



The Government's White Paper - 'Building trust in statistics' - includes a commitment to assuring the quality of National Statistics and refers to a programme of thorough reviews of key outputs. The Office for National Statistics is currently carrying out a review of the framework for labour market statistics.

The aims of the review are (i) to develop a more rigorous and explicit framework for labour market statistics, and (ii) to assess, within the idea of a framework, the fitness for purpose of the statistics of employment, unemployment, earnings and associated labour market variables. The proposed completion date is end-January 2002.

The note below explains the scope of the review. It includes an explanation of what is meant by the term 'framework' and gives some relevant history; it also provides an indication of the quality aspects to be covered in the review and sets out the broad issues which might be addressed.

In the next few weeks we will be writing to a number of people including government users, academics, and international organisations seeking their views on the issues raised in the review. A seminar is also being considered for the autumn. **If you would like further details of the review or to contribute to it please contact Graham Thompson (graham.thompson@ons.gov.uk, or tel. 020 7533 6118) by 21 Sept.**

LMS FRAMEWORK REVIEW: SCOPE

1. This note sets out the scope for this review, including an indication of the quality aspects to be covered. It has been approved by the steering group set up for the Review.
2. To begin with, it will be useful to define the coverage of labour market statistics and to explain what, in the context of this review, is meant by the term 'framework', and to outline the present and historical positions.

Definition of labour market statistics

3. First, labour market statistics are defined to cover the key variables of employment, unemployment, vacancies, earnings, economic inactivity and the derived variables of productivity and unit costs (but see paragraph 10, below).

Definition of framework and existing position

4. Secondly, the framework may be regarded as a set of organising principles. It is seen, largely, as a formal presentation of the concepts and definitions underpinning the statistics, the sources and methodology used for their derivation, and the structure and tables used for presenting and disseminating them.

5. At present, the framework for labour market statistics in the UK is largely defined by the existing form of presentation. However, it should be noted that the concepts and definitions used for the collection of the statistics mostly follow well established international recommendations, and these are documented in various publications. A brief history of the framework for labour market statistics is given in the annex.

6. One alternative to the existing position is provided by a labour accounting system, which provides a framework for labour market statistics based, essentially, on a demand/supply relationship. This structure for the labour market sees, on one side, a demand for work, by businesses and other organisations, including self-employed activity, and, on the other side, the supply component represented by people in different locations, possessing different skills, with different circumstances, offering their labour.

7. The framework would provide the structure for relating and reconciling the statistical information, for example the demand side estimates of jobs and vacancies and the supply side estimates of persons in employment or unemployed. The framework would also identify key linkages of economic, social and demographic aspects, for example skills, and also specify units of observation (such as businesses, households or persons) and units of measurement for the data (for example, monetary or physical units). Practical issues of measurement will also be considered.

8. The development of a more rigorous and explicit framework for labour market statistics will provide a sounder and more visible conceptual basis for determining the data to be collected and how they might be presented and analysed. The review will also address how the framework would be promulgated, for example through a 'sources and methods' publication. The framework should also help to increase the transparency of information about developments in the labour market, thus enabling users to make better informed decisions.

Nature of the review

9 The focus of the framework review will be largely strategic and conceptual. In determining a framework, a range of detailed statistical issues will be identified. Some will be dealt with in the review, but others will be noted in the final report or covered in separate reviews. In addition to determining the contents of the framework, the review will also address how the framework would be promulgated, for example through a 'sources and methods' publication. The strategic aspect of the review will also consider any possible implications for the organisation of the work on labour market statistics.

10. The review will involve consideration of the labour market variables mentioned in paragraph 3 above. However, it should be noted that a separate fundamental review of the Labour Force Survey is underway and that a number of more standard, targeted reviews are planned for future years to cover specific elements of labour market statistics.

Quality aspects to be covered

11. Partly reflecting the above and in order to keep the review to manageable proportions, it is necessary to limit the range of quality aspects which would otherwise be covered in a conventional review on, for example, earnings.

