

II. Explanatory notes on methodology

Main concepts used in the release are in full harmony with the definitions of indicators listed in the "Resolution concerning statistics of the economically active population, employment, unemployment and underemployment", adopted by the 13th International Conference of Labour Statisticians, October 1982. The resolution contains comprehensive definitions and recommendations of ILO to monitor the phenomena above. Also other obligatory international standards, in particular more specifically focused ILO resolutions and international classifications and nomenclatures related to the labour market issues, have been taken into account in the survey.

Definitions of the concepts used in the LFSS are given here for basic indicators only. The meaning of specific indicators is either apparent or available at the CZSO.

II. A. *Activity status*

The activity status refers to the basic division of population aged 15 or more in working and post-working age by classification in labour market. The population is broken down into **economically active population** (i.e., **employed** and **unemployed**) and **economically not active population**.

II. B. *Employment*

The 15th International Conference of Labour Statisticians, 1993 adopted the revised International Classification of Status in Employment (ISCE-93). This classification created the fundamental terminology for particular groups of the employed. The ISCE-93 groups of employers and own-account workers roughly correspond to the LFSS groups of the self-employed with employees and the self-employed without employees, respectively.

The release shows data separately for **total (general) employment** (employment in national economy) and **employment in civil sector**. The latter does not include regular and temporary members of the armed forces.

1. **The employed** are all persons aged 15+ embraced in the following categories in the reference week:
 - 1.1. **The paid employed**, which fall in the following groups:
 - 1.1.1. **"At work"**. These are persons who executed any work in the reference week and were paid wage or salary in money or in kind. It does not matter whether their working activity was of a permanent, temporary, seasonal or occasional character or if they held only first or second jobs.
 - 1.1.2. **"In work but not at work"**. These are persons who had already worked in their current employment but were temporarily absent from work in the reference period and had a formal link to this employment. A formal link to employment is above all the existence of a working contract, appointment or election, further work execution agreement and working activity

agreement or, as the case may be, other contractual relations outside the area of labour law (e.g. royalty contracts).

1.2. **The employed in their own enterprise**, who fall in the following groups:

1.2.1. **“At work”**. These are persons who executed any work in the reference week to gain a profit or family income, regardless if in money or in kind.

1.2.2. **“In enterprise but not at work”**. These are persons who own an enterprise and were temporarily absent from work in the reference week for one reason or another.

For the purposes of the Survey, the concept of work is used for **work taking at least one hour in the reference week**. Also **apprentices** who receive wage, salary or remuneration like other persons are considered as **employed**. The same holds good for **students, housepersons and other persons** engaged above all in other than economic activities and were employed in the reference period. On the other hand, **persons on parental leave**, whose status is of a different character according to the ILO methodology, **are not automatically included** in the group of employed.

Employees are persons with a formal link to employment regardless if they actually worked or not in the reference week. The ILO classifies also regular and temporary members of the armed forces among employees. All the members of the armed forces are encompassed in total employment; data for these persons can be seen in Annex Tables II. (Employment in national economy).

The **members of producers’ cooperatives** are classified as an independent category. In conformance with ILO recommendation and for the needs of international comparisons, these persons are connected with the group of employees.

Employers and own-account workers are considered to be employed in their own enterprise. Also **contributing family workers** are regarded as employed in an own enterprise, regardless of hours worked in the reference week.

II. C. *Unemployment*

1. **The unemployed** - comprise all persons aged 15+ who satisfied **all of the following three conditions** during the reference period:

- * were **without work** - i.e., were in neither employment nor self-employment,
- * were **actively seeking work**. The active form of seeking work includes registration with a labour office or private employment exchange, checking at work sites, farms, market or other assembly places, placing or answering newspaper advertisements, taking steps to establish own business, applying for permits and licenses, or looking for a job in a different manner,
- * were **currently available for work** - i.e., were available during the reference period for paid employment or self-employment immediately or within 14 days.

If the persons **fail to meet even one of the conditions** above, they are classified as **employed or economically not active**. The only exception are persons who do not seek work, because they have found it already, but their commencement of work is fixed for 14 days at the latest. These persons are also classified to the unemployed by Eurostat definition.

- 1.1. **The unemployed, registered** - persons in unemployment who use services of professional agencies, either public (labour offices) or private (employment exchanges), to actively seek work.
- 1.1.1. **The unemployed, registered by labour offices** - persons in unemployment who satisfy the general conditions of unemployment and actively seek work through a labour office irrespective of whether or not they are on unemployment benefit before the commencement of their work.
- 1.2. **The unemployed, not registered** - persons in unemployment who satisfy general conditions of unemployment and seek jobs in an active manner, using other form than through employment agencies, in the Czech Republic through labour offices.

