

The ABS unemployment statistics are key indicators of labour market performance, presenting a snapshot of available labour supply at a particular point in time. The unemployment data are published monthly from the Labour Force Survey (LFS) in *Labour Force, Australia* (cat. no. 6202.0) and are presented by many characteristics including: age; sex; marital status; geography; country of birth and duration of job search.

The *International Labour Organization (ILO)* defines unemployed people as those who are: not working one hour or more; and actively seeking work; and currently available for work. The ABS adheres to the international standards and defines unemployed persons as those aged 15 years 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.

Key Points

- The ABS uses internationally agreed standards in defining unemployment and the key indicators have been measured in a consistent way since 1966.
- To be classified as unemployed a person needs to meet the following three criteria: - not working more than one hour in the reference week; and
 - actively looking for work in previous four weeks; and
 - be available to start work in the reference week.
- The ABS produces a range of measures, in addition to the unemployment rate, to help users understand the extent of underutilised labour supply, such as underemployment.

Why does the ABS define unemployment this way?

As can be seen from the definition above, there are three criteria which determine labour force status, and therefore to categorise a person as unemployed, namely: whether they have work; and if not, whether they are actively looking for work; and whether they are available for work. Each of these criteria are examined in more detail below.

Without work

This criterion is used to distinguish between those who have work and those who do not. The ABS counts everyone who works for at least one hour in the reference week as employed. While a one hour cut-off point could be argued to be insufficient to sustain a family or person financially, there are several reasons for including everyone who works at least one hour a week as employed.

From an economic perspective, any time in paid work, no matter how small, contributes to economic production and is therefore included in the national accounts. Labour force statistics are economic indicators and need to be coherent with other economic measures.

Socially, it is recognised that employment is associated with improved psychological and social well-being. It is therefore important to distinguish between those who have any work (even if a small number of hours) and those who do not. Some people who work for relatively few hours each week do not necessarily want to work more hours.

By applying the one hour criterion, the ABS is measuring unemployment in an internationally consistent manner, which enables governments and policy makers to draw on international comparisons. If the one hour criterion was not used another objective cut-off would be required.

To complement the unemployment measure, the ABS recognises the potential economic and social impacts of underemployment (where people want to and are available to work more hours). Currently, people who work fewer than 35 hours per week are asked if they would like to work, and are available for, more hours. Data on underemployment - a measure of those employed people whose labour is not fully utilised - are currently available quarterly alongside the unemployment data, and will be available monthly from early 2015.

Actively seeking work

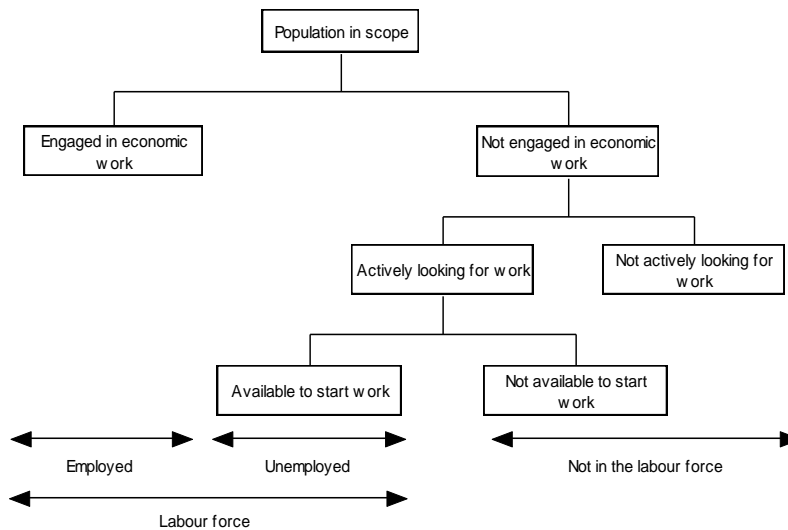
Only those who are taking active steps to find a job, or have done so in the past four weeks, are counted as unemployed. Through looking for work people make their willingness to work known and are therefore participating in the labour market. Only active job search steps are considered, as they are likely to result in the person making contact with prospective employers and seeking employment. Active job search steps include writing, telephoning or applying to an employer for work; answering an advertisement for a job; checking or registering with an employment agency; advertising or tendering for work; and contacting friends or relatives. Checking noticeboards and being registered with Centrelink as a jobseeker are currently also considered active job search steps but this will change from July 2014. For further detail, see the Labour Statistics News article in this issue of Australian Labour Market Statistics (cat. no. 6105.0). Some people might want to work but have given up actively looking because they believe they will not find a job. These people are referred to as 'discouraged jobseekers' and are not considered to be unemployed. While they can be thought of as a 'potential pool of labour', until their circumstances or job search activities change, they are regarded as having marginal attachment to the labour force.

