<div align="center">**Unemployment and The Claimant Count**</div>

When unemployment figures are released, there are two separate figures that are talked about in the media, the unemployment figure and the Claimant Count. This article looks at how these two series are defined and measured as well as highlighting some of the differences between the two.

Unemployment – a definition

We need to measure unemployment. Reliable statistics have to be obtained and properly interpreted for them to be a useful aid to policy decisions on the labour market.

To most people unemployment is a very simple concept – anybody who does not have a job. However, it is not always as straightforward as this would suggest. For example, are all of the following people unemployed:

- Someone over 65 who claims a pension?
- Someone who is long-term sick and cannot work?
- Someone who works 3 hours a week on a Sunday and is seeking a full time job?

These are difficult issues and so we need a commonly accepted definition of unemployment. The Office for National Statistics uses the International Labour Organisation (ILO) definition. This is the internationally agreed definition of unemployment. It is recommended by the ILO – an agency of the United Nations, and used by The Statistical Office of the European Union, the Organisation for Economic Co-operation and Development (OECD) and other countries.

Through ILO guidelines, all people aged 16 and over can be classified into one of three states: in employment; unemployed; or economically inactive.

In general, anybody who carries out at least on hour's paid work in a week, or is temporarily away from a job (e.g. on holiday) is in employment. Also counted as in employment are people who are on government supported training schemes and people who do unpaid work for their family's business.

Under ILO guidelines, anybody who is without work, available for work and seeking work is unemployed. The UK applies this as anybody who is not in employment by the above definition, has actively sought work in the last 4 weeks and is available to start work in the next 2 weeks, or has found a job and is waiting to start in the next 2 weeks, is considered to be unemployed.

Those who are not in employment and are not unemployed by these definitions are considered to be economically inactive. There are a number of reasons why someone who is not in work may not be actively seeking work. For example many students in full-time education would not seek work, neither will some sick or disabled, or those who have retired, or those who are looking after a family or home, and many other reasons.

Measuring Unemployment – The Labour Force Survey

The Labour Force Survey (LFS) measures unemployment consistent with the ILO definition. It is a legal requirement for every country in the European Union to conduct a Labour Force Survey. The LFS is a sample survey of people living in private households.

The survey asks a series of questions about respondents' personal circumstances and their activity in the labour market. Through these questions every respondent is classified as in employment, unemployed or economically inactive, consistent with ILO definitions.

The design of the survey means that in any three month period:

- Approx 41,000 households in the UK will be interviewed;
- Approx 80,000 people aged 16 and over will be interviewed;
- Representative results can be produced for the whole of the UK.

This allows publication of LFS results for the latest available three months every month. Results for single months are also produced as additional information, however these estimates are not robust as the sample in any single month is not representative of the whole of the UK.

After interviews have taken place, the results are processed. Using official mid-year population estimates of the total number of people living in each area by age group and gender, the responses can be used to estimate results reflecting the entire household population. These estimates are then seasonally adjusted to produce the final published results.

When comparing seasonally adjusted results over time, each three month period should only be compared to a previous non-overlapping three month period. This is because the results for overlapping periods would be based on many of the same interviews. Therefore the changes between overlapping periods would only reflect changes in part of the sample, which would not give an estimate of change representative of the whole UK.

Since unemployment is measured through a sample survey, the published figures are only an estimate of the true level of unemployment. If we drew another sample, that is if we had conducted a different set of interviews for the same period, we might have come up with a different estimate. Therefore we calculate a confidence interval for the measure of unemployment. Based on the survey estimate and the size of the sample we can give a range of values that we are 95% confident that the true value of unemployment lies between.

Unemployment Rate

In presenting unemployment measures an unemployment rate is calculated. Again following ILO definitions, the unemployment rate is the proportion of the economically active who are unemployed. It is important to note that the unemployment rate is not the proportion of the population who are unemployed, only the proportion of those who are currently engaging in the Labour Market, that is the employed plus the unemployed.

