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Title	How ‘live’ is the live register and other puzzles in the measurement of unemployment
Authors(s)	Walsh, Brendan M.
Publication date	2003
Publication information	Walsh, Brendan M. “How ‘live’ Is the Live Register and Other Puzzles in the Measurement of Unemployment” no. Spring 2003 (2003).
Publisher	Economic and Social Research Institute
Item record/more information	http://hdl.handle.net/10197/1601

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How "Live" is the Live Register and other Puzzles in the Measurement of Unemployment

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1. Introduction

By the end of 2002 the Irish unemployment rate was at 4.5 per cent, having reached a historical low of 3.7 per cent in the first half of 2001. According to the Quarterly National Household Survey (QNHS) from which the official unemployment rate is derived only 84,100 persons were without work and actively seeking work at the end of 2002. However, almost exactly twice as many were on the Live Register.

The discrepancy between the Live Register and other sources of information on unemployment has attracted a good deal of attention over the years. Now that unemployment is rising again, a review of the relationship between the various available measures of unemployment is timely.

2. Sources of Unemployment Data

The traditional source of current information on Irish unemployment was the number of people "signing on" at local employment offices, the Live Register (LR). These were supplemented at five-year intervals with the returns on "Principal Economic Status" (PES) from the Census of Population. More up-to-date information on PES became available when the Labour

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Force Survey (LFS) was launched in 1975. This was conducted every two years between 1975 and 1983 and then annually until 1997, when it was replaced by the QNHS. Starting in 1988, the LFS returned information on the population classified into the International Labour Organisation (ILO) labour force categories.

Thus there are three main time series on Irish unemployment:

1. LR data on those registering at local employment offices,
2. the population classified by PES from the Census of Population and (since 1975) the LFS/QNHS, and
3. the population classified on an ILO basis from the LFS/QNHS (since 1988).

Each of these approaches to measuring unemployment has its own historical origin and rationale.

The LR statistics are collected under an administrative process and record the numbers qualifying for Unemployment Benefits, Unemployment Assistance, and "Others" (mainly those signing on for credited social welfare contributions). Although the relationship between the LR totals and unemployment has been strongly qualified in recent years (see below), those claiming benefits or assistance are supposed to be available for, and genuinely seeking, employment. This presumption is increased by the fact that the headline LR statistics relate only to persons under-65 and do *not* include certain important categories of claimants. At the end of 2002 the numbers in these three categories totalled 32,800, equivalent to 20 per cent of the headline LR figure of 164,700. These categories included systematic short-time workers (2,600), smallholders entitled to Unemployment Assistance (11,200) and persons aged under 65 on pre-retirement schemes (19,000).

The PES unemployment number reflects a traditional approach to classifying the population into principal activities or status. It depends on how respondents classify themselves (or are classified by the person answering the questionnaire) in response to the question "What is this person's usual situation with regard to employment?" All those who return themselves as "unemployed" – whether having lost a job or entering or re-entering the labour market – are assigned to the PES Unemployed. In the fourth quarter of 2002 the PES unemployed measure was 117,800 persons.

The ILO classification of the population by labour force status is based on the responses to a series of questions about an individual's employment situation in the week before the survey. These questions have been developed over the years by international committees of labour market economists and statisticians and are designed to measure the economic concept of unemployment. Detailed information is collected on whether the individual was working and, if so, for how many hours, and, if not, whether he or she was looking for work and what means of job search was used. To be classified as "unemployed" a person must simultaneously be (i) without work, (ii) actively seeking work, and (iii) available to take up a job. The unemployment rate calculated on this basis is now accepted internationally as the most

economically meaningful measure of unemployment. In Ireland, a Standardised Unemployment Rate (SUR) is derived for April of each year from the QNHS and updated in line with the monthly trend in the seasonally adjusted LR data.

