

FEATURE

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Comparisons between unemployment and the claimant count: 1971 to 2007

SUMMARY

The number of unemployed people is currently more than twice as high as the claimant count, which measures the number of people claiming unemployment-related benefits. This article explains the conceptual differences between unemployment and the claimant count.

The article also examines the differences between the two measures by gender. The gap between unemployment and the claimant count is larger for women than for men, with female unemployment being consistently higher than the female claimant count throughout the period 1971 to 2007. However, for men, throughout the 1980s and early 1990s, the claimant count exceeded unemployment. Since the late 1990s, however, male unemployment has exceeded the male claimant count and the gap is widening. For men, but not for women, the gap between the claimant count and unemployment seems to be significantly affected by the economic cycle as the male claimant count has exceeded male unemployment during periods of high unemployment.

This article examines the differences between unemployment and the claimant count from the start of the series in 1971 up to 2007. Differences between unemployment and the claimant count from 1980 to 2003 are described in Machin (2004). Estimates of unemployment and the claimant count are published every month in the Labour Market Statistics First Release. The figures quoted in this article are consistent with the March 2008 First Release. The number of unemployed people is currently more than twice as high as the claimant count.

Definition of unemployment

The unemployment figures follow the internationally agreed definition recommended by the International Labour Organisation (ILO). This definition specifies that 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
- out of work, have found a job and are waiting to start it in the next two weeks

Not all people out of work are classified as unemployed. Out of work people who have not actively sought work in the last four weeks and/or are not available to start work in the next two weeks are classified as economically inactive, rather than unemployed, in accordance with ILO guidelines.

Estimates of unemployment on a

consistent basis commence in 1971. Estimates from 1992 onwards are sourced from the continuous Labour Force Survey (LFS). Estimates from 1979 to 1991 are sourced from annual LFS data adjusted for discontinuities, and estimates for 1971 to 1979 have been estimated by modelling back in time using an econometric model. For further details see Lindsay (2005).

Definition of the claimant count

Estimates of the claimant count on a consistent basis also commence in 1971. Claimant count data are sourced from JobCentre Plus administrative data. The claimant count measures the number of people claiming unemployment-related benefits; since October 1996 this has been the number of people claiming Jobseeker's Allowance (JSA). Claimant count data prior to October 1996 have been estimated on a basis consistent with the current benefits regime. Claimant count figures for the 1970s and 1980s are therefore estimates of how many people would have claimed benefits based on the current benefits regime, rather than the number of people who actually claimed unemployment-related benefits at the time.

People who are out of work or working less than 16 hours a week on average may be eligible to claim JSA if they are:

- capable of working
- available for work
- actively seeking work
- below state pension age (currently 65 for men and 60 for women)

However, people whose partners are in work, full-time students and people who have left employment voluntarily would not usually be eligible to claim.

The claimant count should not be regarded as an alternative measure of unemployment as it simply measures the number of benefit claimants and does not follow the internationally agreed definition of unemployment.

The differences between the measures

In this article, claimant count estimates are compared with estimates of unemployment which exclude unemployed people who are above state pension age (65+ for men and 60+ for women). This is a more meaningful comparison than comparing total unemployment with the total claimant count as people over state pension age are not eligible to claim JSA. All

references to unemployment figures in the remainder of this article therefore relate to unemployment among people of working age.

Figure 1 shows unemployment and claimant count estimates from the start of the series in 1971 up to 2007. Unemployment has been higher than the claimant count throughout this period, although the gap between the two series narrowed substantially in the mid-1980s and the early 1990s. The gap between unemployment and the claimant count has widened since the mid-1990s and by 2007 unemployment (at 1.6 million) was almost twice as large as the claimant count (at 0.9 million).

There are a number of possible reasons why the claimant count and unemployment may differ. While most recipients of JSA would be classified as unemployed, some would fall into the 'employed' or 'economically inactive' categories. For

example, people working less than 16 hours a week can be eligible to claim JSA but would be classified as being in employment. While in principle all claimants should be seeking work and available to start work, in practice, some claimants may not be actively seeking work and would therefore be classified as 'economically inactive'.

The main factors affecting the gap between unemployment and the claimant count are shown in Table 1.

Analyses of differences

Figure 2 and Figure 3 show unemployment and claimant count estimates for men and women, respectively, from 1971 to 2007 while Figure 4 shows the differences between unemployment and the claimant count for people, men and women. These charts show that the difference between the claimant count and unemployment is mainly accounted for by women. Figure 3 shows that, for women, unemployment and the claimant count have moved in broadly the same direction throughout the period, with the gap between the two measures being broadly flat.

For men, however, the picture is very different, as shown in Figure 2. While unemployment and the claimant count for men have broadly moved in the same direction throughout the period, the claimant count generally exceeded unemployment until the mid-1990s, with the gap between the two measures peaking in the mid-1980s and early 1990s. From the mid-1990s onwards, unemployment has exceeded the claimant count and this gap has been widening.

Figure 4 shows that the gap between unemployment and the claimant count is higher for women than for men, with female unemployment, on average, consistently exceeding the female claimant count by around 350,000 to 400,000. This reflects the tendency for unemployed women to be ineligible for JSA more often than unemployed men. For example, unemployed people with a partner in work are not entitled to claim income-based JSA. While they may claim on the strength of their own previous National Insurance contributions, contribution-based JSA will normally cease after six months. The gap for women does not seem to be substantially affected by the economic cycle, as the gap is fairly flat throughout the period from 1971 to 2007, as shown by Figure 4.