The unemployment rate allows unemployment to be interpreted in the context of other changes or between different groups of people. This means that changes can be seen in the light of changes in the population and economic activity and comparisons can be made between different age groups, genders or geographic areas.

The Claimant Count – a definition

Alongside the measures of unemployment an additional measure, the Claimant Count, is often quoted. The Claimant Count is the number of people who are receiving benefits principally for the

reason of being unemployed. Since Jobseeker's Allowance (JSA) was introduced in October 1996, this has consisted of those people claiming JSA or National Insurance (NI) credits. From April 2013, those people receiving Universal Credit (UC) principally for the reason of being unemployed also meet the definition of the Claimant Count.

Those claiming JSA enter into a Jobseeker's agreement and sign a declaration that they are out of work, capable of, available for and actively seeking work during the week in which their claim is made.

People who qualify for JSA through their NI contributions are eligible for a personal allowance for a maximum of six months. This is contribution-based JSA.

People who do not qualify for contribution-based JSA can claim a means-tested allowance. This is income-based JSA.

Some claimants do not claim JSA but sign on to maintain pension eligibility. These people claim NI credits.

From April 2013, UC starts to replace the means-tested element of JSA for those people who qualify.

Measuring the Claimant Count

The Claimant Count is a by-product of administrative records of people claiming benefits. The administrative system stores information on claimant's National Insurance number, address, sex, date of birth and details on the start and end dates of claims.

These details provide data on the number of claimants for one particular day each month (the stock) as well as the numbers joining and leaving the count each month (the flows). In addition analysis can be carried out on the number of claimants by age and duration of claim.

This allows for figures to be published on a monthly basis and comparisons to be made between months. As an administrative dataset, it also allows for a lot of detail to be produced including information for detailed geographic areas. Data that would allow the identification of individuals are not published.

Claimant Count Rate

Claimant Count rates are calculated by expressing the number of claimants who are resident in each area as a percentage of workforce jobs plus the Claimant Count. Workforce jobs are the sum of:

- employee jobs;
- self-employment jobs;
- Her Majesty's Forces;
- Government supported trainees.

The largest part, the employee jobs, represents jobs by the location of the employer. The estimate of workforce jobs therefore tends to reflect the location of jobs rather than the residence of jobholders.
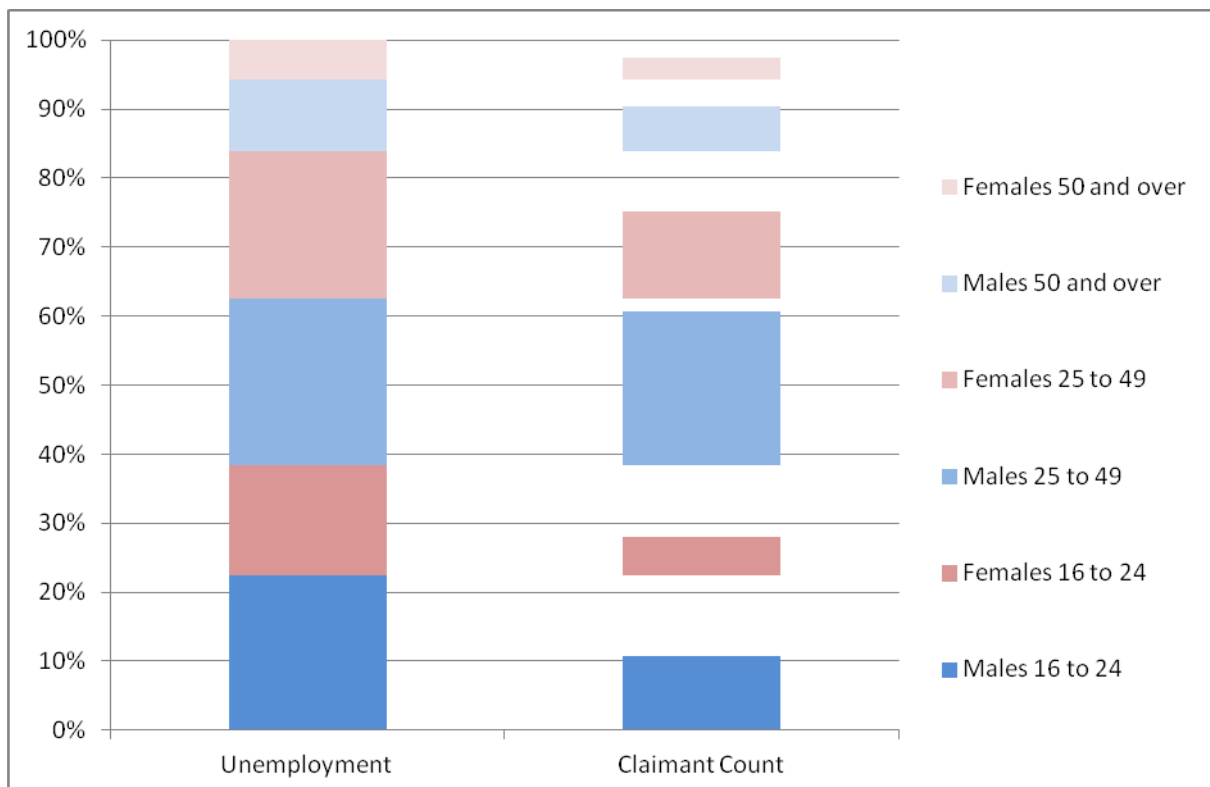
The Claimant Count and Unemployment

