SDG
labour market indicators
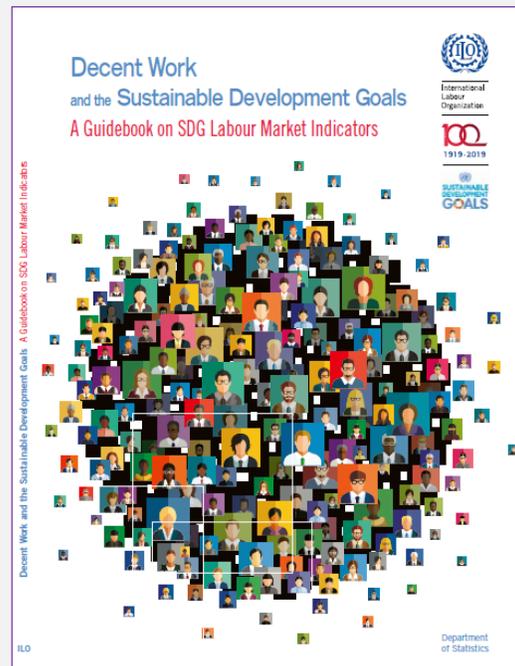
8.5.2 – the unemployment rate

8.6.1 – the youth NEET rate

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Group Training Programme on the Sustainable Development Goals
Labour Statistics sessions
November 2018 - Chiba, Japan

Reference guidebook:

Available in ILOSTAT www.ilo.org/ilostat , under «Publications»

Decent Work
and the Sustainable Development Goals
A Guidebook on SDG Labour Market Indicators

International Labour Organization

1919·2019

SUSTAINABLE DEVELOPMENT GOALS

Decent Work and the Sustainable Development Goals A Guidebook on SDG Labour Market Indicators

ILO

Department of Statistics

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SDG Global indicator framework

- To know where we stand in terms of SDGs

- To know what progress we have done and what is left to accomplish

- To have standard, reliable and comparable measures across countries, topics and over time

➡ **statistics are not a goal in themselves, but a means**

THE SDG GLOBAL INDICATOR FRAMEWORK IS:

- **An integrated framework**
  - → All SDG indicators are a coherent set
  - → Links and interdependencies, cross-cutting indicators

- **Complete and comprehensive**
  - → All types of indicators

- **Forward-looking**
  - → Relevance prioritized over availability

- **Not exclusive or limiting**

- Great variety and heterogeneity of indicators in terms of data availability and methodological development

- Considerable variability in data availability across regions and countries

need for a way to classify SDG indicators: 3 tiers according to their status (methodology and data availability)

- **Tier 1:** Indicators with an internationally-agreed methodology and data regularly available for at least 50% of countries and of the population in every region where the indicator is relevant.

- **Tier 2:** Indicators with an internationally-agreed methodology but data are not regularly produced by countries (or not by as many countries).

- **Tier 3:** Indicators with no internationally-agreed methodology or standards yet (thus, no data available yet either).

SDGs call for the active involvement of many actors, and so do the **SDG Global Indicator Framework** and the process of **SDG reporting and monitoring.**

For global reporting:

● **Custodian agency(ies) per indicator**

International agency(ies) assigned as responsible for international reporting and monitoring, and methodological development (for tier III)
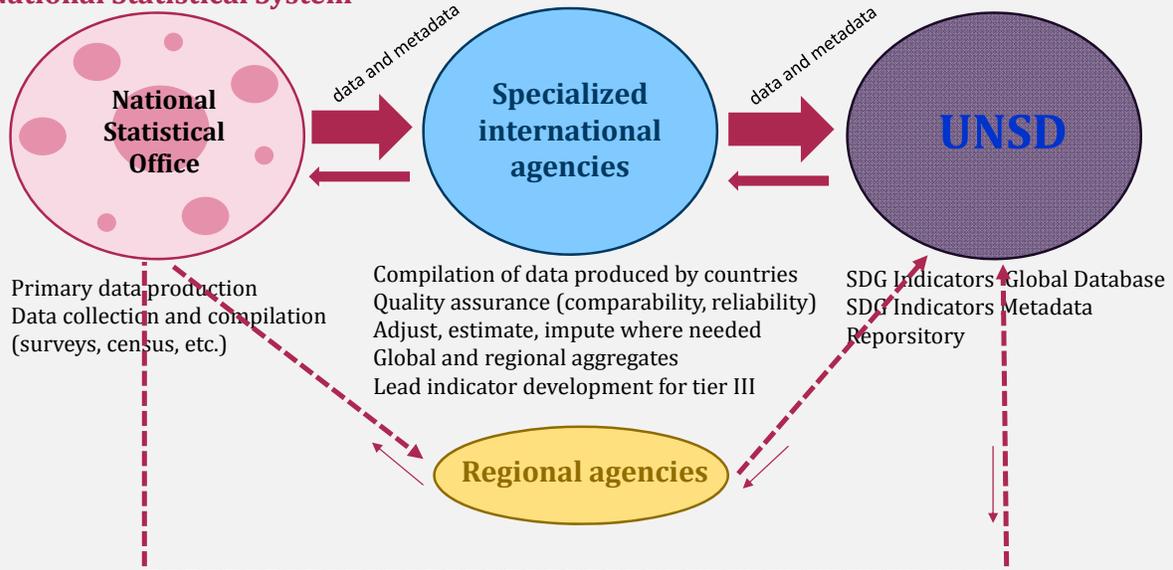
● **Partner agency(ies)**

International agencies other than the custodian may have valuable expertise and will thus be also involved

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GLOBAL SDG REPORTING PROCESS: MAIN ACTORS AND THEIR ROLES

National Statistical System

National Statistical Office

data and metadata →

Specialized international agencies

data and metadata →

UNSD

Primary data production
Data collection and compilation
(surveys, census, etc.)

Compilation of data produced by countries
Quality assurance (comparability, reliability)
Adjust, estimate, impute where needed
Global and regional aggregates
Lead indicator development for tier III

SDG Indicators Global Database
SDG Indicators Metadata
Reporsitory

Regional agencies
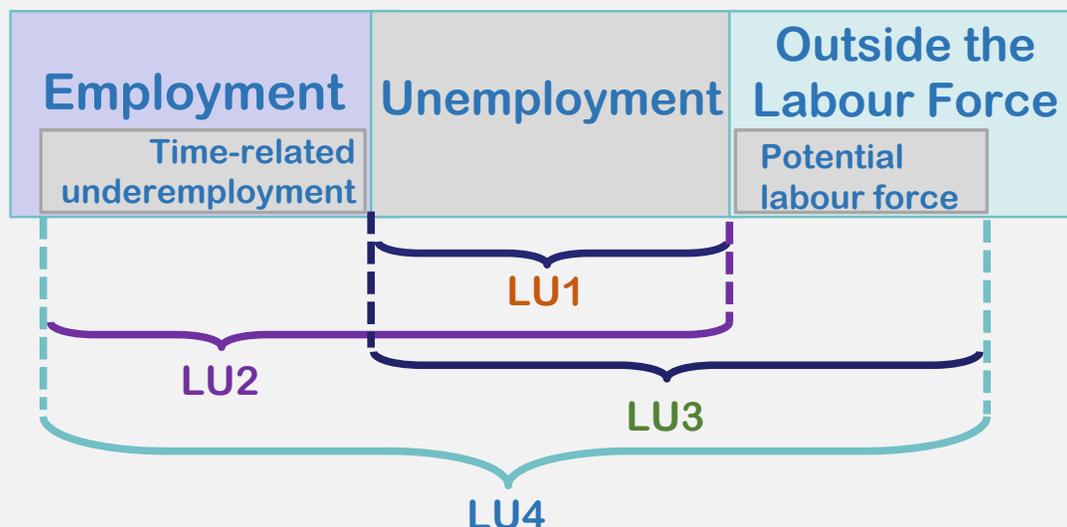
SDG indicator 8.5.2
The unemployment rate

RATIONALE

- Major headline labour market indicator, widely used and recognized among main labour market measures

- Insights into the underutilization of the labour supply

- Reflects the inability of an economy to generate employment for those who are available and looking for a job

