Harmonisation issues for the measurement of employment and unemployment
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The approach to ensure the cross-country harmonisation of the statistics based on the EU-LFS has so far been one of ex-ante output harmonisation, blended with small doses of input harmonisation.

The elements for the ex-ante output harmonisation are mainly included in Council Regulation 577/98 and in Commission regulation 377/2008 (and its predecessors). These comprise the frequency of the EU-LFS as a continuous survey providing quarterly and annual results, the units and scope of the survey, the observation methods, the precision requirements, and of course the list of survey variables, their periodicity and their codification.

The elements of input harmonisation mainly consist in the twelve principles for the formulation of questions on the labour status laid down in Commission Regulation 1897/2000, set up to implement the operational definition of unemployment, and the explanatory notes, which however are not supported by a legal basis and are hence adhered to by NSIs on a voluntary basis.

This framework marked a significant leap forward on the way towards a harmonised EU-LFS. In particular, of the utmost importance has been the implementation of a continuous survey by all Member States. Overall, this framework ensures a good degree of harmonisation across countries. Relevant progress has been made during this time by all countries to better fulfil the various elements of the framework. Still, despite some innovations introduced over time (e.g. the aforementioned passage to a continuous survey or the recurrent update of the EU-LFS explanatory notes), the framework remains basically the same as it was when set up. As experience accumulates, some weaknesses emerge. The time is ripe to reflect on the shortcomings of the current system and to open a discussion on how to improve it.

The framework has some ambiguous elements. At the conceptual level, ambiguities arise from the lack of an operational definition of employment, similar to that of unemployment. This gap leaves room for interpretation, which ends up in an inhomogeneous treatment of some groups, in particular of persons absent from work. Ambiguities also concern the target population, which should be the resident population, but for which the regulation provides no definition. Some ambiguities concern the sampling design. For instance, article 1 of Council Regulation 577/98 states that the reference weeks have to be spread uniformly over the weeks of a year, but a similar requirement is not foreseen for the geographical representativeness of the sample in a country. As employment and unemployment have highly seasonal patterns, which depend on the productive specialisation of a country or a region, for countries where

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1 The introduction in 2006 of the variable SIGNISAL was intended to allow a better distinction of those absent from work between employed and not employed but, due to the lack of a common definition of employment, countries differently use this variable for the codification of WSTATOR. The treatment of other groups such as farmers producing only or mainly for own-consumption and unpaid trainees has recently being the subject of lengthy discussions within the LAMAS Working Group, eventually concluded with a (hopefully) clarifying update of the EU-LFS explanatory notes.

2 This affects in particular how people temporarily present in a country are covered. When EU aggregates are computed, this lack of homogeneity can lead to situations where some individuals are counted twice (in two different countries) or not at all.
different regions have different specialisations it is essential that the sample be balanced over space as well. As another example, the framework includes no reference to sampling frames. As a consequence, different kinds of sampling frames are utilised, which impacts on the eligibility of the sampled units and on non-response patterns. Some degree of freedom is left to countries for the coverage of persons living in collective households. No indications are given on if and how non-responding units should be substituted. The lack of an explicit requirement for a rotational pattern or at least for some overlap of the sample at given time distances limits the possibility of longitudinal analysis.

Data collection is of course at the heart of the harmonisation issue. Still, also in this area no guidance is given for the application of crucial elements such as data collection modes or the possibility of proxy interviewing, although both elements are recognised as having an influence on the survey results. The twelve principles play a major role in the harmonisation of the employment and unemployment statistics based on the ILO labour force status concept. On the one hand, several countries still deviate from the letter of one or more principles. On the other hand, it must be recognised that nearly all countries have made efforts in the last years to adapt the national questionnaires to better align to the twelve principles\(^3\), for instance as regards the separation between questions on the self-declared main labour status and those aiming at defining the ILO labour status (principle 1); or concerning a better specification of the reference periods for work, job search and availability to work (principle 6). Some countries have challenged the effectiveness of some principles, and have questioned the legal status of the principles themselves. The discussion is currently open on whether the twelve principles should be considered as rules, given that they are part of a Regulation, or not. In the first case they should be literally followed, while the second case would leave room for interpretation. Supporters of the latter approach maintain that the spirit of the principles is what really matters, and this spirit could sometimes be better fulfilled by deviating from the legal text. One country in particular still refuses to introduce fixed reference weeks for questions on being or not in employment (against principle 6), on the grounds that asking for the current situation is more respondent-friendly than using a past reference period. Another crack in the wall are the findings of another country, according to which asking the question on MAINSTAT in contrast with the question on working one hour or more in the reference week returns more accurate estimates of employment than the approach foreseen by principle 1. As regards the explanatory notes, at present they are followed on the basis of a gentlemen’s agreement, which means that deviations cannot be sanctioned.

