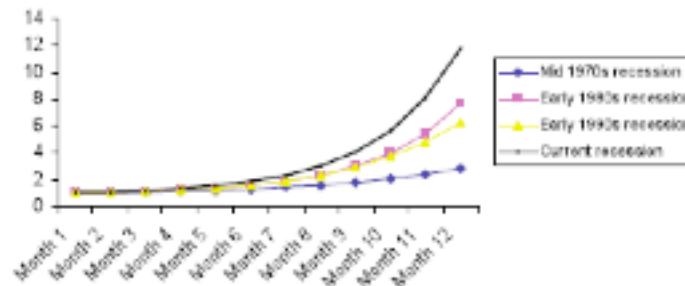


Conservative unemployment analysis isn't working

Last week the Conservatives claimed that: “the rise in unemployment since the beginning of this recession has outstripped that in the last three recessions”. This is a substantial claim, so it's worth examining their evidence base.

[Get Britain Working](#) purports to illustrate the claim with the following chart:

Chart 3: Comparative rise in unemployment rates during UK recessions - indexed from recession start

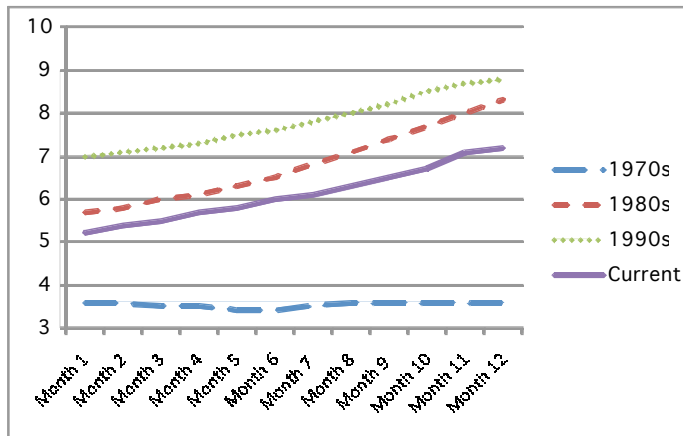


Source: ONS, Labour Market Statistics, September 2009. Annual change in unemployment rate indexed from start of each recession.

But what is this graph actually showing? The title suggests that it illustrates how rates of annual change in unemployment have increased during each recent recession in relation to the rate at the start of each recession. So, according to the chart, by month 12 of the current recession annual change in unemployment (the change in unemployment between June 2009 and June 2008) was around 12 times more than it was at the start of the downturn, but by the twelfth month of recession in the 1980s annual change in unemployment was 8 times the rate of the start of the downturn. There are two important questions here: is this a sensible way to measure change in unemployment, and is this analysis accurate.

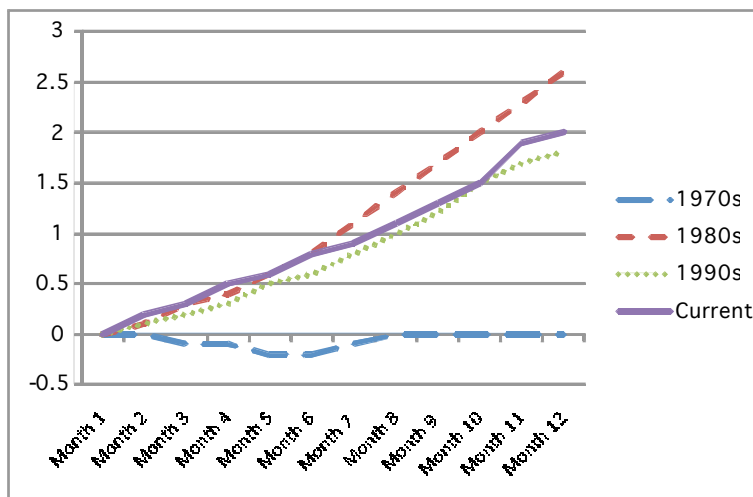
The best way to see how unemployment has changed during each recession is to look at how unemployment rates have increased each month. The chart below (taking the first month from the first quarter with a recorded fall in GDP as the starting point for each recession) shows that in the 1980s and the 1990s we entered recession with far higher unemployment rates than during the current recession, and that unemployment rose significantly during the first twelve months of the 1980s, 1990s and the current recessions.

ILO unemployment rates across recessions



You could argue that this doesn't adequately show how the speed at which unemployment has increased varies across recessions. To illustrate this, the chart below shows monthly change in unemployment rates from the start of each recession (determined as above). It shows that while unemployment rates have increased quickly during this recession, the speed of increase was faster in the 1980s.

