

The August 2009 Unemployment Figures.

PRIME has re-tabulated the data from the August 2009 Labour Market Statistics (LMS) report from the Office of National Statistics – referred to as the unemployment figures - and this report provides a re-assessment of the headlines (see Appendix 1 and Appendix 2). These are sample survey statistics published every 3 months. The Office for National Statistics publish the data on their website and in 2004 PRIME used these data to publish its ground-breaking report “Towards a 50+ Enterprise Culture”.

The media made a great deal of the August 2009 unemployment figures suggesting that one young person in five is unemployed. The headlines may have sounded alarming, but that is because the media was almost 100 per cent wrong. Basic errors in understanding the statistics have led some journalists and commentators to almost double the underlying rate of worklessness amongst youth. Of course PRIME readily acknowledges that the levels of worklessness amongst young people are far too high even when the data is interpreted correctly. However PRIME would point out that the worklessness figures for the 50 – State Pension Age (SPA) cohort are nearly two times higher than for any other group when the data is properly interpreted.

Part 1: Misconstruing the statistics

Statistics have to be used with caution and understanding. Firstly it is always useful to understand what a statistic is measuring and what a percentage relates to: it frequently turns out to be something different to that which is assumed. Secondly statistics often pre-suppose that the motivation behind different cohorts is exactly the same whereas in real life there are a whole series of different motivations at different ages. And thirdly it is always prudent, though time-consuming, to read the whole report and note the caveats.

(i) Understanding the statistic

It is a good guess that the suggestion that 1 in 5 young people are unemployed figure came from the 18 – 24 age cohort data, though “youth” was not always defined in the media reports. From PRIME's table (Appendix 1) it can be seen that there were 722,000 registrations of young people aged 18 – 24 at Jobcentre Plus in June 2009 and 370,000 by people age 50 – SPA in the same month. One way of calculating an unemployment rate is to calculate the number of Jobcentre Plus registrations as a percentage of the number of people employed. This gives a figure of 5.36 per cent for the over 50s and 17.19 per cent for the 18 – 24 cohort (the 1 in 5 figure). However, the number of people employed is a variable feast rather than a fixed point. On this calculation a low number of economically active in a particular age cohort, whatever the reason, will boost the unemployment rate. If the number of people registered at Jobcentre Plus is calculated as a percentage of the age cohort

population, the new figures are 2.76 per cent for the 50-SPA age group and 12.42 per cent for the 18 – 24 age group.

So with the first definition it would be reasonable to say that for every 20 people aged 50 –SPA actually employed, there is 1 person registered at Jobcentre Plus, and there is 1 person registered with Jobcentre Plus for every 5 people aged 18 – 24 who are working. With the second definition it would be reasonable to say that 1 person in every 33 aged 50 – SPA was registered with Jobcentre Plus and 1 person in every 8 aged 18-24 was registered with Jobcentre Plus.

(ii) Understanding behaviour

All the evidence and the experience that PRIME has at its disposal tells us that people over 50 do not register with Jobcentre Plus. Being unemployed and being registered at Jobcentre Plus are two different things. The percentage of the over 50s population that registers at Jobcentre Plus has been hovering around the 2 per cent level for some time (see *Smallwood C. PRIME 2008*). Many over 50s find that Jobcentre Plus has nothing to offer them. Most people of this age are not offered realistic work opportunities and have to wait at least 18 months before they receive any real training or help (hopefully this will reduce to six months under Flexible New Deal but, in PRIME's view, even six months is too long). If they have a partner in work they will cease to be paid Job Seeker's Allowance (JSA) after six months. While registration at Jobcentre Plus does ensure that the National Insurance stamp is paid, most people over 50 calculate that the difference this will make to their lives is marginal compared with the hassle of signing on, and being questioned as to whether they are really looking for a job when there is minimal work available for this age group.

