Differences between Unemployment and the Claimant Count[1]

Introduction

The purpose of this article is to explain the differences between the claimant count and the headline measure of unemployment. The article also considers issues related to both measures and provides some guidance for use when looking at short term change in the labour market at a Wales level.

Summary

There are two measures that can be used to describe unemployment:

1. The International Labour Organisation (ILO) measure of unemployment from the Labour Force Survey (LFS), which essentially captures people who are currently not working, but are available for work.
2. The actual number of people claiming unemployment benefits (mainly Jobseeker's Allowance (JSA)), also known as the 'claimant count'.

At the Welsh level the LFS based headline unemployment estimates are best used to describe levels and rates of unemployment at any one point in time and when considering changes over longer periods of time. Claimant count data are best used to describe short term changes in the Welsh labour market and unemployment for small areas. However, as noted later, the claimant count is not a complete measure of unemployment so caution is advised in interpreting the claimant count changes as changes in unemployment. The claimant count has the advantage of timeliness as compared with the LFS data.

Unemployment

Headline estimates of unemployment are taken from the Labour Force Survey which is based on a sample survey of 2,500 households a quarter in Wales. Unemployed people are defined as "without a job, want a job, have actively sought work in the last four weeks and are available to start work in the next two weeks or are out of work, have found a job and are waiting to start it in the next two weeks". As it comes from a sample survey this means that the reported change in the level or rate of unemployment may differ slightly from the true change. Because of this, users are advised to be cautious when considering the quarterly change in the Labour Force Survey unemployment results for Wales and to consider changes over several quarters. The unemployment estimates are wider than the claimant count and used by all members of the EU and other countries and internationally agreed.

Date of Publication: 13 July 2010
Next update: Not a regular output
Author: John Morris (Economic and Labour Market Statistics) and Jarlath Costello (Economic Advice Division)
E-mail: economic.stats@wales.gsi.gov.uk
Telephone: 029 2080 1401

1 Notes on the use of statistical articles can be found at the end of this document.

Claimant Count

The Jobseeker's Allowance (or "claimant count") figures are not based on a sample survey, but are based on the actual number of people claiming Jobseeker's Allowance. This means the Jobseeker's Allowance figures are not subject to any survey based error. The claimant count is calculated on a monthly basis (based on one specific day of each month) meaning that it is produced in a more timely fashion than unemployment. For example the official unemployment estimates in July 2010 will cover the period March to May, while the claimant count will cover the month of June. It is however, a narrower measure of unemployment, and as such does not cover all unemployed people.

An Economic and Labour Market Review article published by the ONS at the same time as this article presents analysis of the groups of people that make up the gap between the two series (Clancy G and Stam P, 'The difference between Unemployment and the Claimant Count').

Presentation of Charts in this Article

Please note that in all of the charts in this article the claimant count has been adjusted to be on a similar basis to the headline unemployment estimates, i.e. a 3 month rolling average. Both are based on the seasonally adjusted estimates which introduce an element of uncertainty to the claimant count. Unemployment, which is usually shown for those aged 16 or over, is shown here for those aged 16 to State Pension Age (SPA) to be comparable to the claimant count (as those above SPA cannot claim JSA). Finally, when making comparisons between unemployment and the claimant count, it is best to use 18 to SPA as most 16 and 17 year olds are not eligible to claim Jobseeker's Allowance. Although the comparisons in this article are based on the age range 16 to SPA the broad messages are still appropriate. This is because the inclusion of 16 and 17 year olds changes the levels rather than the trends of the two series. 16 and 17 years olds are however one factor in explaining the differences in the levels of the two series. This is explored further later.

The ONS regularly publish comparisons of unemployment and the claimant count on their website based on 18 to SPA. This can be found in Annex 3 of:
http://www.statistics.gov.uk/downloads/theme_labour/LMS_QandA.pdf

Differences between the claimant count and unemployment

The headline measure of unemployment is the International Labour Organisation (ILO) measure recorded by the Labour Force Survey (LFS) and hereafter referred to as unemployment. For the purpose of the ILO measure, unemployed people are: "without a job, want a job, have actively sought work in the last four weeks and are available to start work in the next two weeks or are out of work, have found a job and are waiting to start it in the next two weeks".