3. Comparability of the Statistics

The comparability of the unemployment statistics derived from different sources has been reviewed periodically. A comparison of the LR with Census of Population PES data showed that although the discrepancy between the two series widened between 1961 and 1971, it remained less than 10 per cent. Comparison of the 1977 LFS result with the LR data, however, revealed that while the totals were reasonably similar this was due to fairly large offsetting discrepancies in individual categories (CSO, 1979). Numerous proposals were made to adjust the published LR series to bring them more into line with the LFS measure of PES unemployment. It was also recommended that the official unemployment rate should henceforward be based on the LFS returns. These recommendations were implemented in the 1980s.

As the unemployment rate soared during the 1980s there was little controversy over how it was measured. The data derived from the three available sources differed little from one another in aggregate. The numbers reporting job-search (ILO) unemployment and those reporting that their PES was "unemployed" were broadly consistent with the numbers on the LR. The fact that it was possible to register as unemployed and receive benefits or assistance more or less indefinitely without evidence of active job search did not seem to significantly inflate the LR figures.

During the 1990s, however, the discrepancy between registered unemployment and the survey-based measures increased markedly. By the mid-1990s the numbers registered as unemployed were some 50 per cent higher than the ILO unemployed and this discrepancy was larger in Ireland than in any other OECD country. This, and public discussion of the "genuineness" of the LR data, prompted the Central Statistics Office to conduct a special study in conjunction with the 1996 LFS of the labour force status of persons on the LR (CSO, 1996). A random sample of 1 per cent of claimants was included in the LFS. Over a quarter of the sample was not located in the LFS as usual residents at the addresses given. No inferences were drawn about these individuals. When the LFS questionnaire was administered to the remainder of the sample, approximately a half was classified as ILO unemployed. The other half was divided roughly half and half between ILO employed and ILO inactive. (Note that a person working as little as one hour a week is "employed" according to the ILO conventions.)

As a result of these findings, the published LR series now contains a disclaimer to the effect that "the Live Register is not designed to measure unemployment." The reasons given are that, in addition to the three categories listed above that are excluded from the headline LR figure, it includes part-time workers working up to three days a week, and seasonaland casual workers, who are

entitled to benefit or assistance. However, the numbers in these categories do not appear large enough to account for much of the discrepancy.

The fact that LFS/QNHS respondents are asked (towards the end of the questionnaire) whether they are on the LR has been used to explore the factors that influence whether males not employed according to the ILO criteria sign on the LR (Murphy and Walsh, 1996; National Economic and Social Forum, 1997). On the basis of the returns of the 1993 LFS it was found that the ILO unemployed were more likely to sign on than the ILO inactive, and in addition the probability of signing on is increased by factors that reflect the likelihood of qualifying for benefits and the value of these benefits, as well as other factors that may be proxies for the level of wealth and non-wage income, as well as various social factors.

The evidence that many of the registered unemployed were not actively seeking employment prompted the stricter enforcement of the condition of active job search for those on the LR. As part of the Ireland's National Employment Action Plan a process of referring those crossing thresholds on the LR for interviews with FÁS (the employment agency) was initiated according to the following schedule:

Table 1: Schedule of "Activation Measures" under Irish National Employment Action Plan

Age Group	LR Threshold for Activation	Date
18–19 years (pilot)	Six months	Oct 1996
Under 25 years	Six months	Sept 1998
25-34 years	Twelve months	May 1999
	Nine months	July 2000
35-54 years	Twelve months	Feb 2000
	Nine months	July 2000

These "activation measures" would be expected not only to reduce the numbers registering as unemployed but also to increase the numbers in the household survey who report active job search and are consequently categorised as ILO unemployed. Both factors would lead to a decline in the ratio of registered to ILO unemployment.

Figures 1 through 4 show the behaviour of the LR/ILO ratio (times 100) in four demographic groups and the corresponding age-sex-specific ILO unemployment rates since 1988. The LR figures relate to April, the QNHS figures to the second quarter of the year.[1]

[1] Note that a ratio of 1 does not imply that all those who are on the LR are also recorded as ILO unemployed or *vice versa*. Offsetting discrepancies in individual categories imply that the aggregate ratio understates the non-concordance between the two measures.

