

RECENT REVISIONS TO EURO AREA UNEMPLOYMENT STATISTICS

Unemployment is one of the most important and timely indicators of labour market developments. To provide a comparable measure of unemployment across countries, Eurostat has developed harmonised monthly unemployment data for all EU countries, as well as for the euro area and the EU as a whole, with the series starting in the early 1990s. This box provides a brief description of the harmonised unemployment series and information on a revision of these statistics for the euro area, which is due to changing over to the Labour Force Survey (LFS) for the calculation of unemployment figures in Germany. This change, which is the result of efforts made at the EU level to produce harmonised statistics, has led to a significant upward revision of the number of unemployed persons in Germany. It reflects, however, a purely statistical effect and does not significantly alter the positive underlying economic developments in the euro area labour market seen in recent years.

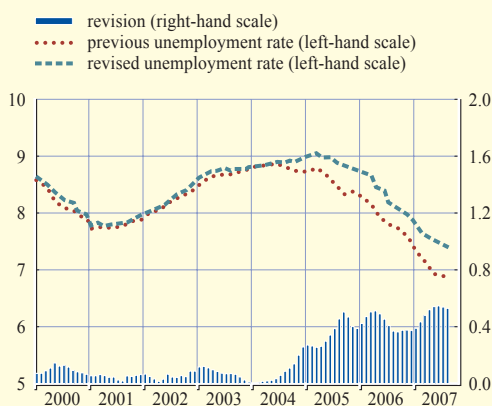
The measurement of unemployment

The most widely available national unemployment data are the registered unemployment figures provided by administrative sources, which are usually produced on a monthly basis. These data typically record all job seekers eligible for unemployment benefits according to national legislation. However, the eligibility criteria for registration and access to unemployment benefits may vary across countries, making it difficult to use these data in international comparisons and for the compilation of euro area aggregates. Furthermore, any changes to these criteria would affect the analysis of the underlying economic developments in the labour market.

Internationally comparable labour market statistics are compiled by means of the EU Labour Force Survey – through a large household survey conducted in all EU Member States – using harmonised definitions of the labour status of the respondents. There can be significant differences between the harmonised data and the registered unemployment figures, in terms of both unemployment levels and rates, and such differences can vary across countries. The unemployment status of LFS respondents is determined according to the EU definition of unemployment based on the International Labour Organisation (ILO) guidelines, i.e. unemployed persons are all persons aged from 15 to 74 who were not employed during the reference week, had actively sought work during the previous four weeks and were ready to

Euro area unemployment rate developments before and after the revision

(percentage of labour force; percentage points; monthly data, seasonally adjusted)



Source: Eurostat.

begin working either immediately or within two weeks. Currently, all EU Member States provide LFS results at a quarterly frequency and they are derived from continuous surveys. To obtain monthly unemployment results, Eurostat interpolates and extrapolates the quarterly LFS data using national survey data and national monthly series on registered unemployment.¹

New source of harmonised unemployment statistics in Germany

Germany introduced the continuous LFS in 2005. However, further methodological work was needed to enable reliable monthly unemployment figures to be produced on the basis of the LFS. While this work was in

progress, a telephone survey was set up to provide unemployment data compliant with the ILO guidelines. The results of the telephone survey were used for the monthly harmonised unemployment data for Germany until April 2007 (at which point it was discontinued).

The data source was changed to the continuous LFS with the recent release of the German unemployment rate for September. The monthly data are now consistent with the level of unemployment recorded in the LFS, while the seasonally adjusted monthly changes are derived from registered unemployment data until time series of sufficient length can be provided by the LFS. This caused a significant upward revision to the figures compared with the data from the telephone survey, bringing the figures more in line with those for registered unemployment. Indeed, the new series records about 800,000 more unemployed persons from 2005, and the unemployment rate in Germany has been revised upwards by between 1 and 2 percentage points. It was 8.3% in August 2007 and 8.1% in September. In comparison, the registered unemployment rate in Germany was 8.8% at the end of September.

The precise reasons for the differences between the unemployment results obtained from the continuous LFS and the telephone survey in Germany are difficult to pinpoint. Both surveys use identical definitions, however, there are some fundamental differences in sample design and survey techniques. The German statistical office is currently researching the causes of these differences.²

Impact on euro area harmonised unemployment

As a result of the revision to the German figures, the picture for the euro area has also changed (see the chart). According to the revised series, the impact on the unemployment rate of the

¹ Monthly unemployment series are calculated for four categories of persons in each Member State (men and women aged 15-24, and men and women aged 25-74). These series are then seasonally adjusted and all the national and European aggregates are calculated.

² The statistical institute of France is also currently evaluating the quality and accuracy of the LFS data, especially in the light of diverging developments in registered unemployment and unemployment measured in the LFS. As a result, the LFS data for France, including unemployment figures, are expected to be revised at the end of November 2007.

slowdown in economic activity that took place around 2001-2003 was more prolonged than initially thought. Indeed, the upward trend in the unemployment rate continued until early 2005, reaching a peak in March, around a year later than previously estimated. As a result, the unemployment rate increased slightly overall in 2005 compared with 2004, instead of declining. In late 2005 it was around 0.4 percentage point higher than the previously recorded figure, standing at 8.7% in December. Finally, a slightly more modest decline during the current economic expansion has led to an upward revision of the unemployment rate in August of 0.5 percentage point, to 7.4%, while the figure for September is 7.3%.

Overall, the picture remains one of continued improvement of the euro area labour market in the current phase of expansion. In particular, the revised unemployment rate is still estimated to be at its lowest level since the early 1980s. This positive assessment is also supported by the employment and participation rates, which have risen substantially in the last decade, to stand at levels of around 65% and 70% of the working age population respectively in 2006. Overall, the upward revision of the unemployment rate gives a more consistent picture of the euro area labour market in the last few years. Economic growth and job creation, supported by moderate wage developments, had a positive effect on the unemployment rate; however, the increase in participation, which was partly related to labour market reforms, delayed and reduced this effect.