The LFS is a random household survey of approximately 50,000 households in the UK a quarter, including 2,500 households in Wales, conducted by the Office for National Statistics (ONS). Results are published on a monthly basis for the average of three consecutive months. The latest data at the time of this being published are for the months February – April 2010 and show 123,000 people were classified as unemployed in Wales, equivalent to 8.5 per cent of the economically active population aged 16 and over (the number of people in employment and the number of people who were unemployed).

The claimant count is the actual number of people claiming Jobseeker's Allowance (JSA). Claimant count data are published each month and record the number of people claiming JSA on one particular day of a given month. At the time of publishing this article the latest data are for May 2010. These show 72,500 people claimed JSA in Wales, equivalent to a claimant count rate of 5.1 per cent of the workforce (using a different definition to the LFS - the number of jobs plus the number of people claiming JSA).

A large degree of overlap exists between the claimant count and unemployment. Unemployment is defined primarily by those who are looking for work, so most JSA claimants should be covered in the LFS estimate. However, some JSA claimants will not be considered unemployed by the LFS, for example if they work few hours then they would be considered employed by the LFS, and some claimants may be inactive. On the other hand, not all those classified as unemployed are eligible for JSA. Some unemployed people do not wish to claim JSA. Other unemployed people are ineligible for JSA because they may be too young, their non-employment income is too high, their spouse's income may disqualify them, they have voluntarily left employment or they may be full-time students looking for work.

Both unemployment and the claimant count are official statistics.

Figure 1 explains why the rates of change may differ in the two series.

Figure 1: Summary of main factors affecting the gap between unemployment and the claimant count

Factors widening the gap (for example, unemployment rising faster than claimant count or the claimant count falling faster then unemployment)	Factors narrowing the gap (for example, unemployment falling faster than the claimant count)
Inactive[2] people who are not claiming JSA (and thus not in the claimant count) starting to look for work and becoming unemployed – perhaps when they see the job market improve.	Unemployed people who are not claiming JSA moving into education, retirement etc. or just ceasing to look for work (perhaps when they perceive few jobs are available – discouraged workers).
People becoming unemployed but not eligible for, or choosing not to claim, JSA. For example, people with enough money, a partner at work and those leaving their job voluntarily.	Unemployed people who are not claiming JSA finding work.
Existing JSA claimants beginning to seek work. While JSA claimants should actively seek work, some may not do so and would not count as being unemployed	Existing JSA claimants ceasing to seek work.
Claimants employed for a few hours (not enough to lose JSA entitlement) becoming unemployed.	Unemployed JSA claimants finding work for less than 16 hours a week but still being eligible to claim JSA.
Employed claimants working a few hours a week finding more substantial work and thus becoming ineligible for JSA.	

Source: ONS

The LFS level and rate of unemployment have typically been higher than the claimant count level and rate of unemployment, but the gap does vary, especially for men. Figure 2 shows the unemployment and claimant count levels since 1992 for Wales and Figure 3 shows the levels by gender. Whilst for women the claimant count level has always been lower, for men this has not always been the case. The claimant count for men during the early 1990's was above the unemployment estimate. This may have been because as the labour market worsened, some existing unemployed people became discouraged and stopped actively looking for work whilst still claiming benefits. They would therefore move from unemployment to economic inactivity but would still be recorded in the claimant count. When the labour market improved, however, people who have previously felt that few jobs were available may have started to actively look for work thereby moving from inactivity to unemployment. The gap between the claimant count and unemployment for men was substantially affected by the economic cycle, as the claimant count exceeded unemployment during periods of high unemployment in the past, with the gap between the two measures being largest when the claimant count was at its highest. However during the most recent recession this has not been the case. From the mid-1990s onwards, as the labour market improved, male unemployment exceeded the claimant count.

In 1996, the male claimant count exceeded unemployment by over 100,000 at a UK level (around 6,000 in Wales), but in 1997 male unemployment was only marginally higher than the claimant count. This turnaround in the gap between the two measures in 1996 and 1997 is partly due to the introduction of JSA in October 1996. A range of measures were introduced to encourage more successful job search, and, crucially, checks to ensure claimants were actively seeking work and fulfilling the eligibility criteria were increased. It has been estimated that the introduction of JSA led to the removal of around 100,000 to

[2] Inactive people are defined as those not in employment and not unemployed. This includes for example those who are retired, students who are not working or actively looking for work, those looking after the family home and those persons who are long-term sick.