There is a large degree of overlap between the claimant count and unemployment.

In certain circumstances people can claim benefits while they have relatively low earnings from part time work; these claimants in a paid job would not appear in the LFS measure of unemployment. Similarly claimants of unemployment benefits may not appear in the LFS measure if, when interviewed for the survey, they stated that they are not seeking, or are not available to start work. Both of these types of people would appear within the Claimant Count but would not be classified as unemployed.

Similarly, people who are not claimants can appear among the unemployed if they are not entitled to, or choose not to claim unemployment benefits. For example;

- People whose partner was working;
- People who are looking for work alongside full-time study;
- People beyond or around State Pension Age who are looking for work.

If we look for recent periods at the proportion of the unemployed that is made up of men and women of different ages we can get a rough breakdown of the structure of the unemployment level. For each of these groups we can compare that with the number of claimants of unemployment benefits for the same periods.

This graph shows how the total number of unemployed people is broken down between the age and gender categories. The sizes of the corresponding Claimant Count blocks show how well the

claimants of unemployment benefit match the numbers of unemployed. From this we can see that the number of males aged 25 to 49 in the Claimant Count is quite close to the number of unemployed in that same category. However, other categories of unemployed are less well represented in the Claimant Count. The extent to which they are represented is largely due to the categories of unemployed who are ineligible for benefits given above.
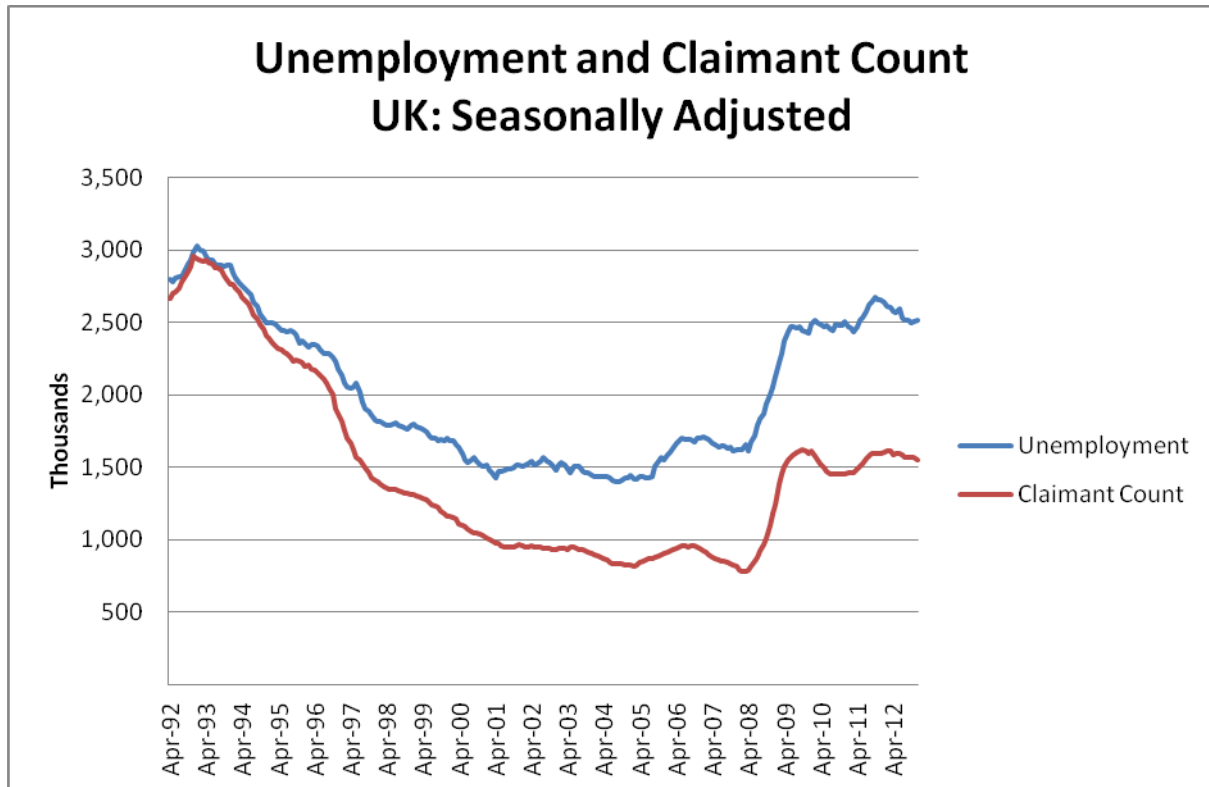

The above comparison of the unemployment and Claimant Count shows that in the early nineties the two series were much closer to one another. However, changes to eligibility, the way in which those rules are applied, changes to support programmes and even changes in the nature of the Labour Market mean that the two have drifted apart over the past 20 years.

The graph also shows us that for recent periods the level of the Claimant Count is much lower than the level of unemployment.

Despite the differences in definition, the coverage and the overall levels of the two series, the overlap between the two means that they have similar properties. The comparison shows that whilst drifting apart, they have moved in similar ways.

You can also see how the volatility of the unemployment estimates, due largely to sampling variability, compares with the smoothness of the administrative data. This becomes more noticeable as you look at estimates for smaller subsets of the population.

