

# KILM 11. Long-term unemployment

## Introduction

The indicators on long-term unemployment look at duration of unemployment, that is, the length of time that an unemployed person has been without work, available for work and looking for a job. KILM 11 consists of two indicators, one containing long-term unemployment (referring to people who have been unemployed for one year or longer); and the other containing different durations of unemployment.

The first type of indicator, displayed in table 11a, includes two separate measures of long-term unemployment: (a) the long-term unemployment rate – persons unemployed for one year or longer as a percentage of the labour force; and (b) the incidence of long-term unemployment – persons unemployed for one year or longer as a proportion of total unemployment. Both measures are given for a total of 100 countries, and are disaggregated by sex and age group (total, youth, adult), where possible.

The second type of indicator, displayed in table 11b, includes the number of unemployed (as well as their share in total unemployment) at different durations: (a) less than one month; (b) one month to less than three months; (c) three months to less than six months; (d) six months to less than twelve months; (e) twelve months or more. Table 11b is available for 91 economies.

## Use of the indicator

While short periods of joblessness are of less concern, especially when unemployed persons are covered by unemployment insurance schemes or similar forms of support,

prolonged periods of unemployment bring with them many undesirable effects, particularly loss of income and diminishing employability of the jobseeker. Moreover, short-term unemployment may even be viewed as desirable when it allows time for jobless persons to find optimal employment; also, when workers can be temporarily laid off and then called back, short spells of unemployment allow employers to weather temporary declines in business activity.

The duration of unemployment matters, in particular in countries where well-developed social security systems provide alternative sources of income. In this respect, an increasing proportion of long-term unemployed is likely to reflect structural problems in the labour market. During the economic crisis for example, many economies saw a sharp rise in the unemployment rate often as a result of longer unemployment durations.

Reducing the duration of periods of unemployment is a key element in many strategies to reduce overall unemployment. Long-duration unemployment is undesirable, especially in circumstances where unemployment results from difficulties in matching supply and demand because of demand deficiency. The longer a person is unemployed, the lower his or her chance of finding a job. Drawing income support for the period of unemployment certainly diminishes economic hardship, but financial support does not last indefinitely. In any case, unemployment insurance coverage is often insufficient and not available to every unemployed person; the most likely non-recipients are persons entering or re-entering the labour market. Eligibility criteria and the extent of coverage, as well as the very

existence of insurance, vary widely across countries.<sup>1</sup>

Research has shown that the duration of unemployment varies with the length of time that income support can be drawn. This occurs largely because jobless persons with long-duration unemployment benefits are able to extend their periods of joblessness in order to find the job most consistent with their skills and financial needs. It might also indicate simply that unemployment is caused by a long-term deficiency in the supply of jobs. Evidence of the effect of “generosity” – that is, a high level of income supplement benefits – on the duration of unemployment periods is less clear.

Before drawing conclusions about the effects of features of the benefit system on unemployment duration, it is necessary to analyse the qualifying and eligibility conditions as well as the extent of nominal and real income replacement. Nevertheless, experts and policy-makers agree that long-term unemployment merits special attention and even, at times, political action. There are concerns that unemployment statistics fail to record significant numbers of people who want to work but are excluded from the standard definition of unemployment because of the requirement that an active job search be undertaken in the reference period. Alternatively, one may wish to apply a broader statistical concept known as “long-term joblessness”, covering working-age persons not in employment and who have not worked within the past one or two years. This measure of the long-term jobless includes “discouraged jobseekers”, that is, persons who are unemployed but not seeking work due to specific labour market-related reason, such as the belief that no work is available to them. If long-term joblessness is high, then unemployment, as strictly defined, is less reliable as an indicator to monitor effective labour supply, and macroeconomic adjustment

mechanisms may not bring unemployment down.

Long-term unemployment is clearly related to the personal characteristics of the unemployed, and often affects older or unskilled workers, and those who have lost their jobs through redundancy. High ratios of long-term unemployment, therefore, indicate serious unemployment problems for certain groups in the labour market and often a poor record of employment creation. Conversely, a high proportion of short-term unemployed indicates a high job creation rate and more turnover and mobility in the labour market (see further details on the indicator on labour flows – table 9c). Such generalizations must be made with great care, however, as there are many factors, including the issue of unemployment benefit programmes cited above, that can influence the relationship between long-term unemployment and the relative health of a given country. Indeed, in the absence of some sort of compensatory income (or a limited period of support), unemployed workers may be obliged to lower their expectations and take whatever job is available, thereby shortening their period of unemployment.