The picture is very different for men as shown by Figure 2. Throughout the 1970s, the gap between the claimant count and unemployment for men was very

Figure 1
Unemployment (working age) and claimant count

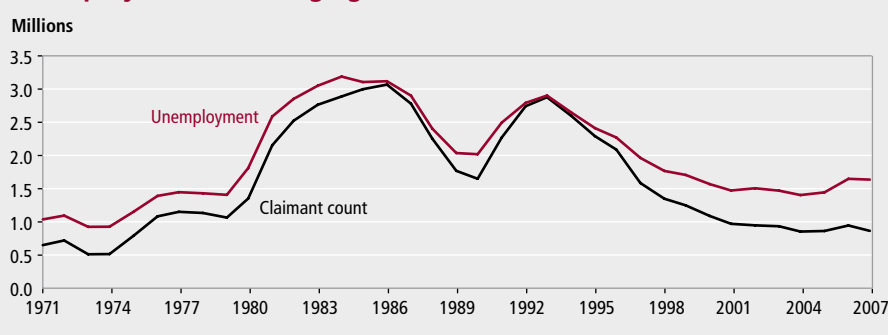


Table 1
Summary of main factors affecting the gap between unemployment and the claimant count

Factors widening the gap (for example, unemployment rising faster than the claimant count)	Factors narrowing the gap (for example, unemployment falling faster than the claimant count)
Inactive 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).
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.	

small. Throughout the 1980s and the early 1990s, the male claimant count exceeded unemployment, with the gap between the two measures peaking in 1986 and 1993 and coinciding with peaks in the claimant count level itself. The total claimant count reached a record high of 3.1 million in 1986 before falling to 1.6 million by 1990, as shown by Figure 1. It then increased again, reaching a peak of 2.9 million in 1993. When the labour market worsens, some existing unemployed people may become discouraged and stop actively looking for work while 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 improves, however, people who have previously felt that few jobs were available may start to actively look

for work thereby moving from inactivity to unemployment. The gap between the claimant count and unemployment for men seems to be substantially affected by the economic cycle, as the claimant count exceeded unemployment during periods of high unemployment, with the gap between the two measures being largest when the claimant count was at its highest. 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, while in 1997 male unemployment was 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 checks to ensure claimants were fulfilling the eligibility criteria were increased. It has been estimated that the introduction of JSA led to the removal of around 100,000 to 200,000 claimants from the count compared with what was expected at that point in the labour market cycle. However, only 15,000 to 20,000 of the fall 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. For further details see Sweeney and McMahon (1998). Since 1997, the gap between the two measures has widened and by 2007 male unemployment exceeded the claimant count by over 300,000.

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Machin A (2004) 'Comparisons between unemployment and the claimant count', *Labour Market Trends* 112(2), pp 59–62.

Sweeney K and McMahon D (1998) 'The effect of Jobseeker's Allowance on the Claimant Count', *Labour Market Trends* 106(4), pp 195–203.

Figure 2
Male unemployment (working age) and male claimant count

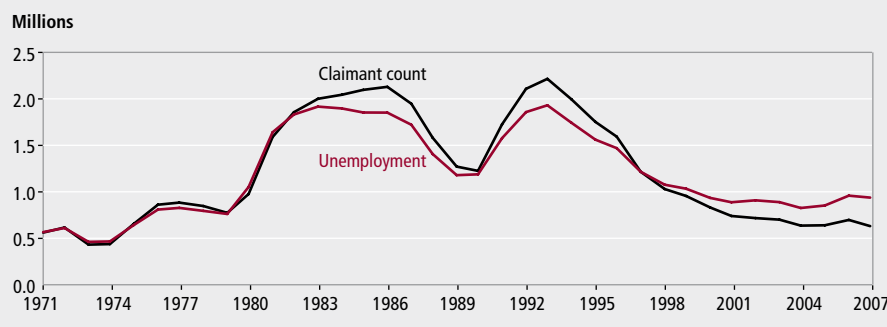


Figure 3
Female unemployment (working age) and female claimant count

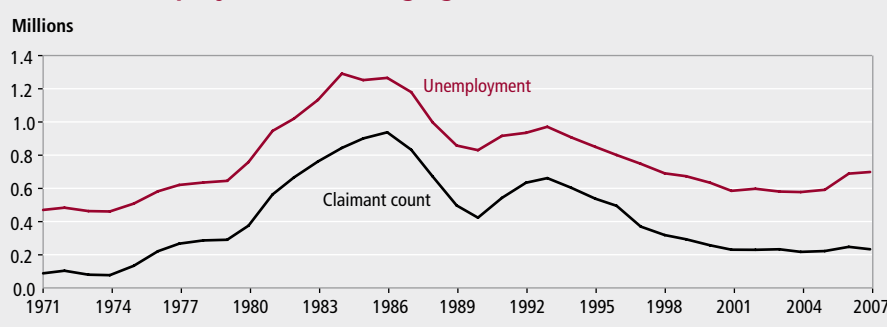


Figure 4
Unemployment (working age) minus claimant count

