
Chair of the UK Statistics Authority, Sir Andrew Dilnot CBE

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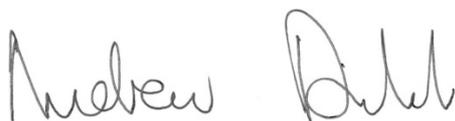
Dear Mr Partington,

UNEMPLOYMENT STATISTICS

Thank you for your letter of 22 August about the definition and measurement of unemployment, particularly in relation to those who are in full time education. I apologise for the delay in responding as I have asked my office to check various points before doing so.

Detailed information is provided in the attached annex prepared by Office for National Statistics (ONS) officials. However, I would like to emphasise that ONS's definition of unemployment follows international guidelines set by the International Labour Organisation (ILO), which recommends that people in full-time education are included in the youth unemployment estimates if they are out-of-work and have been looking for work (whether full-time or part-time) within the last four weeks, and are available to start work within the next two weeks. An individual's educational status has no bearing on whether they are counted as unemployed or not. This enables international comparisons to be made on a consistent basis. I also note the advice from ONS officials that the estimated costs associated with increasing the necessary survey sample sizes to produce statistically robust estimates of youth unemployment at local-area geographies are prohibitive in the current climate of budgetary restrictions.

Yours sincerely,



Sir Andrew Dilnot CBE

Annex prepared by ONS officials

ONS's definition follows international guidelines, set by the International Labour Organisation (ILO), whereby people in full-time education are included in the youth unemployment estimates if they are out-of-work and have been looking for work (whether full-time or part-time) within the last four weeks, and are available to start work within the next two weeks. An individual's educational status has no bearing on whether they are included as unemployed or not. This enables international comparisons to be made on a consistent basis.

ONS publishes data on the 'educational status of young people' as part of its monthly labour market statistical bulletin which reports the labour market status of young people (aged 16 to 24) for those in full-time education and not in full-time education. From these data it is possible to produce unemployment estimates for young people excluding those in full-time education. However, it should be noted that this is not the official measure of youth unemployment that is used internationally. Data are also only available at a UK level, rather than at lower levels of geography, so as to maintain statistical integrity.

Statistical estimates of youth unemployment are published on the Nomis data portal¹ alongside associated confidence intervals, which enables users to assess the utility of the statistical estimates. Based on the latest available statistics, the confidence interval for youth unemployment in Telford and Wrekin is approximately ± 9 percentage points on estimates of 23.1 per cent to 33.7 per cent for various 12 month periods between 2011 and 2013. The reason for the wide confidence interval is primarily sampling variation. It should be noted that the central estimate of the youth unemployment rate in Telford and Wrekin for the latest available period was 20.9 per cent (with a confidence interval of ± 7 percentage points) for the 12 month period ending June 2014.

The estimates of youth unemployment are derived from the Annual Population Survey (APS) which is the largest household survey in the UK and is based on responses from over 300,000 individuals per year. To enable ONS to produce youth unemployment estimates with much lower confidence intervals for all local authorities would necessitate an estimated 16-fold increase in the sample size of the Labour Force Survey and/or the APS, at a cost estimated to be around £150 million per annum. Under current budgetary constraints this is not a practical option for ONS to consider.

The divergence between the APS and Claimant Count measures is likely to be at least partially caused by sampling variability, but there are potential definitional factors involved as well. Principally, these are differences in the likelihood of seeking or finding work (moving in or out of unemployment) for those who are claiming benefits compared with those who are ineligible for, or not claiming, benefits. For youth unemployment, those in full-time education would not be eligible for Jobseekers' Allowance but nevertheless may still be seeking work. Since there is no direct link between claiming out-of-work benefits and being considered unemployed, the time series need not necessarily follow the same path. However since the statistical factors could account for all of the divergence, it is not possible to say whether or not the definitional factors have any impact.

ONS has examined various modelling techniques as an alternative to increased sampling. For these techniques to be appropriate there would need to be a reasonable correlation between survey-based unemployment and the Claimant Count. The available data for those aged 16 to 24 has a lower correlation than any other age-group, and therefore these methods would not be appropriate for statistical purposes.

¹ <https://www.nomisweb.co.uk/>