200,000 claimants from the count at the UK level compared with what was expected at that point in the labour market cycle. However, only 15,000 to 20,000 of the fall at a UK level was identified as arising directly from a change in benefit rules and, as such, was taken into account when revising the claimant count estimates to maintain a consistent time series.

An Economic and Labour Market Review article published by the ONS at the same time as this article presents analysis of the groups of people that make up the gap between the two series (Clancy G and Stam P, 'The difference between Unemployment and the Claimant Count'). The article shows that men have historically been the main drivers of the gap, but since 1998 the main reason for the gap growing (i.e the claimant count falling faster than unemployment) between the two series at a UK level is due to those aged 18-24. The largest groups that are currently contributing to the gap are females aged 25-49 and 16-17 year olds. Further analysis also shows that the gap has also increased for those who have been unemployed for longer durations (mainly 12 months or more).

Figure 2: Unemployment and claimant count levels, Wales

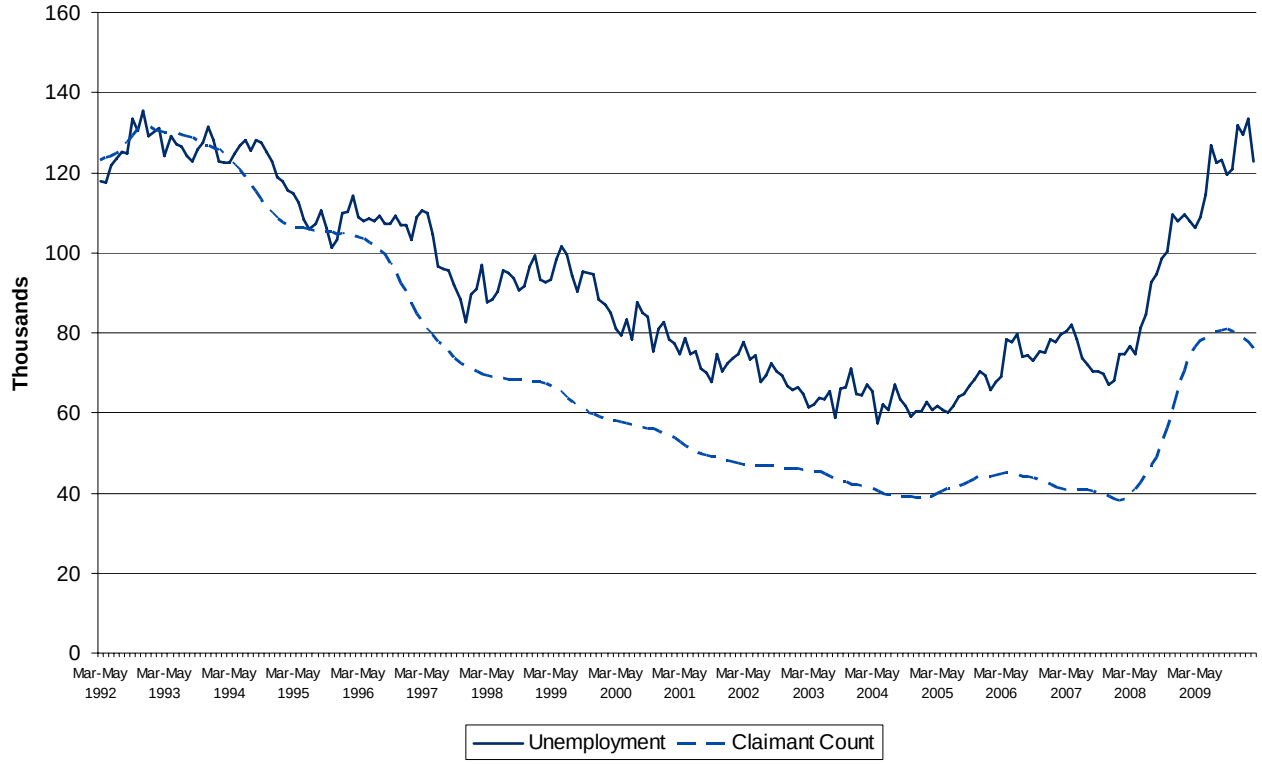
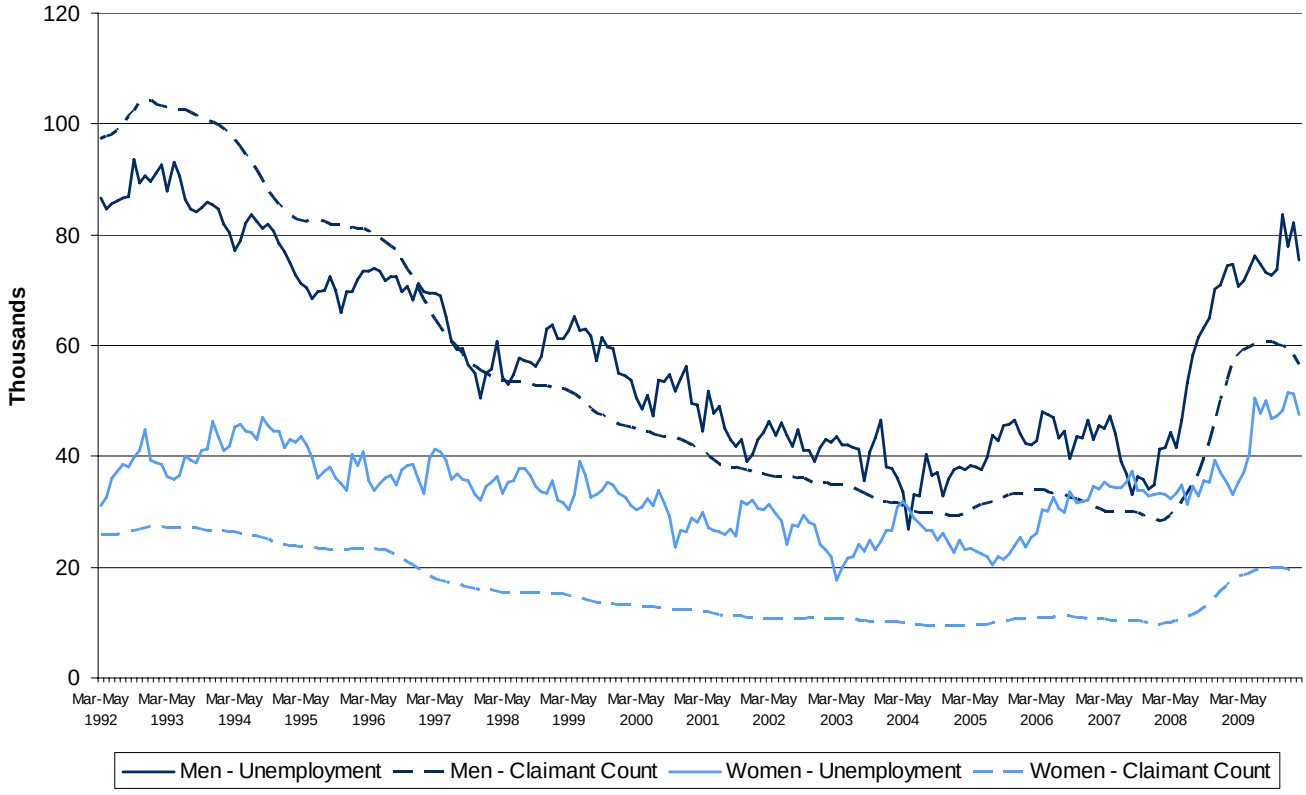


