Editorial

What is the Best Index for Unemployment?

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Abstract

A regular activity in all human societies is the evaluation and control of important socioeconomic indices. Unemployment rate is one of these indices, which is very important in evaluating and applying policies for control or preparation of desired changes in economy; in fact, it is a challenge for policy makers. Employment and unemployment are 2 words that have different definitions among people and professional centers of statistics. Since the statistics and methods applied for calculating Iranian employed and unemployed people have been provided by Statistical Center of Iran (SCI), the comparison of these definitions with recommended ones defined by International labor organization (ILO) may project 2 different items. In accordance with the definition of unemployment by ILO and SCI, each person who works at least 1 to 2 hours a week, even without receiving money, is considered as an employed person, otherwise is named as unemployed. Considering this definition, a new question may arise: in Iran, with consideration of location, subsistence, and labor market conditions, could people be satisfied with their living situation? Perhaps in some countries, this definition may be operational but not for Iranian worker community; in fact, no one in Iran and many other countries would be satisfied with one-hour work per week as an employed person.
Keywords: Unemployment index, Statistical Center of Iran, Iran, Comparison

Introduction

A regular activity in all human societies is the evaluation and control of important socioeconomic indices. Unemployment rate is one of these indices, which is very important in evaluating and applying policies for control or provision of desired economic changes; in fact, it is a challenge for policy makers. Employment and unemployment are 2 words which have different definitions among people and professional centers of statistics.[1] What people may know about occupation might be different from statistical views. Because of this potential difference, people might not accept the reports about employment and unemployment in society and may consider the reports unreal.[2]

International labor organization (ILO) is one of the professional institutes of United Nations that is involved with business and labor. In 1919, ILO was established to formulate international rules for optimizing international labor standards and ensure their application.[3] Nowadays, 185 member countries of United Nations including Iran have become a member of this organization. Iran also follows the rules of ILO; thus, it is necessary to use the definitions and standards of ILO for statistical calculation of the labor force.[3]

Since the statistics and methods applied for calculating Iranian employed and unemployed people have been provided by Statistical Center of Iran (SCI), the comparison of these definitions with recommended ones defined by ILO, may project 2 different items. In accordance with the definition of ILO and SCI about unemployment, each person who works at least 1 to 2 hours a week, even without receiving money, is considered as an employed person, otherwise is named as unemployed.[3]

However, people may consider unemployed person as the person who (1) does not have a job (do not have any paid job or is not self-employed), (2) will prepare for a work in a week or next week (prepare for a paid employment or will be self-employed), and (3) is looking for a job in a week or 3 weeks later (looking for a paid employment or self-employment). The people who do not look for a job, due to their plan for beginning of a job in the future or expectation of returning to the previous job, but do not have any job at the moment and prepare for a new job, are also unemployed.[4]

In fact, there are different kinds of unemployment categorized into 4 groups[5]:
1. Frictional unemployment: this type occurs because of economic excitation which means that maybe some people emigrate from one city to another and

abandon their job to find a new one or at special place, just for job changing, would abandon their previous work.

2. Cyclical unemployment: it occurs because of economic stagnation and inflation, so that in a period which the level of economic activities decrease, a number of workforce becomes unemployed. But with the end of economic stagnation, this kind of unemployment would be removed.

3. Structural unemployment: reason of this kind of unemployment is more automation in a part of economic activities especially in industries with other technical phenomenon in some jobs. In such cases, some people may lose their job because there is no need for their skills any more.

4. Seasonal unemployment: this type occurs in agricultural and mineral areas, which means that farmers and miners maybe do not have job for at least one season. To balance this unemployment, some lateral activities can be provided. But for miners, because of their hard work, seasonal unemployment is justified.

In another categorization, unemployment could be classified as follows[5]:

1. Clear Unemployment

A group of active population in a country which in 7 days before census, look for a job and do not have income, are clearly known as unemployed.

2. Hidden Unemployment

Hidden unemployment includes active and apparently employed people who have no role in the production or progress of work and if they are removed, process is continued.

3. Seasonal Unemployment

Seasonal unemployment includes a group of active employed people who because of condition of their job, work just at a season of year and at other seasons are unemployed. They are mainly workers and villagers who just work in cultivating or harvesting times and are unemployed at rest of the year.[5]

Definition of employment and unemployment in Iran, as one of the members of ILO, had been a challenging issue for several years.[6] For instance, many active labor market leaders have criticized the way that a part of active population of country is considered as employed.[6] The definition of ILO about the active population is not compatible with the concept of many experts of Iran's labor market.[6] By using the ILO (and SCI) definition, it has been found that soldiers, housewives, students, and other similar groups who are in the consumers groups, are known as employed, which is not really accurate. In fact, when even a soldier or a housewife is called an employed person, the society may doubtfully look the unemployment rates of SCI and ILO.[7]

It is worth to note that SCI has considered the minimum age for work to be 10; however, ILO has considered people with 15 years old as employed population[3,4], which is not common in other countries. According to the report of ILO in 2014, the number of Iranian active population over 15 years were 26 000 000 and active population over 10 years were 27 000 000.[13] However, based on the report of SCI in 2015, the number of active population over 10 years was equal to 24 500 000, employed ones were equal to 21 800 000 and unemployed ones were equal to 10.8%.[3] The rate of unemployed people is calculated by dividing the number of employed population by the active population. If the number of active population over 15 years is considered in calculation, by subtracting a constant value of numerator and denominator, proper fraction will become smaller and the portion of employed may decrease but the unemployed portion could increase.[3]

Considering this information, a new question may arise: in Iran, with consideration of location, subsistence, and labor market conditions, could people be satisfied with their living situation? Perhaps in some countries, this definition may be operational but not for Iranian worker community; in fact, no one in Iran and many other countries would be satisfied with one-hour work per week.[4]

Ethical Approval
Not applicable.

Conflict of Interest Disclosures
None.

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