OPINION

Unemployment figures: lies, damned lies and statistics

The claim in the official monthly labour force unemployment figures that we have reached a 30-year unemployment low of 4.9 per cent, or 500,000 unemployed, is ***nonsensical.*** There are ***two*** sets of official unemployment figures. Both tell different stories.

One set, "labour force", which currently shows an unemployment level of around 5 per cent, is based on a political definition of unemployment. The monthly "labour force" definition is biased toward counting a person as employed rather than unemployed and only a very obtuse person or a politician should believe this figure.

Former Victorian (ALP) Employment Minister, Steve Crabb (and himself an actuary), once said: "There are lies, damned lies and statistics. The monthly unemployment number is not only misleading; it causes real harm." He then asked why the Australian Bureau of Statistics (ABS) officials produced this "load of old cobblers".

The reality is that if, as the monthly figures claim, 500,000 (5 per cent) are unemployed, that doesn't mean that they are unemployed, as they, you or I understand the word.

No. It means that 500,000 or so people match the Australian ***version*** of the recommended International Labour Organization's definition of unemployment. The real monthly figures and the local version of the ILO definition of monthly unemployment have nothing to do with economic or actuarial reality.

ILO definitions

I am well aware that the ABS uses concepts and definitions recommended by the ILO, one of the specialised agencies of the United Nations. My point is that these ILO concepts and definitions of unemployment are, in essence, designed for ***political*** purposes and to provide governments (here and overseas) with the most flattering figure. They have nothing to do with reality.

In this connection, it is important to appreciate that the ILO concepts and definitions are formulated neither by statisticians on the staff of the ILO (international civil servants), nor by statisticians on the staff of other international agencies such as the United Nations Secretariat, the WTO, the OECD, etc (also international civil servants), nor by independent expert professional statisticians such as academics, actuaries and accountants.

In fact, the recommended ILO concepts and definitions emanate from a group of statisticians, convened by the ILO, about every seven years. The group comprises national civil servants nominated by their respective governments (not by the ILO).

In the case of Australia, for instance, its representative on this ILO group for the time being has been the Commonwealth Government-appointed Australian Statistician — an Australian public servant. While the fact that this ILO group is composed of national civil servants does not mean that they are not expert statisticians, it does mean that they are not ***independent***. They are, of course, beholden to their respective governments which can direct or influence them as they see fit.

All governments are anxious, for obvious reasons, to be able to boast the lowest possible rate of unemployment — not least of all for domestic consumption. In short, the governments involved in the ILO group have a vested political interest in using concepts and definitions, especially when issued under the prestigious imprimatur of the ILO, that disclose as low a rate of unemployment as possible; and the national civil servants of the ILO group all have riding instructions, or at least guidelines, from their respective governments to achieve this end.

Sir Humphrey Appleby of *Yes, Minister* fame admirably summed it up in his diary: "The language of government: Restructure the base from which the statistics are derived without drawing public attention to the fact." Translation: "Fiddle the figures."

National definitions of unemployment do differ from the recommended ILO international standard definition. The national definitions used vary from one country to another as regards age limits, reference periods, criteria for seeking work or not seeking work, treatment of persons temporarily laid off and of persons seeking work for the first time.

Tricks

This, plus the tricks all governments get up to in cooking their monthly unemployment figures, makes comparisons between countries well nigh impossible and a fruitless exercise.

The ***second*** set of unemployment figures, "Persons not in the Labour Force" — also produced by the Commonwealth-apponted Australian Statistician and staff, and based on an actuarial or real survey — shows that we currently have a (real) two million, or 20 per cent, level of unemployment, chasing around 155,000 job vacancies, advertised and not advertised.

Those people with skills in demand will do well under WorkChoices' Australian Workplace Agreements (AWAs); but the other 1.9 million unemployed, if they get a job — and a huge number already in the workforce don't have these skills — will often have to put up with master-servant type AWAs. The OECD reports that Australia is the third lowest spender in the developed world on training unemployed people (Melbourne *Age*, June 26, 2006).

Many things are wrong with the monthly, or headline, "labour force" figures. Some examples are that advanced countries such as Germany and Singapore only count a person as employed if he or she works 15 hours or more. In Australia, you are counted as being employed if you work for as lit-

tle as an hour.

Currently 400,000 Australians work between 1-14 hours a week. They are counted as being "employed", but in many other countries would be counted as unemployed. The person who works an hour a week in Australia has the same status in the employment statistics as one who works 40 hours! Consequently, unemployment comparisons between countries are largely illusory.

Paradoxically, the Department of Employment and Workplace Relations (DEWR) regards Aboriginals who work 15 hours per week plus on a Community Development Employment Program (an indigenous variation of work-for-the-dole) as "employed".

Mockery

Secondly, there are 1.75 million unemployed Australians on one of the five or six different "dole" or unemployment benefits, one of these being the disability support pension (DSP). This alone makes a mockery of the monthly figure. Moreover, since March 1996, every dole recipient who has found a job, or given up looking for one, has been offset by an extra person becoming elligible for the disability support pension or the single parenting payment.

The latter two types of recipient are not tallied as unemployed because they are not technically looking for work. However, they are jobless and, from July 1, 2006, many will now have to find work and/or go onto a lower welfare payment called the Newstart allowance.

That alone will make the Newstart payments blow out and will make the monthly unemployment figures even more ridiculous than they are today — if such a thing were possible.

But wait. Like the perennial steak knives offer, there's more! Around 800,000 Australians recently told Census-takers that they wanted a job but couldn't take one during the survey week, or in the three weeks immediately after the survey week (owing to such things as lack of child care or short-term medical problems). As a result they were not counted as unemployed.

As with the difference between the so called "elective" surgery lists and the so-called "emergency" surgery list, we have descended into smoke-and-mirrors territory in trying to work out the difference between being unemployed and actually being counted as unemployed, according to the bogus monthly or "headline" figure.

The Commonwealth Statistician from the ABS, Mr Dennis Trewin, is quoted as saying that "the official measure of unemployment does not reflect the true jobless rate". Why then would people disagree with him rather than listen to what he has to say?

In commenting on the last Australian Industrial Relations Commission (AIRC) national wage case, economic commentator Mr Des Moore had this to say on the real unemployment figures:

"This approach (on wages) pushes the unemployed and the underutilised to one side in preference to those already in employment. Yet Australian Bureau of Statistics data shows there are more than one million unemployed or under-utilised, and another 800,000 who say they would like work if it was available. About ***two million*** mostly unskilled would like jobs but have had little chance of getting them under the commission's regime." (*The Australian*, June 13, 2005).

He reiterated these figures a ~~few days~~ year later in Melbourne's *Business Age* (June 28, 2006).

Again, why should people believe in the official monthly labour force figures when it is akin to subscribing to the Flat Earth Society?

Fudged unemployment figures are no basis either for cracking open the champagne or for influencing economic policy, be it planning, justifying AWAs or framing immigration and visa targets.

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