Figure 3: Unemployment and claimant count levels by gender, Wales



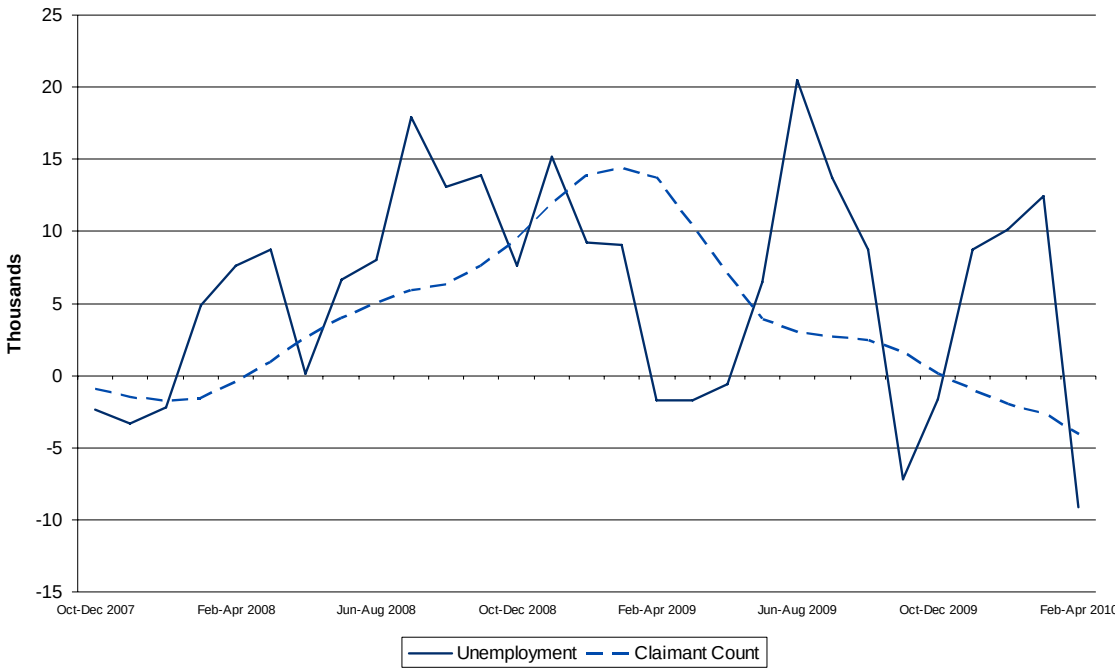
Measuring change using unemployment and the claimant count

As the LFS measure of unemployment is based on a sample survey, the results taken from it are subject to sampling variability; that is the true value for the level or change in unemployment lies in a range around the reported level or change in unemployment. Sampling variability is inversely related to the sample size. The LFS sample size for Wales is relatively small - at 2,500 households a quarter - and therefore the sampling variability can be quite large. For example, the level of unemployment in the three months February to April 2010 was reported at 123,000 people. Although we would expect the true value to be close to 123,000, it is possible that it was quite different from this. Statistical theory tells us that we would expect the true value to lie between 105,000 and 141,000 on 95 out of 100 occasions such a sample was drawn[3]. In respect of the decrease from the previous quarter, for which the central estimate was a reduction 10,000 people, we would expect true value to lie between a decline of 29,000 people and an increase of 9,000 people 95 times out of 100[3].

The large degree of sampling variability in the LFS data for Wales means that the unemployment estimates can be volatile when looking at changes from quarter to quarter. Accordingly, ONS advises users not to place too much emphasis on quarterly LFS results in isolation for Wales (and indeed the other devolved countries and English regions) and to consider the claimant count in parallel. Figure 4 overleaf illustrates the point with the volatility in quarterly changes in unemployment shown clearly. In contrast, movements in the claimant count data demonstrate much less volatility. Indeed, the relationship between quarterly changes in unemployment and the claimant count appears weak in Wales due to the smaller sample sizes for the LFS. Volatility in unemployment is much less pronounced at UK level because of the larger LFS sample size and larger population of interest which means that movements in UK unemployment tend to be similar to movements in the UK claimant count. (Please note though, that although the two series do generally track each other, there may be times when the rate of change in the two series is different, as is explained in Figure 1.)

