

**Do LFS-unemployment rate and registered unemployment rate
measure the same thing?
Should the two rates be equal or almost equal?**

It is important to understand that the two rates measure different things, even if applied to the same age group (say, 15 to 64 years).

General definitions

LFS-based unemployment rate is the proportion of unemployed (non-employed persons actively seeking a job and available for work) among all economically active (employed and unemployed) persons.

More specifically, only those non-employed persons are regarded as „unemployed according to ILO definition”, which have applied at least one of the active job search methods during the past 4 weeks and are ready to start working within two weeks if a suitable job is offered. This definition is comparable across countries.

Registered unemployment rate is the proportion of registered unemployed in the labour force. Rules and motivation for registration differ across countries, hence registered unemployment rates are not comparable.

Why do unemployed register?

- To receive unemployment benefit
- To be entitled to other benefits (e.g. community assistance; health insurance)
- To get help in job search.

Why not all unemployed register?

- Some of the unemployed by ILO definition have no motivation to register in the first place:
 - a person is not entitled to unemployment or other benefit and does not need help in finding job (believes that he/she can find a job easily in a relatively short time)
 - a person is not entitled to unemployment or other benefit and does not believe that the Employment Office can offer a suitable job.
- Others lose motivation to continue to report themselves to the Employment Office after expiration of the unemployment benefit period, or when they lose hope that the Employment Office will offer them a suitable job.
- Yet others do not have necessary documents:
 - unregistered workers do not have a work book
 - short time migrants do not have a proof of permanent residence in given municipality.

Rules for registered unemployed in Montenegro

In Montenegro, when applying for the entry into the registered unemployment records for the first time, a person must submit:

- personal identity card
- work book
- certificate of the education completed
- proof of permanent residence.

Unemployed persons report themselves once in 90 days, whereas the persons receiving the benefit (financial support) have to report once in 30 days.

Possible reasons for being removed from the records include:

- Not reporting to the Employment Office in due time without an excuse (excuse must be provided within 15 days);
- Becoming employed;
- Refusing a job offered by the Employment Office;
- Providing false information;
- Reaches 65 years of age;
- Becoming eligible for disability pension;
- Becoming fully unable to work;
- Starting to serve a prison sentence exceeding for a period of more than 6 months.

The motivation to register for most unemployed is low, because unemployment benefit is low (60% of minimum wage) and in most cases is paid only for a short period:

- 3 months for consecutive 9 months of service, or 12 intermittent months within the last 18 months
- 4 months for consecutive 2 years of service, or 4 intermittent years within the last 5 years
- 6 months for consecutive 5 to 10 years of service
- 8 months for consecutive 10 to 15 years of service
- 10 months for consecutive 15 to 25 years of service.

Only unemployed persons having more than 25 years of service/insurance are entitled to the benefit until re-gaining employment, or until inception of one of the above mentioned reasons for cessation of the right to the benefit under the provisions of the Law on Employment. For this category of unemployed there is a strong motivation to remain registered and to have an unregistered job.

Why not all registered unemployed will be counted as unemployed in the LFS?

- A registered unemployed might have a casual or temporary job during the reference week, in which case he/she will be considered employed in the LFS
- Some registered unemployed might have regular but unregistered jobs; if they believe in confidentiality of the survey and will report having a job, they will of course be considered employed in the LFS
- A registered unemployed might have try to establish a business or professional practise business during the reference week, in which case he/she will be considered employed in the LFS
- Some of the registered unemployed do not in fact seek an employment. In Montenegro, about 30% of the persons contained in the records are there for health insurance or some other reason than employment as the priority aim. Such persons will be classified as inactive in the LFS
- It is possible that a registered unemployed has not been actively seeking a job during the past 4 weeks (in Montenegro, those who do not receive the

unemployment benefit have to show up at the Employment Office only once in 3 months). Such persons will be considered as inactive in the LFS.

- It is possible that a registered unemployed is not ready to start working within two weeks for family or personal reasons, even if a suitable job is offered and accepted. Such persons will be also considered as inactive in the LFS.

The above examples show that LFS-based unemployment rate and registered unemployment rate do not measure the same thing, hence the two rates might differ substantially.

On top of this, LFS-based unemployment rate might be overestimated if employed persons are under-represented, while inactive and unemployed persons are over-represented in the survey. This might happen for the following reasons:

- quality of interviewers' work is insufficient: they do not reach all employed persons in the sample, because it is more difficult to meet them than inactive and unemployed persons
- those working without registration do not tell the truth during the survey because they do not believe in the confidentiality.