- Indicator of the efficiency and effectiveness of an economy to absorb its labour force and of the performance of the labour market

DEFINITION & CONCEPTS

Working-age population by labour force status

Employment	Unemployment	Outside the Labour Force
Time-related underemployment		Potential labour force

LU1

LU2

LU3

LU4

DEFINITION & CONCEPTS

- Unemployment: all persons of working-age who
  - Are not in employment
  - Are available for employment
  - Are actively looking for employment

- Employment: persons of working-age performing work for pay or profit and for use by others

- Labour force: Employment and unemployment

- Working-age population: 15+

CALCULATION

$$\text{Unemployment rate} = \frac{\text{Total unemployment}}{\text{Labour Force}} \times 100$$

Unemployment rate

$$= \frac{\text{Total unemployment}}{\text{Total employment} + \text{total unemployment}} \times 100$$

DESIRED DISAGGREGATIONS

- Breakdowns by sex, age and persons with disabilities → to the extent possible, simultaneously
  - Age: important to at least identify youth/adults/seniors
  - Disability status: Washington Group Short Set of Questions on Disability

- Various other useful disaggregations

  - Former sector, former occupation, duration of unemployment, country region, etc.

DATA SOURCES

Labour force surveys → preferred source

- Comprehensive coverage
- Accuracy thanks to specific questions on availability and job search activities
- Coherent measurement of the whole working-age population (employment, unemployment and outside the labour force)

> Data available in ILOSTAT for over 220 countries and territories,
> as well as global and regional estimates
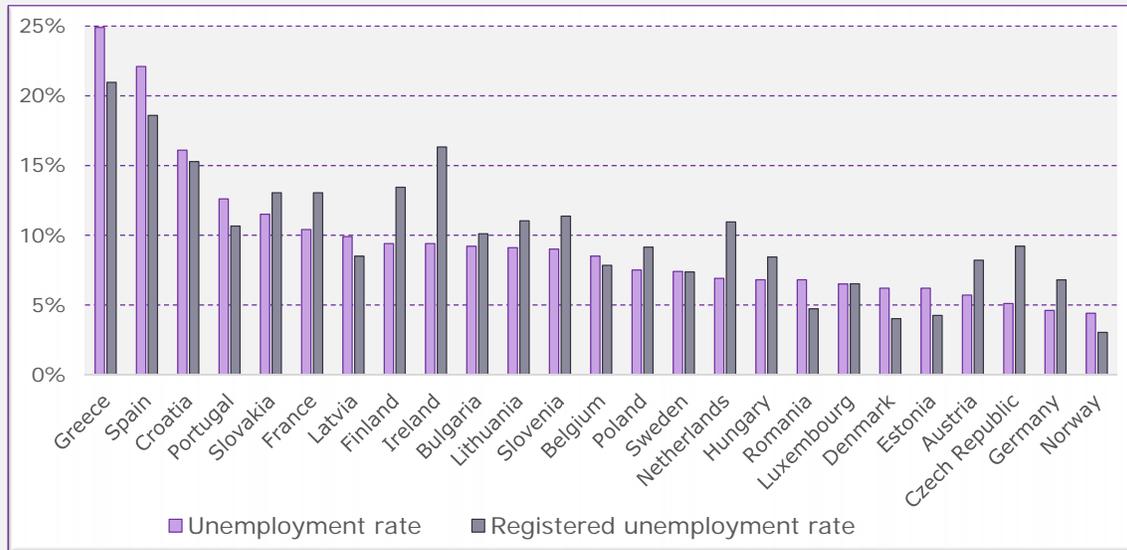

DATA SOURCES

Unemployment data can be derived from administrative records (such as employment office records or unemployment insurance records) but they refer to **registered unemployment**, and are **<u>not</u>** comparable to **the three-criteria-unemployment**.