Figure 1: Registered Unemployed as a Percentage of ILO Unemployment (LHS) and ILO Unemployment Rate (RHS)

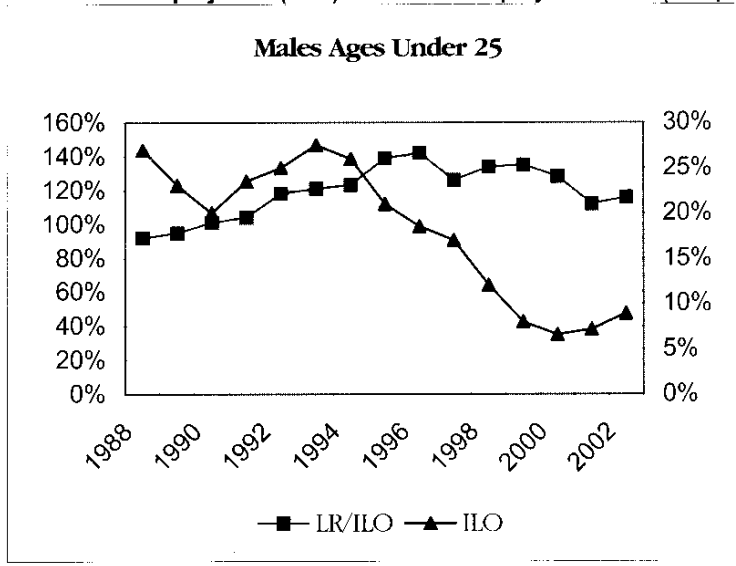


Figure 2: Registered Unemployed as a Percentage of ILO Unemployment (LHS) and ILO Unemployment Rate (RHS)

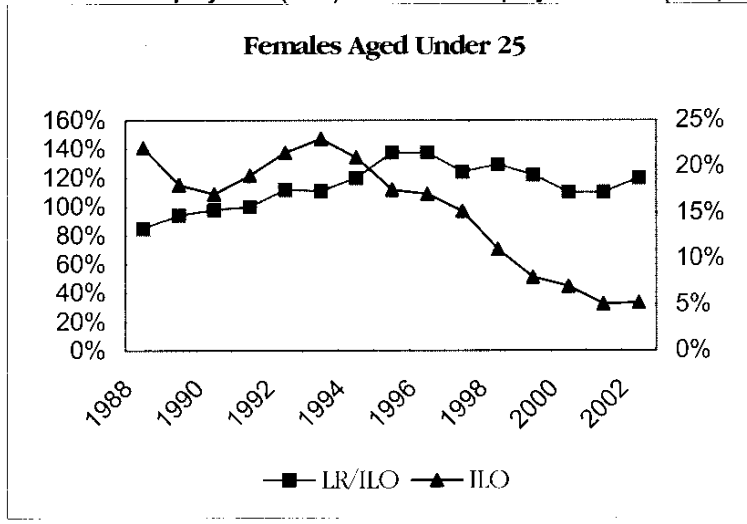


Figure 3: Registered Unemployed as a Percentage of ILO Unemployment (LHS) and ILO Unemployment Rate (RHS)