On the other hand 18 – 24 year olds have more incentive to sign on. They will receive JSA, which, especially if they are living at home, provides some spending money. They will also have their National Insurance stamp paid.

The statistic therefore tries to assume that two groups have the same motivation and act the same way, whereas this patently an incorrect presumption. Comparing the two figures as if they were measuring the same behaviour is therefore misleading. PRIME argues that it is better to use the economic inactivity data and discusses this (below). The number registered at Jobcentre Plus is a sub-set of these data.

(iii) Reading the small print

Those who read the full report from ONS will find that there is an attempt to shed more light on why different groups are economically inactive (i.e. not working but not necessarily registered at Jobcentre Plus). One of the obvious reasons why many in the 16 -17 and 18 – 24 age cohorts are not working and are economically inactive is because they are students or are in a full-time training programme. If someone aged 18-24 is a full time student, it would be surprising if they were employed.

The ONS actually provide a statistic for the number of people aged 16 – 17 and 18 – 24 who are economically inactive but are in full-time education. In the 18 -24 age group there are 980,000 students. The real figure for the economically inactive who

are not in education is therefore 634,000 for the 18 – 24 age group and not 1,614,000. This is less than the number registered at Jobcentre Plus so it might be that there are a number of students who actually register. A more likely explanation is to do with the flows in and out of being a student. Furthermore there are data that show that a number of people in the 18 – 24 age cohort are both registered unemployed and in full time education (a further 121,000 in fact or 16.76 per cent of the registered unemployed). For this analysis these data have been ignored because it is not clear from the report the extent to which this would constitute double counting.

However, this analysis suggests that using 10.19 per cent (the percentage of the age cohort that is economically inactive but is not in full-time education) as the more realistic economic inactivity measure for the 18 – 24 age cohort. The same applies to the 16 -17 year old age cohort. It is far more prudent to use this statistic than using the 27.80 per cent rate of economic inactivity calculation, which includes those on full-time education. For there to be one person in ten in this age group who is economically inactive is unsatisfactory. Unfortunately the real underlying figures do not make for such good headlines as they show that the 16 -17 and 18 – 24 age groups have the least poor economic inactivity rates of any of the age cohorts and actually show that there has been a decrease in the 18 – 24 economic inactivity rate.

Part 2: What the data shows

(i) Economic inactivity rates

The economic inactivity rates are a more useful statistic for analysing trends across time than the statistic measuring the number of people registered at Jobcentre Plus. However this statistic has to be treated with caution. Comments have already been made on the fact that it is important to remove full-time students from the data-set. Equally there are a number of problems with the over 50 – SPA data. There is a small proportion of the economically inactive 50 – SPA that is retired early with an adequate pension, though the opportunities to do this are decreasing. There are also a number retired with an inadequate pension because they had been asked to retire early with a minimally enhanced pension deal. Still others are on Incapacity Benefit (changing to ESA from April 2009). And yet others are caring for others and unable to work.

These issues are dealt with in the Smallwood Report (*Smallwood C. PRIME 2008*) which shows that of those who are economically inactive:

- 49 per cent are on incapacity benefit
- 9 per cent are retired with an adequate pension
- 18 per cent are retired on an inadequate pension
- 17 per cent are caring
- 7 per cent are registered unemployed

Being retired on an adequate pension is likely to actively deter someone aged 50+ from seeking work, though it does not deter them from starting a business. The other factors do not prohibit job-seeking, and, in fact, make it more necessary as welfare is an inadequate basis for a satisfying and fulfilled life.

(ii) Claimant count data

The data on claimant counts shows that the 50 – SPA age cohort remains registered unemployed for a longer period than any other group. One third of all claimants over 50 are still registered unemployed after 24 months and these data do not take into account those that leave Jobcentre Plus in frustration. At the moment Jobcentre Plus does not even consider a programme for the unemployed until they have been registered for six months (although there are a few exceptions now). It is argued that the majority of people leave and find a job before the six months has elapsed. In the case of the over 50s this is not true and there is a case for ensuring they can access a programme of support and training for self-employment or employment from the date of registration.

