the young population is a great deal less affected by unemployment and in this context, the UK has a greater proportion of young unemployed among its population than Denmark, Germany, France, even Poland and other Eastern European countries, and more than the EU average. In fact, the UK's performance – in unemployment ratio over youth population terms – is the 7th worst of all. This means that our public conversations need to recalibrate previous flattering or nationalistic comparisons of the UK to the EU.

Of course neither the rate nor the ratio are measurements that should be used as synthesis indicators of a country's complete labour market performance – yet they are consistently published as if they did. Many young people in apparently underperforming high unemployment economies may simply have stayed on longer in education, which is currently seen as a good thing in general, yet it shrinks the young labour force. This automatically makes the number of unemployed look like a larger proportion of a smaller labour force. It means that high unemployment rates may paradoxically hide the positive phenomenon of better education.

But equally, young graduates may have withdrawn from the labour market, no longer seeking jobs, disillusioned and not counted as 'active', thereby reducing the number counted as unemployed. This may be the case in the countries that show up as having much lower unemployment ratios than rates. Their young people may simply have been classified as 'inactive', so are left out of the whole unemployment debate and are only present within the population statistics. A concern for the size of the truly 'inactive' young persons has already led to the creation of the NEETs indicator (not in employment, education or training), which has become a revealing social indicator for some young

people's difficult predicament. But it is a composite of several social indicators rather than the result of the enormous Europe-wide Labour Force Survey that provides abundant harmonised data for international comparisons.

Of course the problem of the casual mini-jobs and of the forgotten 'inactives' are not the only contested issues in research on employment, and Guy Standing has published a number of challenges to the Labour Force Survey, culminating in the call to 'Reform labour statistics' in [A Precariat Charter](#). There are enough critiques now to show that a full reformulation of the International Labour Organisation's data-gathering procedures is urgently needed, given the unrealistic active/inactive criterion, and the fact that it is far too difficult to be classified as unemployed and far too easy to be ticked off as employed.

But so long as the International Labour Organisation convention retains the one hour of paid work = 'employed', northern hemisphere countries with efficient counting of their myriad mini-jobs that are impossible to live on – such as the UK – look like economic powerhouses instead of being reminiscent of the old 'under-developed' world. And this is even before challenging the conventional obliteration of the socially necessary yet unpaid care work from public understanding of productive activity and how people earn their living.

Note: This article gives the views of the author, and not the position of the British Politics and Policy blog, nor of the London School of Economics. Please read our [comments policy](#) before posting.

About the Author

Monica Threlfall is Reader in European Politics at London Metropolitan University



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