Currently available for work

This criterion is needed to ensure that the unemployment data represent a snapshot of current available labour supply at a particular point in time. The short time period to define 'current availability' allows meaningful measures of current levels and changes in unemployment to be determined, as well as being consistent with the short reference period for people to be classified as employed.

Some people might like to work and are actively looking, but are not currently available to work, such as a parent looking after young children and needing to arrange childcare. Those who are actively looking for work and not currently available are also considered marginally attached to the labour force.

The ABS Labour Force Framework



The ABS labour force framework shows how the ABS classifies people as either employed, unemployed or not in the labour force.

How does the ABS measure unemployment?

ABS measures unemployment by collecting data from a monthly survey of about 26,000 dwellings as well as a selection of hotels, hospitals, boarding schools, colleges, prisons and indigenous communities throughout Australia. Overall, data are collected from about 52,000 people, which forms a representative sample of the Australian population. Respondents are not asked whether they are 'unemployed'. Instead, the ABS uses self guided online questionnaires or trained interviewers to ask a range of questions to determine whether a person is unemployed, based on the three criteria above. The ABS then weights the people in the survey sample to the most recent population figures, to provide a representative picture of the whole population.

The ABS unemployment measure is available on a consistent basis since 1966. For more information about the questionnaires used in the LFS see *Information Paper Questionnaires Used in the Labour Force Survey* (cat no. 6232.0).

The ABS provides information about the size of the sampling error to help users understand the reliability and accuracy of the estimates.

Supplementary Measures of Joblessness and Labour Underutilisation

While the unemployment rate is the most widely known and used measure of labour underutilisation, the ABS publishes a range of measures to supplement the unemployment rate.

They include:

- the underemployment rate: the number of people underemployed expressed as a proportion of the labour force;
- the labour force underutilisation rate: the unemployed, plus the underemployed, expressed as a percentage of the labour force;
- the long-term unemployment rate: the number of persons who have been unemployed for 12 months or more, as a percentage of the labour force;
- volume measures of labour underutilisation: the hours of labour sought by the unemployed and underemployed, as a percentage of the total potential hours in the labour force; and
- the extended labour force underutilisation rate: the unemployed, plus the underemployed, plus two groups¹ of persons marginally attached to the labour force, expressed as a proportion of the labour force augmented by the two groups of marginally attached persons.

These measures are explained in more detail and illustrated in the article *Measures of labour underutilisation*, in the January 2011 issue of *Australian Labour Market Statistics* (cat. no. 6105.0).

Summary

The ABS's monthly labour force estimates, including the unemployment rate, are widely recognised as key indicators of labour market performance. To be unemployed in the LFS, a person must be without work in the reference week, actively looking for work in the previous four weeks, and available to start work in the reference week. The ABS uses a short reference period to give a snapshot of the available labour supply at a point in time. This is in line with agreed international statistical definitions, and the key indicators have been measured in a consistent way since 1966.

To provide a comprehensive picture of the labour market performance, the ABS publishes more than just the unemployment rate. In addition to headline indicators on employment and unemployment, the ABS publishes measures of underemployment, labour force underutilisation, long term unemployment and those marginally attached to the labour force.

Footnotes:

1. The two groups with marginal attachment to the labour force are:
 - people who are actively looking for work and who could start within four weeks, but are not available to start in the reference week; and
 - discouraged job seekers. Discouraged job seekers are defined as people who want to work and could start work within four weeks if offered a job, but whose main reason for not actively looking for work includes the following reasons: considered to be too young or too old by employers; believes ill health or disability discourages employers; lacked necessary schooling, training, skills or experience; difficulties because of language or ethnic background; no jobs in their locality or line of work; no jobs in suitable hours; and no jobs at all.

For more information see *Labour Statistics: Concepts, Sources and Methods, Feb 2018* (cat. no. 6102.0.55.001).

To provide feedback on this series please email: labour.statistics@abs.gov.au