

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Estimates 20-21 October 2010

Question: SBT_183

Topic: Methodology used to determine unemployment rate

Hansard Page: E153 - 155

Senator Bushby asked:

Senator Bushby —is the employment rate methodologically consistent over long periods of time – that is decades? Is it fair to compare directly the unemployment rate in the 1930s when we had very high recorded rates, with rates published today, which are obviously much lower? If not, what has changed and when? I presume it comes down to different treatment of students and recipients of government pensions and things like that. Given the time, could you take that question on notice.

Mr Farrell – We will certainly take that on notice

Answer:

Methodological consistency of employment rate over time, and comparison of the unemployment rate in the 1930s with rates published today

Estimates of the Australian unemployment rate from the 1930s are not directly comparable with current estimates of the unemployment rate. However, some broad time series comparisons are possible from 1978.

Labour statistics were collected for the first time in 1912. Most of these statistics were collected by state statistical agencies from reporting by various union bodies of the number of their unemployed members. This method produced some useful results, although the membership of reporting unions represented only 25% to 30% of all wage and salary earners.

The first regular statistical measure of employment dates from the introduction of payroll tax in 1941. Monthly measures of job seekers, available from administrative data from the Commonwealth Employment Service, also became available in the 1940s. Because these measures were based on the number of people registering as unemployed, it had been frequently impacted by changes to government policy and administrative changes, and was therefore not a reliable measure of unemployment levels. Furthermore, if there

were backlogs in processing the registrations (as might be expected in times of high unemployment), these would also impact on the data.

The Labour Force Survey began as a quarterly household survey in 1960, conducted in the six state capitals at that time. However, results were not published until the full national survey was introduced, in 1964. The survey was conducted quarterly until November 1977.

In February 1978, the Labour Force Survey moved from quarterly to monthly. At that time, the Commonwealth Government decreed that this survey would provide the official measures for employment and unemployment from then on.

Changes and timing of changes to unemployment rate calculations, including whether there have been different treatments of students and pension recipients

Changes to the Labour Force Survey are made as infrequently as possible in order to provide a high degree of consistency and comparability of labour force estimates over time. However, sound survey practice requires careful and continuing development to maintain the integrity of the data and the efficiency of the survey. Core series, such as the unemployment rate time series are reviewed regularly to maintain consistency and comparability over time. As the need arises, other revisions are made to maintain comparability after changes to questions and definitions.

During the 50 years the ABS has been conducting the Labour Force Survey, there have been several major changes in content. These are summarised as follows:

- A number of additional questions were included in the Labour Force Survey questionnaire in February 1975 to ask respondents if they looked for work in the last four weeks (rather than the last week, as asked previously) and about their availability to start work in the survey reference week;
- The change in frequency from a quarterly household survey to a monthly household survey in February 1978;
- In April 1986, the underlying employment definition was changed to align with changes to international standards made in 1982 by the International Labour Organisation (ILO). The definition of employed persons was changed to include persons who worked without pay between 1 and 14 hours in the survey reference week, in a family business or on a farm (i.e., contributing family workers). Prior to this change, these unpaid workers were counted as employed only if they worked at least 15 hours in the reference week;
- In 2001, the LFS questionnaire underwent its first major redesign since 1978, allowing the collection of new or extended data on future starters, job tenure, underemployment, hours worked, duration of unemployment and marginal attachment to the labour force. This new questionnaire also incorporated minor definitional changes to employment and unemployment relating to short-term absences; unavailability due to illness; and contributing family workers. These changes were made principally to improve alignment of the employment and

unemployment definitions with ILO standards. Most of these changes were reflected in LFS statistics from April 2001.

Current estimates of the unemployment rate are collected from the Labour Force Survey (LFS) which defines unemployed people as all persons 15 years of age and over who were not employed during the reference week, and:

- had actively looked for full-time or part-time work at any time in the four weeks up to the end of the reference week and were available for work in the reference week; or
- were waiting to start a new job within four weeks from the end of the reference week and could have started in the reference week if the job had been available then.