

Box 2 Labour market statistics: a discrepancy or a question of definitions?

Two kinds of measurements of unemployment and other labour market aggregates are used in Iceland, based on either Statistics Iceland's labour market surveys or figures compiled by the Directorate of Labour. As defined by Statistics Iceland, persons are classified as unemployed who are seeking work and can start work within two weeks.¹ The Directorate of Labour, on the other hand, reports those who are registered as unemployed with an employment agency. As Table 1 shows, fewer males were registered as unemployed than fell within the Statistics Iceland definition, while the opposite applied to females. One proposed explanation has been that males have less tendency to register as unemployed,

while females with young children are commonly not classified as unemployed in the terms used by Statistics Iceland, since they cannot start work within two weeks despite being registered as unemployed, the only requirement for which is to "be prepared to accept employment in all ordinary types of jobs".²

Divergent definitions of "labour force" also create different denominators for the unemployment rate. In Statistics Iceland's labour market surveys, people are classified as employed if they worked one hour or more in the reference week (the labour force comprises both employed and unemployed), while the Directorate of Labour follows Ministry of Finance estimates for man-years in the labour market. Thus Statistics Iceland applies a considerably higher denominator than the Directorate of Labour, as the table shows. The discrepancy is greater among females, who more commonly work part-time.

Thirdly, unemployment is counted in different ways. Statistics Iceland includes all individuals fulfilling its definition of being unemployed, irrespective of whether they previously worked full-time or part-time. The Directorate of Labour, on the other hand, calculates days of unemployment from the number of unemployed persons relative to the percentage of a full-time position that they previously worked.³ One day of unemployment by two individuals in half-day jobs is calculated as one day of unemployment. In other words, it measures the number of whole days of unemployment during the month, and not the number of unemployed individuals (irrespective of working hours), as Statistics Iceland does. The difference in measured unemployment between the Directorate of Labour figures and Statistics Iceland's labour market surveys has been in the range 0.1 to 1.6 percentage points, and not always in the same direction. It is more

Table 1 Two definitions of unemployment

In Q1/2004

<i>Unemployed (no.)</i>	<i>SI¹</i>	<i>DL²</i>
Males.....	2,800	2,615
Females.....	2,000	2,443
Total.....	4,800	5,059
	<i>(labour force)</i>	<i>(man-years)</i>
<i>In the labour market</i>		
Males.....	82,300	80,745
Females.....	74,800	59,421
Total.....	157,100	140,166
<i>Unemployment rate (%)³</i>		
Males.....	3.4	3.2
Females.....	2.7	4.1
Total.....	3.1	3.6

1. Statistics according to Statistics Iceland's labour market surveys (SI). 2. Figures from the Directorate of Labour (DL). 3. Expressed as a proportion of the labour force in SI but as a proportion of total man-years in DL.

Sources: Statistics Iceland, Directorate of Labour.

1. The current definition used in the Labour market survey is: "Persons are classified as unemployed who were not employed during the reference week, are able to start work within two weeks from when the survey was conducted and furthermore fulfil one of the following conditions:
 1. Have been seeking employment for the previous four weeks including the reference week.
 2. Have found a job that begins after that period, but within no later than three months.
 3. Await being called to work."

2. Unemployment Insurance Act no. 12/1997, Article 2.

3. The Directorate of Labour's definition is as follows: "The number of days of unemployment is the total number of working days of the individuals registered as unemployed during the month (one working day equals eight hours). All days of the month are included except Saturdays and Sundays, less the time that the individual has worked in the month based on an eight-hour day or the equivalent. Other holidays than Saturdays and Sundays are counted as working days".

common for Statistics Iceland to report higher unemployment figures than the Directorate of Labour when joblessness is on the increase, and vice versa when it is diminishing. A conceivable explanation for this discrepancy is that the labour market surveys cover individuals who lose their jobs during a period of contraction before they register as unemployed. When the job situation improves, it may likewise cover individuals who have found work but not been removed from the register, perhaps because they have not yet commenced their new jobs. Furthermore, the Directorate of Labour figures may underestimate the labour force during an upswing and overestimate it in a downswing, due to the tendency to withdraw from the labour market when the economy contracts and return to it when the outlook improves.