**Unemployment and Claimant Count
North East: Seasonally Adjusted**
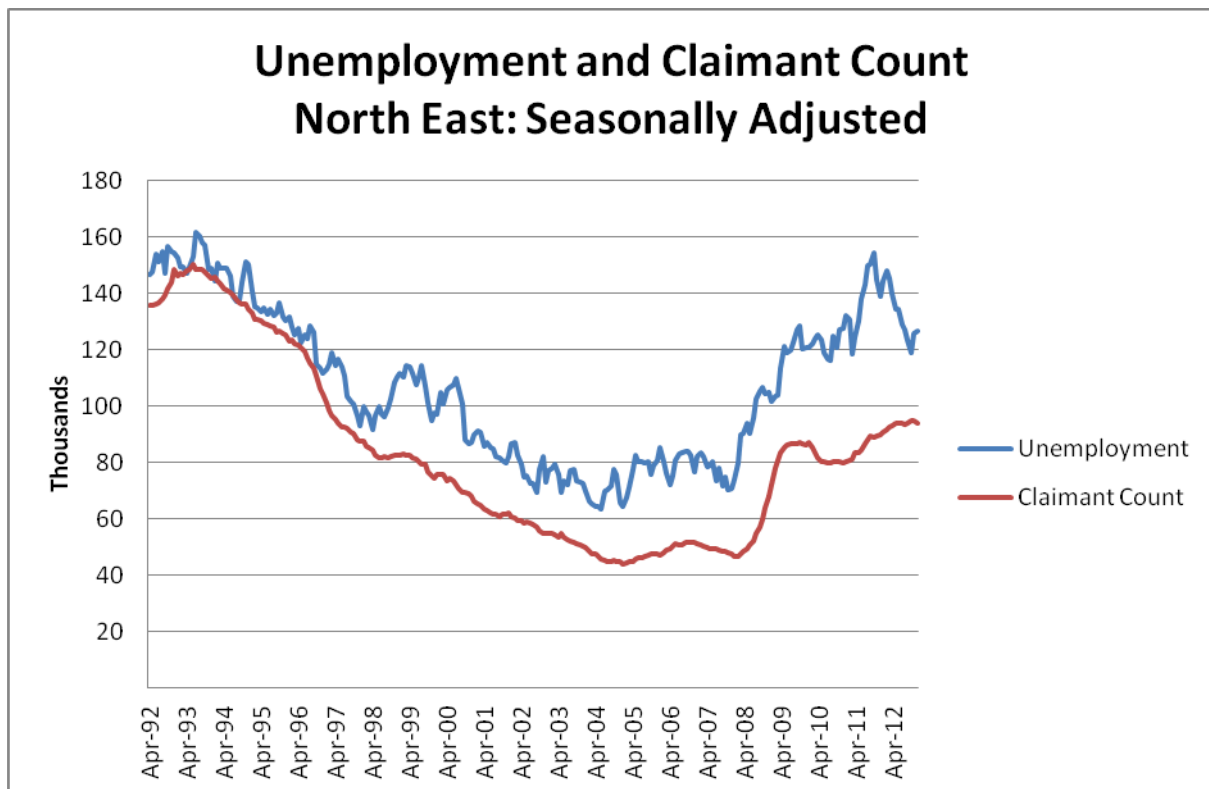
This comparison for the North East, demonstrates that for subsets of the UK there is far more relative volatility in the unemployment estimate, making it difficult to interpret short term movements. Meanwhile the Claimant Count maintains its smoothness, while following a similar trend to the unemployment level. Consequently for smaller subsets of the population the Claimant Count is often used as a proxy for unemployment, because comparisons between areas and over time are not distorted by sampling variability.

What does it mean if the Unemployment and Claimant Count Rates are doing different things?

Sometimes the unemployment rate and the Claimant Count rate can move in different directions. This could be down to one of three things.

The first is the possibility that changes in the denominators are affecting the rates. Because the unemployment rate denominator is calculated as part of the process of producing the rate each month, whereas the Claimant Count denominator is updated annually, this could lead to the rates doing different things. However, this scenario is unlikely to have a significant impact as it would require a very large shift in conditions to noticeably affect the comparison between the two.

A second possibility is the difference being down to sampling variability. This can lead to a short term changes in the unemployment rate which are different to the underlying trend. These differences will tend to be short lived and have a compensating large difference in the opposite direction over later months as the estimate returns to trend.

The third possibility is that the two measures are doing different things. Since there is only partial overlap between the two, things that happen in the part of the Labour Market not covered by the Claimant Count would only be reflected in the unemployment rate. Examples of this could be changes in the numbers of full-time students looking for work alongside their full-time studies, or

changes in the numbers of people over State Pension Age looking for work. Both of these examples have occurred in the Labour Market in recent years, which partially accounts for the unemployment and Claimant Count series drifting apart.

Generally differences between the unemployment and Claimant Count rates will be down to a combination of these last two effects. However, it is not always possible to establish to what extent the difference is down to sampling variability and to what extent it is down to real movements in the parts of the Labour Market that will not be reflected in the Claimant Count.