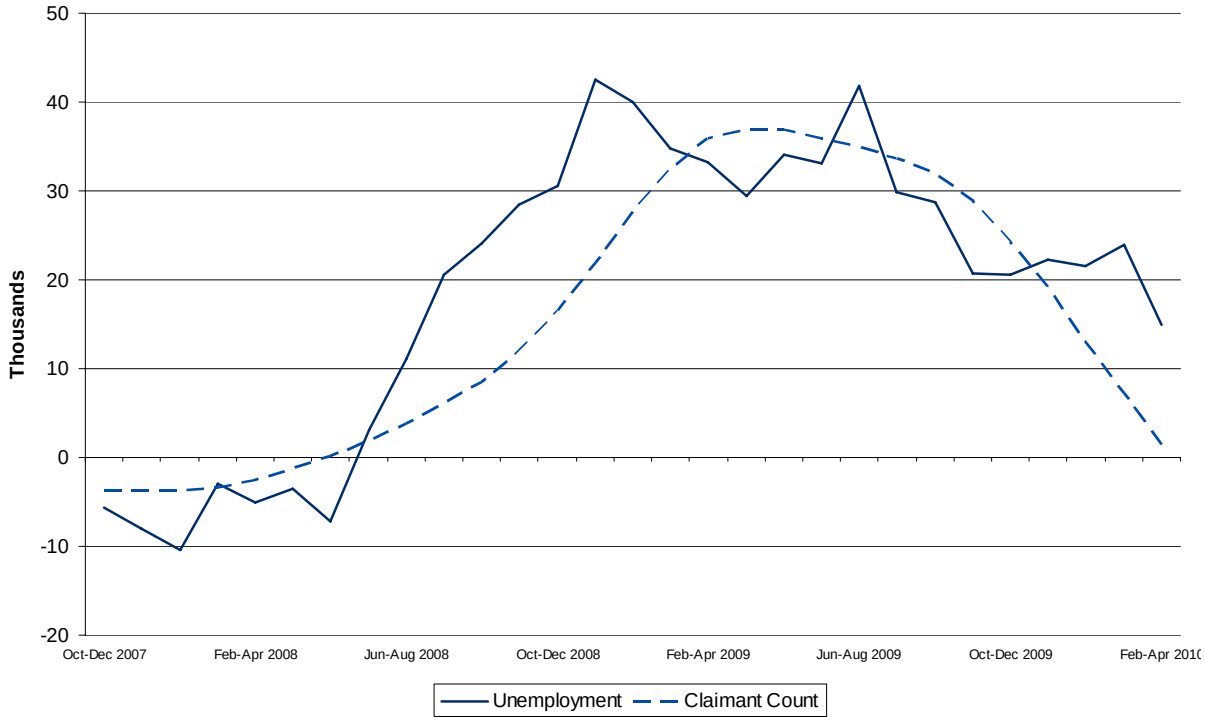
[3] This is referred to as a 95 per cent confidence interval. This means that 95 times out of a 100 the true value would lie in this range, with the true value being close to the estimated value most of the time.

Figure 4: Changes over the quarter[4] for Wales (16-SPA)