12. It is proposed that the review will consider: concepts, definitions, coverage (including gaps), appropriateness (including data linkages), estimation methodology, time consistency, presentation (including metadata) and interpretation.

13. However, the following aspects will not be pursued in depth: collection arrangements (including costs and burden on business), timeliness, reliability (including revisions), and dissemination. Key issues related to these aspects will be recognised in the report.

Broad issues

14. The issues to be addressed are given below. Amongst the variables, it should be noted that, although separate reviews are planned for individual elements of labour market statistics a number of issues - deemed more relevant to the idea of a framework - will be pursued for employment and unemployment, but not for earnings. In a similar vein a strategic review of small area labour market statistics is planned; this will cover conceptual framework issues as they impact directly on sub-national geographies.

15. A framework for labour market statistics? The present 'framework' is largely defined by the existing presentation of the data. Consideration should be given to establishing a formal, more definitive framework for labour market statistics, what it might contain, and how it might be developed for use in the UK, and the arrangements for promulgating it. The framework should help to increase the transparency of information about developments in the labour market, providing a more informed consideration of the economic and social outcomes in the labour market, and thus enabling users, both within Government and outside, to make better informed decisions. A key feature of the framework is likely to be a more explicit recognition of a demand/supply structure for labour market statistics.

16. Informing the effect of Government policy How far will a framework help to inform the effect of Government policy, and are existing data adequate for this purpose? Two main areas of interest might be identified. The first concerns labour market policy in relation to welfare to work and the recent Green Paper "Towards full employment". The

second relates to HM Treasury and Bank of England monetary and macro-economic policy. In all cases are new data needed, and, if so, why?

17. Meeting other within-Government needs How far do existing data meet other internal needs, for example, in the economic domain, for measuring the hidden economy, for industrial relations, for sub-national data, and for assessing other key economic variables? And, in the social domain, how far do the data support labour market and welfare policy relating to population sub-groups (for example: men and women, older and younger workers, children in "work-poor" families, ethnic minority groups and the disabled) and how far do they meet the needs of users for assessing other key social variables? Do data meet needs for national accounts purposes, including compiling social accounting matrices and satellite accounts? In all cases are new data needed, and, if so, why?

18. Meeting external needs How far do existing data meet external needs, for example sub-national data for local authorities (see paragraph 24 below), and statistics required for Eurostat and other international bodies? In all cases are new data needed, and, if so, why?

19. Employment. Are two headline measures (workforce jobs and LFS) needed? Do they provide a satisfactory picture of the employer (demand) and individual (supply) components of the labour market? Should the two sets of data be better reconciled, perhaps producing a single set of definitive figures for employment or jobs, possibly with "balancing" items? Are any changes required to definitions and coverage, or any new data needed, and, if so, why? Three examples are (i) extending LFS coverage to the non-household population (being considered), (ii) including household employees and unpaid family workers in workforce jobs, and (iii) investigating the different industry classifications used in LFS and for workforce jobs.

20. Unemployment. Are any changes required to definitions and coverage, or any new data needed, and, if so, why? Two examples are (i) extending LFS coverage to the non-household population (being considered), and (ii) the various ideas about "broader" measures of labour market slack such as those promulgated by the US Bureau of Labour Statistics or, in the UK, by the Unemployment Unit's "Working Brief".

21. Economic inactivity Are any changes required to definitions and coverage, or any new data needed, and, if so, why? Three examples are (i) extending LFS coverage to the non-household population (being considered), (ii) the possible need for modified or expanded information on 'wanting to work', and (iii) greater use of additional data on claimants of benefits other than unemployment-related e.g. Incapacity Benefit.

22. Vacancies The gap in the labour demand information available about vacancies is a particular concern, which has been raised by the Statistical Commission. New information on vacancies is being collected, using a survey, as a way of complementing the partial information available from administrative data. Are any changes required to

definitions and coverage, or any new data needed (for example sub-national data), and, if so, why?