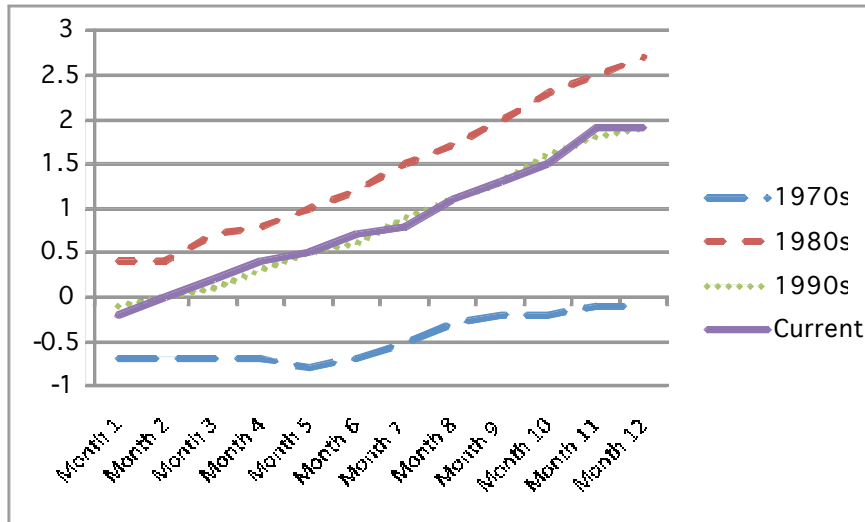
Rates of monthly change in ILO unemployment during recessions



Looking at monthly change in the actual rate is a far better means to consider how unemployment has accelerated than looking at the rate at which *annual* change has increased (which tells you as much about what unemployment was doing a year before each recession as about how the downturn has impacted on unemployment). But for interest it is feasible that

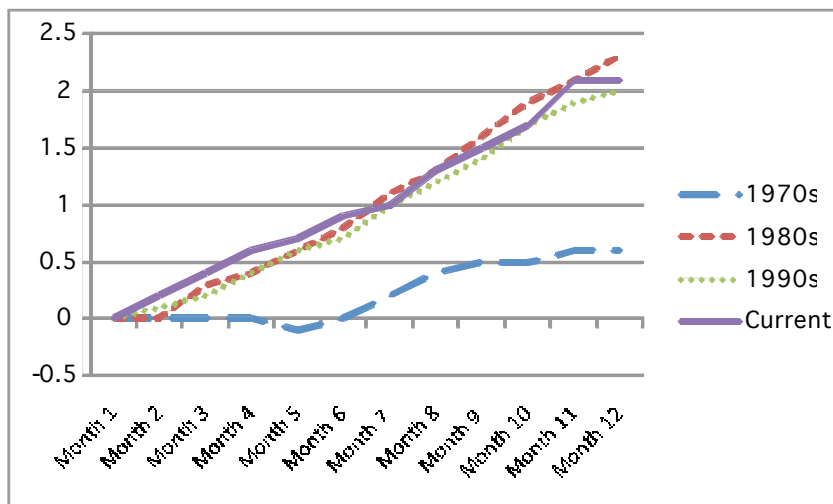
people may want to consider how annual rates of change in unemployment have altered during recessions. This analysis is shown below, and illustrates that while the rate of annual change in unemployment started at 0.4 in the 1980s, and rose to around 2.7, it started at a lower point in both the 1990s and the current recession, and a much lower point in the 1970s.

Annual change in ILO unemployment during recessions



And to look at acceleration in the annual rate of change in unemployment across recessions, you could consider how annual change in unemployment had increased from the start of each recession. This analysis is shown below, and illustrates that the annual rate of change in unemployment has accelerated at a similar speed during this recession as in the 1980s and 1990s.

Monthly change in annual rate of ILO unemployment change across recessions



So, by no plausible measures has: “the rise in unemployment since the beginning of this recession outstripped that in the last three recessions”. On the first point the Conservative analysis has failed - whatever their chart shows it is not that unemployment has risen more quickly this time around than previously. This is concerning and arguably deliberately misleading.

In theory the Conservative's graph shows us how annual change in a given month relates to the base rate of annual change – so a lower base rate of annual change will lead to higher percentages in the chart. For example, if the base rate of annual change in unemployment for this recession was 0.1, the graph would show higher percentage increases than if the base rate of annual change in unemployment had been 1.5. This does not therefore tell us anything about how actual unemployment rates, or annual rates of change in unemployment, have accelerated (and as neither myself nor my colleagues can replicate the index, having received no response to our enquiries, we can only conclude that in fact the chart contains an error and may not even represent the intended analysis accurately).

So, the Conservative evidence is wrong, and unemployment increases during this recession have not, to date, been worse than the 1980s. It's understandable that political parties try to pick the trends which best support their argument – but making them up is one step too far.

Nicola Smith

TUC