

## Explaining the numbers

The papers are full of unemployment statistics. But what do they mean and where do they come from?

The Department of Statistics undertakes the Household Labour Force Survey every quarter. The survey samples 30 000 individuals in 15 000 households over a three month period. It is representative of all New Zealanders over 15 years old except the armed forces, temporary residents or those in institutions such as hospitals and prisons.

First the facts from the latest survey (Sept 2009):

There are 3.4 million people of working age in New Zealand of whom 2.3 million people are “in the labour force” and 1.1 million people are not in the labour force.

“**In the Labour Force**” means that a person is willing and able to work. There are 2.3 million people willing and able to work which means that 68 % of the working age population is available for work. This is the **Labour Force Participation Rate**.

The other million odd people are not working for whatever reason: they are students, might have a disability, have family commitments etc. They are neither employed nor unemployed.

Of the 2.3 million people willing and able to work, there are 150 000 who can't find a job they want. This means that the **unemployment rate** is officially at 6.5 %.

This is the highest *rate* of unemployment since September 1999.  
The *number* of unemployed is the highest since March 1994.

The reason that the rate and the number are highest at different times can be explained in the following way.

Even though there were more people unemployed in March 1994 there were also more people willing and able to work than in September 1999. Some of these simply gave up as the 1990s recession hit hardest. This reduced the *number* of people being measured as unemployed.

That is a lesson to learn while we are in this current recession: When unemployment figures start to look good it may be that a number of people have given up looking for a job and taken up other activities such as full time study.

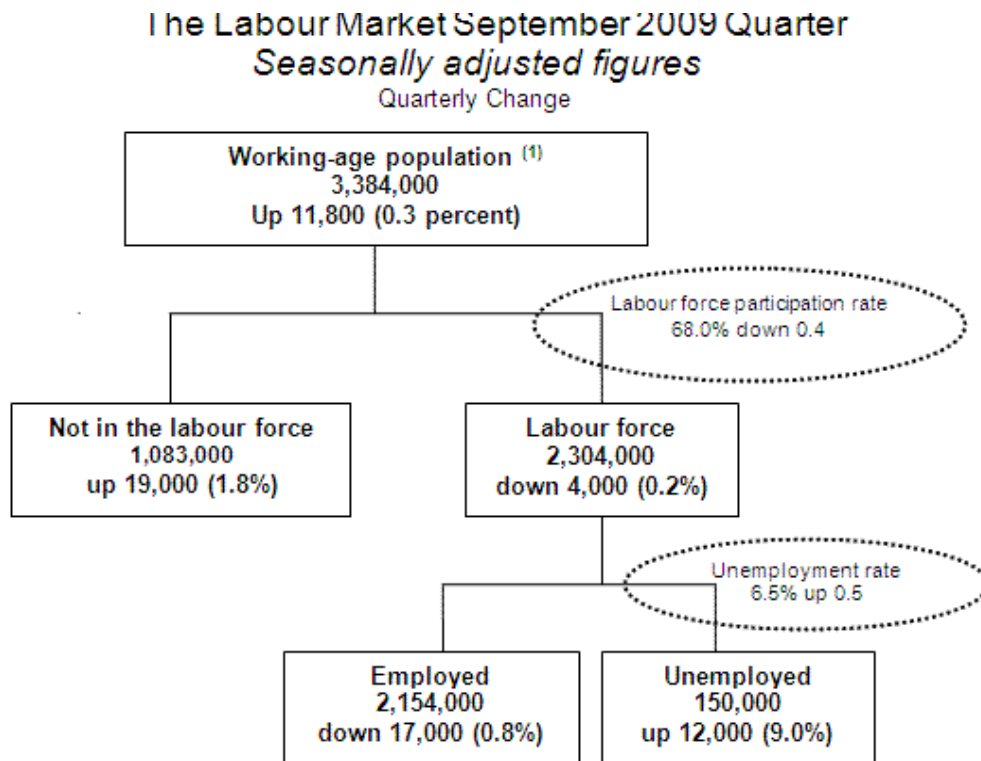
The unemployment rate of 6.5 % is the headline number we read in the papers. Those who are not counted in that rate are people not actively seeking work over the last four weeks even if they would like one. Examples could be those who are looking after family, or are semi retired. It might include those whose car has broken down and they cannot afford to have it repaired. They might not be looking because they just don't think there are jobs for them in their area. They might be temporarily off work due to a seasonal shutdown.

These “discouraged” workers total around 104 000. Adding this number to the unemployment rate would make the “unofficial” rate closer to 11%.

Look at the following diagram.

The working age population has increased 11800 (through immigration mainly) but the Labour Force has decreased by 4 000. This is explained by fewer people wanting to work. Again this is typical where individuals give up looking for work and take the opportunity to undertake more study or have an extended holiday. Others just give up.

Sometimes you hear people asking why we should want the economy to grow. To put it in human terms the economy needs to grow to give jobs to the extra workers. If the last quarter is typical there needs to be about 11800 jobs created every quarter *just for things to stay still!* In fact the previous quarter there needed to be about 14000 new jobs just to maintain the status quo. There are 45 900 more working age people in New Zealand than at this time last year.



(1) The working-age population is not seasonally adjusted

- Source: Statistics New Zealand