DATA SOURCES

Unemployment and registered unemployment rates in a set of European countries, 2015 (EUROSTAT)

INTERPRETATION AND USE

- Measure of unutilized labour supply and labour market pressure
- Measure of the efficiency and effectiveness of an economy to absorb its labour force and generate enough jobs, and labour market performance
  - ➢ Labour force = employment + unemployment, so the share of unemployment in the labour force informs on the economy's ability to generate enough jobs for all those explicitly wanting a job.
- Unemployment rates for specific population groups (by sex, age, disability status, etc.) help identify areas of concern and the groups most vulnerable to joblessness.
- Useful measure to track business cycles.

COMPLEMENTARY INDICATORS

SDG indicators

- o 1.1.1 – Working poverty rate by age
- o 1.3.1 – Social protection coverage (unemployment benefits)
- o 8.3.1 – Share of informal employment

Other indicators

- o Labour force participation rate, employment to population ratio
- o Labour underutilization measures (LU2, LU3, LU4)
- o Time-related underemployment rate
- o Discouraged jobseekers
- o Indicators of quality of employment

COMPLEMENTARY INDICATORS

The unemployment rate has decreased

- how come? why?
- formerly unemployed found jobs? If so, decent jobs?
- new entrants to the labour market immediately employed?
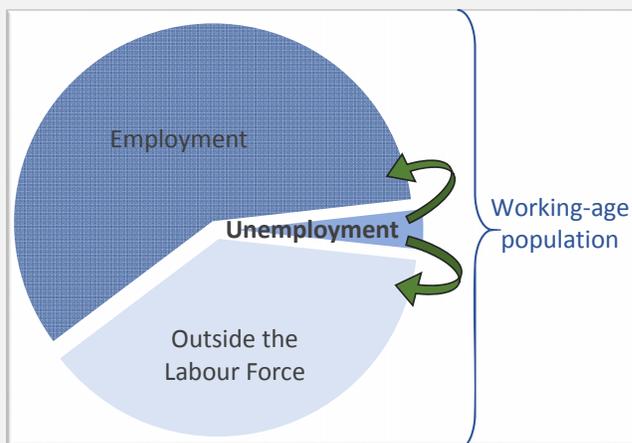
- formerly unemployed quit the job search?
- how did the inactivity rate change?
- how did the employment-to-population ratio change?

LIMITATIONS

- Useful labour market indicator but insufficient measure of labour underutilization

- No information on quality of employment

- No information on the conditions of the unemployed

- Important to keep in mind the context and complement it with other indicators: the unemployment rate is not extremely relevant in all contexts

- Comparability issues linked to operational criteria used, sources, definitions, reference periods (seasonality), etc.