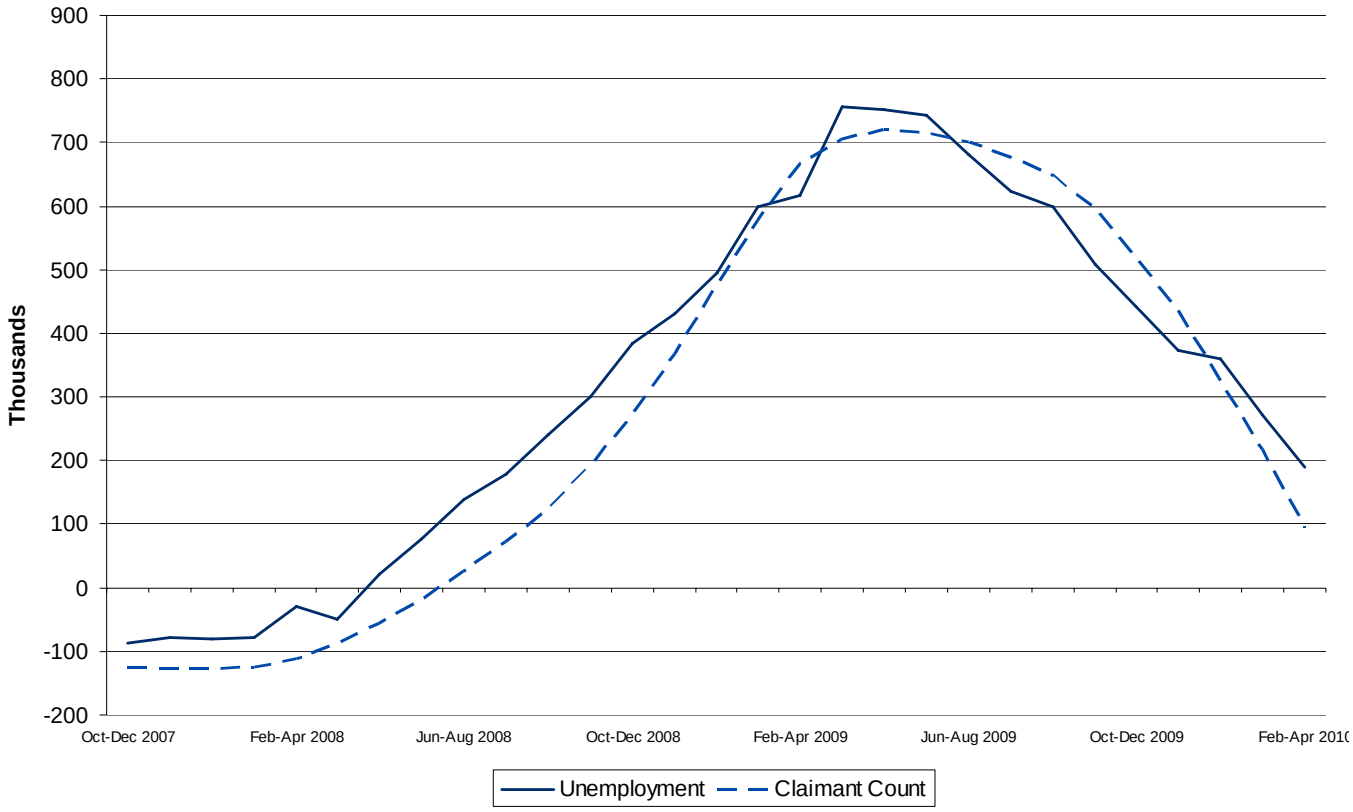
Unemployment estimates for Wales are less volatile when making comparisons with the same period a year earlier as shown in Figure 5. Also, year on year changes in unemployment move similarly to year on year changes in the claimant count. At a UK level the trends are very similar, as shown in Figure 6.

Figure 5: Change over the year[5] for Wales (16-SPA)



[4] This chart compares the 3 month average of the claimant count and the unemployment estimate with the previous quarter. For example Feb-Apr 2010 compared to Nov-Jan 2009.
[5] This chart compares the 3 month average of the claimant count and the unemployment estimate with the previous year. For example Feb-Apr 2010 compared to Feb-Apr 2009.

Figure 6: Change over the year[6] for the UK (16-SPA)



At the Welsh level the unemployment estimates are best used to describe levels and rates of unemployment at any one point in time and when considering changes over longer periods of time. Claimant count data are best used to describe short term changes in the Welsh labour market or small areas (eg local authorities), although, as noted above, the claimant count is not a complete measure of unemployment so caution is advised in interpreting the claimant count changes as changes in unemployment. The claimant count has the advantage of timeliness as compared with the LFS data. So, as also mentioned earlier, the claimant count is available for May 2010 while unemployment estimates is available for February – April 2010.

The Annual Population Survey

Since 2004 the Office for National Statistics has been enhancing the LFS sample from 2,500 households in Wales a quarter to around 12,000. This is called the Annual Population Survey (APS) and is released after the headline LFS estimates, around 6 months after the reference period (for example in June 2010 the year to 31 December 2009 estimates were released). The advantage of the APS is that due to its sample size it produced more robust estimates than the LFS and can produce estimates by Local Authority. Although this article discusses the LFS, it should be noted that the APS also produces headline estimates of unemployment at a sub-regional level.

Background to the Labour Force Survey

The Labour Force Survey (LFS) is a household survey designed to give information about the number of people with jobs, the details of these jobs, the job-search activities of those without work, and related issues. The results are used by government (central and local), researchers and academics, and international organisations. The LFS has been carried out in the UK since 1973 and since 1992 it has been carried out quarterly, enabling the ONS to produce the headline results that are produced today.