23. Productivity New information on productivity has recently been published. Are any further improvements needed?.

24. Sub-national data How far are needs being met for Scotland, Wales and Northern Ireland, and for local authorities? In addition to what appears to be a general need for more small area data, three broad issues might be addressed: (i) the relevance of particular variables (such as claimant count/workforce rates, or data for 'travel to work areas' or Parliamentary constituencies), (ii) the use of modelling as a basis for deriving certain estimates, and (iii) the adequacy of the local area population data needed for labour market analysis. In all cases are new data needed, and, if so, why? Is a framework required for sub-national LM statistics which is consistent with the national framework?

25. Stock and flow data For most variables there will be an interest in information on stocks (levels) and net changes and gross flows. Are any improvements needed here, including better reconciliation of the data?

26. Derived statistics For most variables certain derived statistics, such as employment or unemployment rates, will be compiled. Are any improvements needed here, for example the use of 'population at risk' figures for denominators?

27. Linkages Do data provide adequate linkages between economic and social issues of the labour market, and for relating employment to education, training and skills? If new data are needed, why?

28. Presentation and interpretation of data Are any changes needed to the way labour market statistics are presented and explained? Four examples are (i) to assess whether users still favour the integrated presentation of labour market statistics in the First Release which was introduced in 1998, (ii) how an integrated/reconciled presentation of demand and supply might be presented, (iii) to improve metadata generally, and in particular the explanation of the difference between the use of workplace and residence in the denominators used for deriving ratios, and (iv) to ensure consistency in series over time.

29. Other Four potentially important issues related to labour market statistics which might be covered are (i) the integration and use of, and comparison with, the population census data (ii) the collection of time-use data, (iii) the need for and collection of cohort (longitudinal) data, and (iv) projection of economic activity rates - soon to be re-introduced by ONS.

A brief history of the framework for labour market statistics

1. The framework for labour market statistics used to be based on counts of the numbers of people, measured as either employed and unemployed according to National Insurance contributions ('cards'), and were framed around a 'narrow' definition of what was then called the working population (employees (people not jobs) plus registered/claimant unemployed).
2. Over time, the working population estimates of employment moved away from NI-based estimates to employer-based surveys of employees (and, therefore, from people to jobs). In addition, there was increasing interest in non-administrative sources of information on the numbers in the labour market, partly because of the growth of female employment that did not show up in traditional sources. Before the advent of the Labour Force Survey (LFS), much of this information was Census-based, with wider definitions of both employment and unemployment. Employment began to consider areas such as self-employment, and unemployment began to consider not just registered/claimant unemployment but also non-registered unemployment.
3. The ILO convention on labour market statistics in 1984 had two major effects on the framework of UK labour market statistics. First, the introduction of a more comprehensive and authoritative definition of employment led to the inclusion of not just employees but also self-employment and Government supported employment programmes (and from 1992 unpaid family workers) in the definition of the population in employment. Secondly, the standard definition of unemployment moved away from national-based definitions towards an international (ILO) definition. In terms of the framework for labour market statistics, the business survey and administrative-based estimates were shifted towards the ILO convention, with the broader definition of what was now called workforce in employment combined with claimant unemployment to produce the workforce estimates. Similarly, labour force estimates based on household surveys began to use the more comprehensive employment information and the new ILO unemployment definition rather than the national based definitions.
4. Over the next few years there was little change in the framework, with the workforce and the labour force forming the basic descriptions of the labour market and with the workforce initially retaining its primary focus. Over time, with the development of the LFS, the labour force increased in importance relative to the workforce and, with the introduction of the integrated first release for labour market statistics in 1998, assumed the primary focus. There was also some shift away from the concept of the workforce estimates - the workforce jobs series was introduced - and although the claimant count was retained, the term 'workforce' (encompassing both employment and unemployment) was dropped. This is a particular area for consideration. In addition, there is a recognition that, both at a national and international level, the discussion of inactivity and its incorporation into an overall framework is a relatively under-developed part of the current labour market framework.