Conclusion

It is disappointing that the media chose to misinterpret the labour market statistics and concentrate on an economic inactivity rate for youth which was generally reported wrongly by a factor of 100 per cent. This led to the media missing the real issue which is the economic inactivity amongst the 50 – SPA age cohort.

PRIME has already reported (*Generations Forgotten* PRIME 2009) on a survey conducted by GKS in the autumn of 2008 which showed that people over 50 felt they were discriminated against in the labour market because of their age. This report also showed that many more over 50s than anticipated were ready to consider self-employment if they knew there was tailored support and help. The fact that there is such a big difference between the over 50s and the younger age cohorts in economic inactivity rates gives more substance to the belief that age discrimination is rife in the labour market.

There is plenty of evidence that those who are workless are more likely to be physically and mentally ill, and to experience higher degrees of social exclusion. Thus increasing worklessness will increase the cost of health and social care.

However It is often assumed that the over 50s should be ready to accept unemployment in the interests of affording young people employment. There are a number of difficulties in this argument.

(i) People aged 50 have a third of their lives to live and to finance.

We are now in a society where people expect to live much longer. Someone aged 50 could expect that they have at least a third of their life to live, but this needs to be financed. Welfare and state pensions are not a satisfactory financial basis on which to base a third of your life.

- (ii) In an ageing society the dependency ratios mean the burden of welfare for the older generation will fall on a diminishing number of younger people in the labour force

We are in an ageing society and by 2031, one in three of the working age population will be over 50 and there will be 31 per cent more people of pension age. Obviously the taxation burden on those younger people in work will have to be increased to ensure the state is able to finance the welfare costs. However they will also, at the same time, be under pressure to increase their own payments into retirement plans. The number of people supporting an increasingly older population will inevitably diminish, thus increasing the dependency ratio – or, put more starkly, increasing the tax burden on those in work. Increasing the number of people who will have a higher dependence on the welfare system by increasing the number of 50+ workless is not, therefore, a particularly sensible policy in the long term.

- (iii) Any job undertaken by someone over 50 takes away an opportunity from someone younger.

It is inevitable in an ageing society that we will have to employ more people aged over 50 because there simply will not be younger people – full stop. The assumption behind the argument that employed over 50s are taking jobs from younger people is based on a notion that there are a finite number of jobs. This is very questionable. However we also need to consider the expansion of self-employment because it is here that there is an unarguable opportunity to create more jobs.

What should be done?

To reduce worklessness there has to be a balance of labour market interventions between those just starting out in the labour market and those who are over 50. A concentration on one or the other age cohort does not make any kind of sense. However, at the moment the balance is clearly weighted in favour of those just starting out.

PRIME would therefore urge the government to put more support and resources into the encouragement of self-employment amongst those over 50. At the moment there is a lack of balance in enterprise support between the young and the over 50s. PRIME would suggest that the over 50s inevitably have more life experience which is a vital ingredient of any business start-up, and ensures that major mistakes are less likely to be made. There is evidence to suggest that people creating their own job by starting a business retire far later than those who are employees. For example there is a far greater percentage of self-employment amongst the 1.3 million people working beyond retirement age than is found in the pre-retirement working population. In an ageing society this has very important fiscal implications in that the post-retirement population is less dependent on the state, and is usually contributing through taxation.

References

Office for National Statistics: Labour market statistics: August 2009
Office for National Statistics: Labour market statistics: August 2009
Christopher Smallwood & Linda Obiamiwe: Improving the Employment Prospects for the over 50s: PRIME 2008 available on www.primeinitiative.org.uk
PRIME: Generations Forgotten: PRIME 2009 available on www.primeinitiative.org.uk
PRIME: Towards a 50+ Enterprise Culture: PRIME 2004; available on www.primeinitiative.org.uk