The main estimates of employment and unemployment in the UK and for the UK regions are taken from the LFS, and are published every month by the ONS in the Labour Market Statistics Statistical Bulletin. They are shown alongside information about other aspects of the labour market, from different sources, so that people can consider the latest information not only about employment and unemployment, but also about vacancies, earnings, Jobseeker's Allowance benefits and productivity, for example.

The International Labour Organisation (ILO) agrees the concepts and definitions used in the LFS. Eurostat and the Organisation for Economic Co-operation and Development (OECD) use these "ILO definitions". They form the basis for the collection of data on labour force surveys in some 60 countries throughout the world.

More information on the Labour Force Survey can be found at
http://www.statistics.gov.uk/downloads/theme_labour/What_exactly_is_LFS1.pdf

Background to the claimant count

The Office for National Statistics compiles UK data on the claimant count, derived as a by-product of the Department for Work and Pensions systems for administering the relevant benefits. These data cover the number of people who are claiming unemployment-related benefits (Jobseeker's Allowance) at Job Centre Plus local offices.

Data are collected on claimants' postcode, sex, date of birth, age, occupation, and the start and end date of their claim. These details provide information on the number of claimants on a particular day each month; how many have started a new claim during the month (inflows); and how many have terminated their claim during the month (outflows).

There are, of course, measurement issues with administrative sources. Some of these include the claimant count official statistics are a snapshot of JSA on a particular day. If people are late in informing the Jobcentre they wish to continue to claim unemployment benefits they are recorded as an outflow (i.e stopped claiming JSA) from the claimant count. Therefore, when they inform the Jobcentre they wish to continue to claim JSA, their duration of claim appears shorter than is really the case.

References

Clancy G and Ker D (2010) 'Labour Force Survey unemployment and benefit durations'.
http://www.statistics.gov.uk/CCI/article.asp?ID=2403

Clancy G and Stam P (2010) 'The difference between unemployment and the claimant count'.
http://www.statistics.gov.uk/elmr/07_10/

Clegg, R (2008) 'Comparisons between unemployment and the claimant count: 1971 to 2008'.
http://www.statistics.gov.uk/CCI/article.asp?ID=1993

Office for National Statistics, Labour Market Overview.
http://www.statistics.gov.uk/downloads/theme_labour/LMS_QandA.pdf

Notes on the use of statistical articles

Statistical articles generally relate to one-off analyses for which there are no updates planned, at least in the short-term, and serve to make such analyses available to a wider audience than might otherwise be the case. They are mainly used to publish analyses that are exploratory in some way, for example:

- Introducing a new experimental series of data;
- A partial analysis of an issue which provides a useful starting point for further research but that nevertheless is a useful analysis in its own right;
- Drawing attention to research undertaken by other organisations, either commissioned by the Welsh Assembly Government or otherwise, where it is useful to highlight the conclusions, or to build further upon the research;
- An analysis where the results may not be of as high quality as those in our routine statistical releases and bulletins, but where meaningful conclusions can still be drawn from the results.

Where quality is an issue, this may arise in one or more of the following ways:

- being unable to accurately specify the timeframe used (as can be the case when using an administrative source);
- the quality of the data source or data used; or
- other specified reasons.

However, the level of quality will be such that it does not significantly impact upon the conclusions. For example, the exact timeframe may not be central to the conclusions that can be drawn, or it is the order of magnitude of the results, rather than the exact results, that are of interest to the audience.

The analysis presented does not constitute a National Statistic, but may be based on National Statistics outputs and will nevertheless have been subject to careful consideration and detailed checking before publication. An assessment of the strengths and weaknesses in the analysis will be included in the article, for example comparisons with other sources, along with guidance on how the analysis might be used, and a description of the methodology applied.

Articles are subject to the release practices as defined by the release practices protocol, and so, for example, are published on a pre-announced date in the same way as other statistical outputs. Missing value symbols used in the article follow the standards used in other statistical outputs, as outlined below.

.. The data item is not available

. The data item is not applicable

- The data item is not exactly zero, but estimated as zero or less than half the final digit shown

* The data item is disclosive or not sufficiently robust for publication