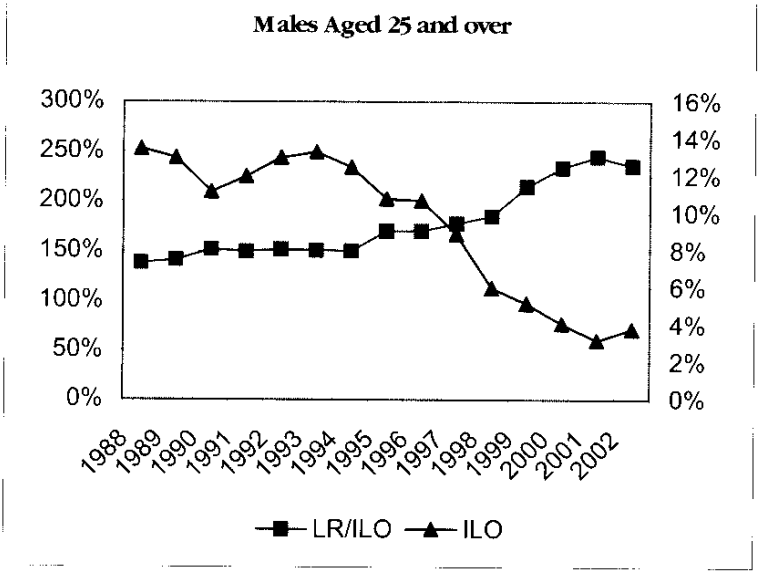
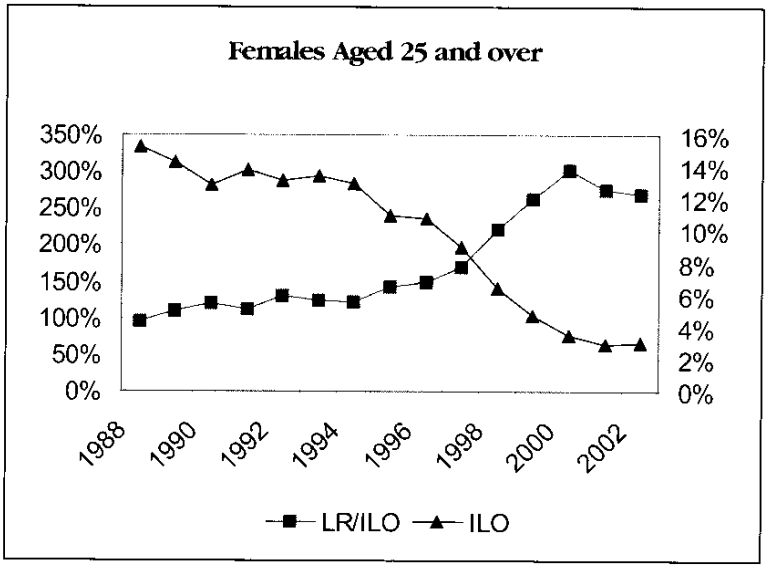


Figure 4: Registered Unemployed as a Percentage of ILO Unemployment (LHS) and ILO Unemployment Rate (RHS).



While there is a high negative correlation between this LR/ILO ratio and the unemployment in all four demographic groups, three different patterns may be discerned:

- *Persons aged under 25.* The ratio rose steadily among young males and females from 1988 to 1996, peaking at about 140 per cent. It fell back in 1997 but has remained between 110 per cent and 120 per cent since then. The absolute size of the discrepancy fell from over 20,000 in 1995-96 to just 2,300 in 2001. It is plausible to give the activation programme credit for reversing the upward trend in this ratio and ensuring that as the labour market tightened, the number of young people on the LR fell more rapidly than the youth unemployment rate.
- *Males aged 25 and over.* The LR/ILO ratio increased markedly after 1994, as the unemployment rate began to fall steeply. By 2000 twice as many men aged 25 and over were on the LR as were ILO unemployed. The absolute discrepancy has varied in a fairly narrow range, rising from 35,000 in 1988 to a peak of 57,000 in 1996 and then falling back to 39,000 in 2001. A possible explanation for this pattern – and the negative correlation with the unemployment rate – is that the number on the LR is the sum of genuine unemployment and another component whose level is not very sensitive to the availability of job opportunities. The drop in the ratio in 2002 may, however, be the first signal that the activation measures extended to this age group in 1999 are beginning to take effect.
- *Women aged 25 and over.* The numbers in this group at work grew by 340,000 or 135 per cent between 1988 and 2002. At the same time, the discrepancy between the numbers on the LR and the numbers ILO unemployed grew steadily. By 1999 the ratio was 3:1. The negative correlation between the LR/ILO ratio and the ILO unemployment rate may reflect the simultaneous growth in the numbers of women in the labour force and the tendency for those leaving employment to register for benefits or credited contributions even when not actively seeking employment. By now more than 10 per cent of the females on the LR are signing on for "credited contributions" and not entitled to either Unemployment Assistance or Benefit. This tendency would cause the numbers on the LR to be positively correlated with the size of the insured labour force and negatively correlated with the unemployment rate. However, as is the case for males, it is possible that the reversal of the upward trend in the ratio in 2001 and 2002 may be evidence that the activation measures extended to this age group in 1999 are beginning to take effect.