In general, the adherence of the national questionnaires to the definition of unemployment, the twelve principles and the explanatory notes — at least for the questions needed for the identification of the ILO labour status — is good. In spite of this, these tools are probably not enough to ensure a fully comparable measurement of employment and unemployment. The differences in the national questionnaires are striking. For the codification of variable WSTATOR, the European variable underlying the employed/not employed distinction, the number of questions in national questionnaires range from 1 to 13, with all possible number of questions in between\(^4\). Even more discrepancies would probably emerge if we also looked at the order of questions.

As a last point, a side-remark, users’ demand for labour market indicators supplementing the ILO unemployment rate is increasing. This in turn potentially increases the visibility and the

\(^3\) Significant improvement in this respect has been observed after the latest two Reports from the Commission to the Council and the European Parliament on the implementation of Council Regulation 577/98, in 2006 and 2009.

\(^4\) This emerges from a study carried out for Eurostat in 2009 and 2010, based on the 2008 questionnaires of 25 EU countries (except Denmark and the Netherlands), Norway and Iceland.
relevance of the approach based on the self-perceived labour status as a possible supplementary approach, and of course of MAINSTAT as the variable underlying that approach. In the current legal framework, this variable is optional, which allows some (indeed very few) countries not to cover it, and those who have it in their questionnaires often follow different implementations. Indeed, the description of the variable itself (just main status) is all but clear. Although this variable is intended as the self-perceived working status, this is only stated in the explanatory notes. In addition, no reference period is defined. Finally, the answer categories are often ambiguous and not well defined.

Most of the issues above are or have been discussed between Eurostat and the NSIs, and are addressed by various Eurostat’s initiatives. Discussion on the treatment of SIGNISAL for the codification of WSTATOR is ongoing. Other issues are the subject of specific recommendations from the Task Force on the Quality of the LFS, including the geographical representativeness of the sample, the treatment of the population residing in collective households, the requirements for rotation panels, the data collection modes, the review of the twelve principles, the legal status of MAINSTAT. The need for the harmonisation of MAINSTAT has been underlined by the Task Force on supplementary indicators for the ILO unemployment rate.

On top of those initiatives, Eurostat has recently called for a Task Force on the harmonisation of the measurement of employment and unemployment. According to its mandate, this task force will focus on some of the issues above, and in particular on:

- an operational definition of employment, similar to the existing one for unemployment,
- tools for assuring a harmonised implementation of the definitions of employment and unemployment. For this purpose, improving the current set of principles or going beyond the principles – e.g. by identifying a template flowchart for the questions on the labour force status, or model questions, or by suggesting changes to the explanatory notes of specific LFS variables – are all valid and mutually non-exclusive options,
- a conceptual clarification of variable MAINSTAT and a clearer definition of its answer categories.

According to planning, this task force should meet for the first time in the second half of June 2011, and conclude its work in February 2012. This 6th Workshop on LFS Methodology is therefore an opportunity to provide input to the task force before it starts working. Participants to the Workshop are invited to give their views on the three issues above which are within the mandate of the task force, and to put forward ideas on how to improve the situation. In particular, answers to the following questions would be highly appreciated:

- Is a list of principles for the formulation of questions on labour status enough to ensure sufficient cross-country comparability of employment and unemployment statistics?
- Are there supplementary/alternative approaches which better fulfil that goal?
- What could be the main issues for the specification of an exhaustive and still homogeneous list of categories for the self-perceived labour status?

5 It should be noted that the self-perceived labour status conceptually differs from the main labour status in a longer run. The former relies on the subjective declaration of the interviewee and can refer to a given point in time as well as to a longer period; the latter clearly refers to a longer period but, if not specified, can be either the respondent’s self-perception or the outcome of repeated objective observations over time.