VISUALIZATION & ANALYSIS

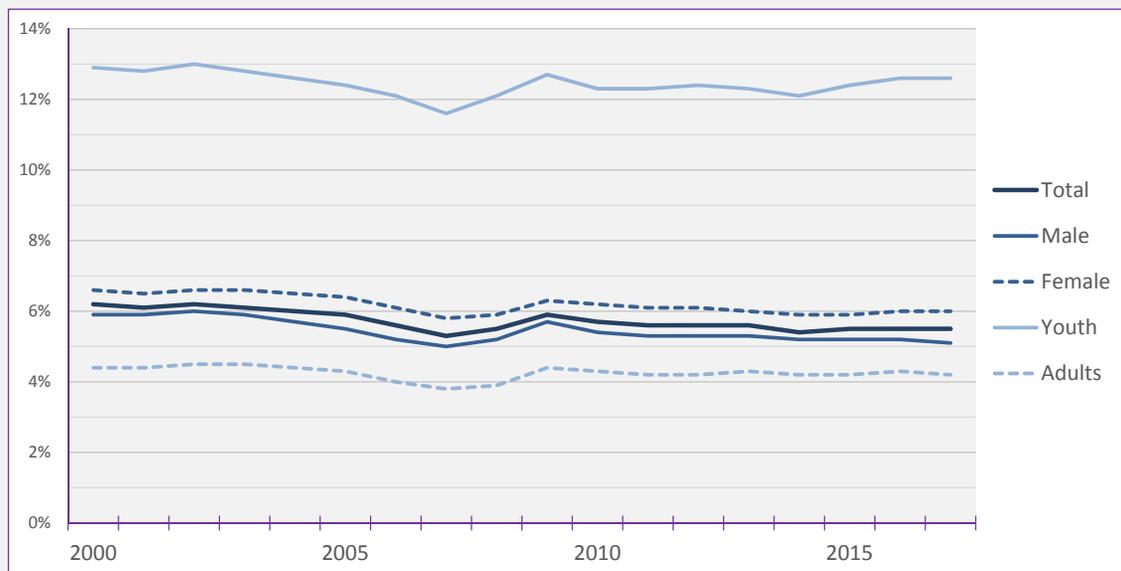**Unemployment rates by sex and main age group for the world and by region (2017)**
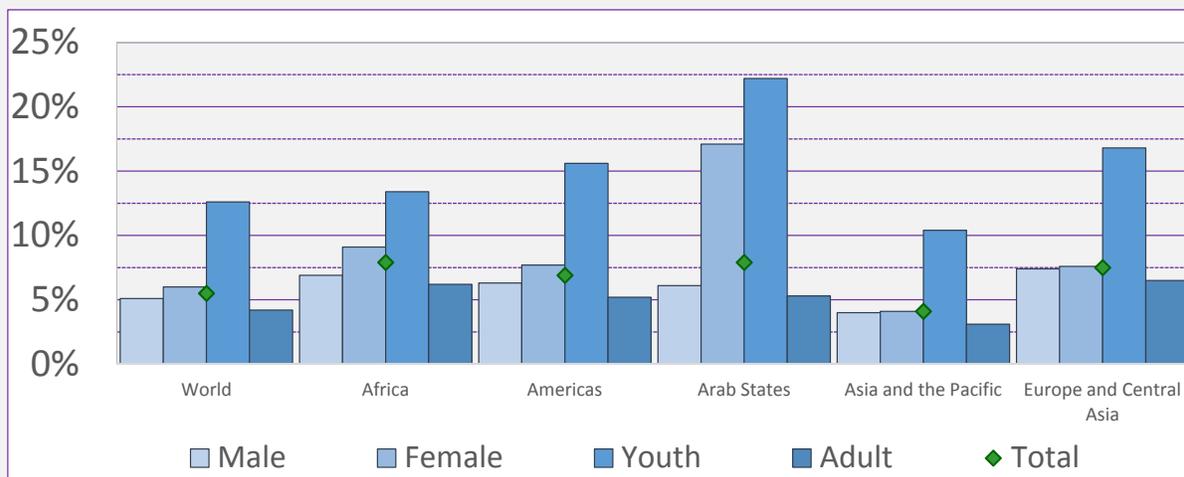
Source: ILO modelled estimates, May 2018.

VISUALIZATION & ANALYSIS

Unemployment rates by sex and main age groups (2000-2017)

Source: ILO modelled estimates, May 2018.

SDG indicator 8.6.1
The youth NEET rate

RATIONALE

Relevant to identify youth who are outside the educational system, not in training and not in employment

- measure of potential youth labour market entrants (broader than youth unemployment)

- measure of the lost potential for human resource development (better than the youth inactivity rate)

➡️ **inform policymakers and labour market analysts on the youth not gaining professional experience in employment and not furthering their skills in education, thus at risk of labour market and social exclusion**

DEFINITION & CONCEPTS

Proportion of youth not in education, employment or training:

In education or training

Employ

Not in

Youth

Outside labour f

Youth NEET

Unemp
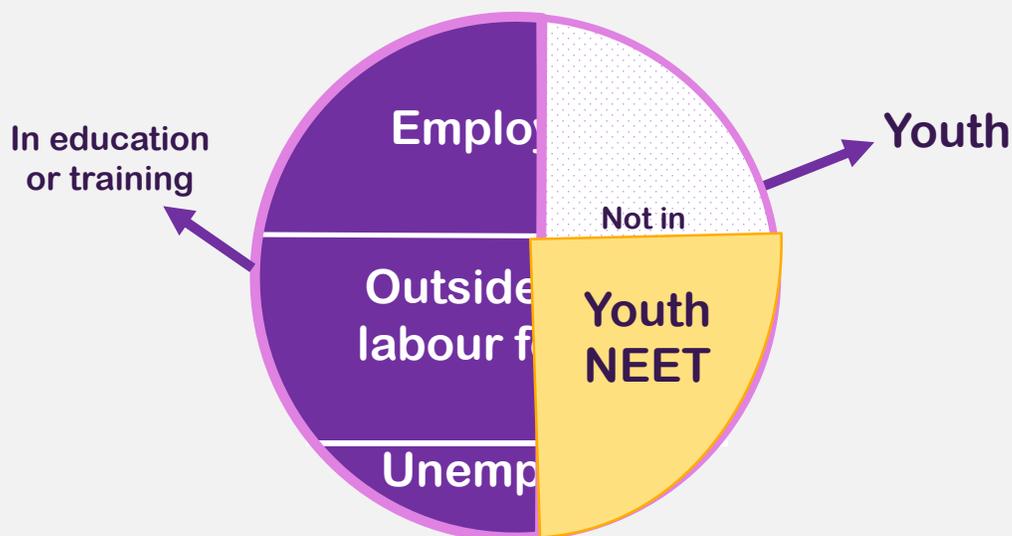
DEFINITION & CONCEPTS

- Youth: ages 15-24 inclusive

- Employment: work for pay or profit for use by others

- Education: organized and sustained communication designed to bring about learning.

  ➤ Includes formal and non-formal education but excludes informal education.

- Training: non-academic learning activity to acquire specific skills intended for vocational or technical jobs.

CALCULATION

Youth NEET rate =

$$\frac{Youth - Youth\ in\ employment - Youth\ not\ in\ employment\ but\ in\ Ed\ or\ Tr}{Youth\ population} \times 100$$

Which can also be expressed as:

Youth NEET rate =

$$\frac{(Unemployed\ youth + Youth\ OLF) - (Une\ youth\ in\ Ed\ or\ Tr + Youth\ OLF\ in\ Ed\ or\ Tr)}{Youth\ population} \times 100$$

DESIRED DISAGGREGATIONS

- No disaggregations specifically required

- Overarching principle of data disaggregation of the SDG Global Indicator Framework:

    SDG indicators should be disaggregated, where relevant, by income, sex, age, race, ethnicity, migratory status, disability and geographical location.

- Strongly advisable to have data at least by sex

DATA SOURCES

Information needed on:

- Age
- Labour market situation (employed or not)
- Education and training participation / enrolment

  ➢ Labour force surveys preferred source

Data available in ILOSTAT
for over 140 countries

INTERPRETATION AND USE

Measure of youth labour underutilization

- o Broader than youth unemployment
- o Broader than youth inactivity
- o Captures also the fact of not developing skills and qualifications (not in Ed or Tr)

➢ High NEET rate may suggest engagement in household chores, care activities, and/or strong institutional barriers to acess employment

➢ NEET composed of two subgroups (unemployed and outside the labour force):

- o important for interpretation

COMPLEMENTARY INDICATORS

SDG indicators

- o 1.1.1 – Working poverty rate by age
- o 4.3.1 – Participation in education
- o 8.5.1 – Hourly earnings by age
- o 8.5.2 – Unemployment rate by age
- o 8.b.1 – National strategy for youth employment

Other indicators

- o Youth inactivity rate (vs other age groups)
- o Youth labour force participation rate
- o Distribution by main age group of employment, unemployment and persons outside the labour force

LIMITATIONS

- Comparability issues linked to operational criteria used, sources, definitions, etc.

- Youth refers to ages 15-24 but it may be relevant to study share of persons NEET in other age groups

- Youth NEET rate gives no information on its composition – prevalence of each subgroup (unemployed and outside the labour force)

VISUALIZATION & ANALYSIS

Youth NEET rate, male and female
(latest year available after 2008)

Source: ILOSTAT. Three-digit ISO country codes are used to identify countries.

CONSIDERATIONS & CONCLUDING REMARKS

The unemployment rate and the youth NEET rate are important measures of labour market performance and labour underutilization…

… but they are insufficient, and should be complemented with other indicators to avoid having a distorted picture of the labour market

Analysis and interpretation of these indicators is just as important as data production

THANK YOU

www.ilo.org/ilostat