Since 1988 a cross tabulation of the labour force on an ILO and on a PES basis has been published. The number returned *either* PES *or* ILO unemployed in the LFS/QNHS may be regarded as an upper bound estimate of the "true" unemployment figure. Table 2 shows the distribution of this total in 1988 and 2002 by whether

they were (i) only PES unemployed, (ii) only ILO unemployed, or (iii) both ILO and PES unemployed (which might be regarded as a lower bound of the true unemployment figure). Some discrepancies are readily understood. For example, in 2002 about 10,000 women in the PES "home duties" were classified as ILO unemployed – presumably because they declared they were actively seeking employment, while still regarding themselves as primarily housewives. On the other hand almost 27,000 men and 14,00 women in the PES unemployed were classified as "others" in the ILO figures, presumably because, while they were definitely "out of work", they gave no indication of active job search.

Between 1988 and 2002 the proportion classified in the QNHS as ILO unemployed but not PES unemployed remained small among males and dropped from 45 per cent to 23 per cent among women. By 2002 over three-quarters of the women and 95 per cent of the men who were classified as "unemployed" in either sense of the term were included in the PES measure, whereas only about 60 per cent of them were included in the ILO measure. The rise in the proportion of the PES unemployed classified as "other" in ILO terms – which excludes those even marginally attached to the labour force – merits further attention.

Table 2: Distribution of those Returned as either PES or ILO Unemployed in LFS/QNHS

	Males		Females	
	1988	2002	1988	2002
PES only	18.9	41.6	14.6	37.5
ILO only	2.8	4.7	44.9	23.4
PES & ILO	78.3	53.7	40.5	39.1
Total	100.0	100.0	100.0	100.0

4. Conclusions

Even when the Irish labour market had reached full (or over-full) employment, a sizeable discrepancy persisted between those registered as unemployed and those recoded as actively seeking work in the household survey. While the absolute discrepancy was small among those aged under 25, it remained sizeable both absolutely and relatively for men and women aged 25 and over. In the case of men, the observed pattern is consistent with the belief that there is a fairly stable excess of registrants who are not responsive to labour market conditions. For women, the increase in the ratio seems to reflect the rapid growth in the number of women with a record of insured employment and a tendency for those moving between the labour force and the inactive population to register for benefits or credited contributions.

The concordance between the ILO and PES measures of unemployment did not improve markedly between 1988 and 2002. Among women, while a smaller proportion of the unemployed were classified as ILO unemployed but not PES unemployed, there was a significant increase in the proportion only classified as PES unemployed. The fact that over 40,000 regard themselves as

"unemployed" but give no indication of active job search is a continuing puzzle.

The trends documented above are also relevant to assessing the effectiveness of the measures introduced during the late 1990s to "activate" those registered as unemployed. There is evidence that they led to a fall in the numbers of inactive young persons on the Live Register, but the picture for persons over 25 is less clear-cut. Previous research has found that these individuals tend to be relatively hard to employ due to their age, low educational attainment, lack of employment experience, and other unfavourable characteristics (National Economic and Social Forum, 1997; Barrett, Whelan and Sexton, 2001). None the less, the persistence of a discrepancy of 80,000 between the numbers on the Live Register and those returned as active job seekers in the household survey at a time when the Irish labour market was characterised by widespread labour shortages is a matter for some concern.

The broader question is also of interest: Did any reduction in the Live Register brought about by the activation measures lower the unemployment rate measured in terms of those actively seeking work? While a reduction in the level of registered unemployment is desirable in its own right, a greater payoff to the activation measures would be a reduction in unemployment and a better matching of job seekers with vacancies. While the evidence is not conclusive, it is likely that the fall in the unemployment rate in the late 1990s was accelerated by the new emphasis on active job search as a condition for remaining on the Live Register.

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