### Definitions and sources

The standard definition of long-term unemployment (table 11a) is all unemployed persons with continuous periods of unemployment extending for one year or longer (52 weeks and over); it is expressed as a percentage of the overall labour force (long-term unemployment rate) and of total unemployment (incidence of long-term unemployment). For more details on the international definition of unemployment, users should refer to the corresponding section in KILM 9.

Data on long-term unemployment are often collected in household labour force surveys. Some countries obtain the data from administrative records, such as those of employment exchanges or unemployment

<sup>1</sup> The International Social Security Association publishes a series of useful reports that details social security coverage by country. See the “Social Security Programs Throughout the World” series and database at [www.issa.int](http://www.issa.int).

insurance schemes. In the latter instances, data are less likely to be available by sex; moreover, since many insurance schemes are limited in their coverage, administrative data are likely to yield different distributions of unemployment duration. In addition, the use of administrative data reduces, and may even totally preclude, the likelihood that ratios can be calculated using a statistically consistent labour force base. Therefore, all the data for this indicator come from labour force or household surveys, alternative sources having been eliminated as likely to cause inconsistency across the countries for which data are provided.

Because the data relate to the period of unemployment experienced by persons who are still unemployed they necessarily reflect persons in a “continuing spell of unemployment”. The duration of unemployment (table 11b) refers to the duration of the period during which the person recorded as unemployed was seeking and available for work. Data on the duration of unemployment are collected in labour force or household surveys and the durations consist of a continuous period of time up to the reference period of the survey. Table 11b breaks down total unemployment into different unemployment durations. For each unemployment duration, data are expressed in thousands of persons and as a share of total unemployment.

Statistics on unemployment by duration are gathered using the databases of the ILO (ILOSTAT); the Organisation of Co-operation and Development (OECD); the Statistics Agency of the European Commission (EUROSTAT); and National Statistical Offices. To facilitate cross-country comparison, data from OECD and EUROSTAT were preferred. Unemployment by duration is broken down by the following durations:

- Unemployment with a duration of less than one month
- Unemployment with a duration of one month to less than three months

- Unemployment with a duration of three months to less than six months
- Unemployment with a duration of six months to less than twelve months
- Unemployment with a duration of twelve months or more

The category of the unemployed with a duration of twelve months or more (long-term unemployment) is included in both tables (table 11a and 11b); however, data in one table may slightly differ from the other as different sources or coverage may be used.<sup>2</sup>

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### Limitations to comparability

Because all data presented in tables 11a and 11b come from labour force surveys or household surveys, fewer caveats need to accompany cross-country comparisons. Nevertheless, while data from household labour force surveys make international comparisons easier, as data from a variety of sources, they are not perfect. Questionnaire design, survey timing, differences in the age groups covered and other issues affecting comparability (see the discussion under KILM 9) mean that care is required in interpreting cross-country differences in levels of unemployment. Also, as mentioned above, users will want to know something about the nature of unemployment insurance coverage in countries of interest to them, as substantial differences in such coverage – especially the lack of it altogether – can have a profound effect on differences in long-term unemployment.

It should also be acknowledged that the length of time that a person has been unemployed is, in general, more difficult to

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<sup>2</sup> Table 11b was constructed as an input for the calculation of labour flows (table 9c) and hence, durations of unemployment (table 11b) were included in the KILM with the aim to construct the longest possible time series while long-term unemployment (table 11a) was constructed with the aim to use repositories that are consistent with other indicators of the KILM (such as KILM 1, KILM 9, and KILM 10).

measure than many other statistics, particularly when the data are derived from labour force surveys. When unemployed persons are interviewed, their ability to recall with any degree of precision the length of time that they have been jobless diminishes significantly as the period of joblessness extends. Thus, as it nears a full year, it is quite easy to say “one year”, when in reality the respondent may have been unemployed between 10 and 14 months. If the household respondent is a proxy for the unemployed person, the specific knowledge and the ability to recall are reduced even further. Moreover, as the jobless period lengthens, not only is the likelihood of accurate recall reduced, but the jobless period is more likely to have been interrupted by limited periods of work (or of stopping searching), but either this is forgotten over time or the unemployed person may not consider that work period as relevant to his or

her “real” unemployment problem (which is undoubtedly consistent with society’s view as well).

All things considered, then, it must be clearly understood that data on the duration of unemployment are more likely to be unreliable than most other labour market statistics. However, this problem ought not to diminish the importance of this indicator for individual countries. The fact remains that the indicator covers a group of individuals with serious difficulties in the labour market. Whether the period of joblessness is one year and longer or ten months and longer, the group taken as a whole is markedly afflicted by an undesirable, unwanted status.