II. D. *Relative indicators*

Methodological changes in the contents of activity status categories influence the value of relative indicators. With this in mind, one should view trends in individual relative indicators governed by comparable methodology.

- 1.1. **Unemployment rates** are calculated as **the ratio of the unemployed** (numerator) **to total labour force** (denominator). The difference between various unemployment rates is mainly due to methodology used to determine the numerator and the denominator of the rate as well as the accuracy of data sources and the time comparability of the two figures. It is essential to always learn what the indicator is about, because methodology has a big effect on its.
- 1.1.1. **General unemployment rate (ILO)** is an indicator derived from LFSS results in compliance with international definitions and recommendations. Both the numerator and the denominator use surveyed persons according to their place of stay.

Numerator:	the unemployed as defined by ILO (see Item 1., page 8).
Denominator:	labour force as defined by ILO (see Item 1.1., page 10).

- 1.1.2. **Specific unemployment rates** are indicators which describe unemployment in a certain social, age or other group of population.

Numerator:	all unemployed persons classified to a given group of population.
Denominator:	labour force (the employed and the unemployed) classified to the same group of population.

- 1.2. **Participation rate** is the ratio of the employed plus the unemployed (labour force) to all persons aged 15+.
- 1.3. **Employment rate** is the ratio of the employed to all persons aged 15+.

Note:

Till the end of the 2nd quarter 2004 the Ministry of Labour and Social Affairs (MLSA) published the **unemployment rate according to so-called “old methodology”**. Its calculation is based on the available sources of Labour Offices and statistics of Czech Statistical Office. It involves:

Numerator:	accurate records of job applicants kept by labour offices in the district of the job applicant's residence.
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Denominator: all first job holders in national economy revealed by the LFSS (rolling average for the last four quarters) plus the number of job applicants registered by labour offices (rolling average of the last 12 months).

From the 3rd quarter 2004 the MLSA undertook a methodological change laying in the different inclusion of certain groups for both a nominator and a denominator.

Nominator: in nominator there is the number of so-called “available unplaced job-seekers.” It covers all job-seekers according to the law on employment no. 435/2004 §24, who are able to start a job immediately.

Denominator: number of employed by LFS + number of foreign workers by the evidence of MLSA and Ministry of Industry and Trade (MIT) + number of available unplaced job-seekers (annual moving average)

MLSA supposes to publish both rates of registered unemployment simultaneously till the 2nd quarter 2005.

II. E. Other indicators

- 1.1. **Labour force:** all persons aged 15+ who satisfy the requirements for inclusion among the employed (see Item 1., page 7) or the unemployed (see Item 1., page 8). **Total labour force** (the employed in national economy plus the unemployed) and **civil labour force** (persons employed in civil sector plus the unemployed) are distinguished between.
- 1.2. **Population economically not active** (persons not included in the labour force): all persons who were not employed during the reference period and are not currently economically active (e.g., children of pre-school age, persons attending various educational and training institutions, old-age pensioners, the disabled or persons ill for a long period of time). It is characteristic of such persons that **they do not satisfy the three basic conditions of unemployment** at the same time. For instance, this category includes job applicants registered by labour offices but not available for work within 14 days (e.g., because they are receiving a re-training course). Unlike the data given previously, the population not economically active group also includes persons on parental leave, unless they meet conditions for being classified to the employed or the unemployed.
- 1.3. **The underemployed:** all persons in paid employment or self-employment, whether at work or not, working part-time or less than 40 hours a week in their main job and wishing to work more hours than in current jobs.

II. F. Comparability with the results disseminated by Eurostat

The EU member states regularly provides Eurostat with the anonymized quarterly microdata coming from the national surveys. Similarly these microdata are sent by EFTA countries such as Switzerland, Norway, Iceland and EU Candidate Countries. Microdata enable to construct the content of basic indicators and derived rates which can differ from longterm praxis implemented in individual

countries and the difference of the content of these indicators defined in each Themes in the disseminating system of Eurostat can appear too.

In the last year Eurostat fundamentally revised its system of dissemination. Recently it focused on the publication of comparable data on the trend of economic activity, employment and unemployment for all EU Member States. It lies especially in quarterly and annually studies that are published within Statistics In Focus edition (SIF). Beside SIF there is freely accessible Eurostat's database New Cronos that provides extensive datasets related to comparability of Labour Force Survey results for all EU Member States.

As mentioned above, the data published by Eurostat for individual countries may partly differ from the praxis used in these countries. In case of the Czech Republic it involves:

- In previews of Eurostat the number of employed in the civil sector excludes professional soldiers and conscripts on military and community service. According to praxis of the CZSO the conscripts are classified by the nature of executed job, e.g. auxiliary works in Health. After adopting the laws on cancellation of military and community service CZSO assumes that from first quarter 2005 there will not be any difference from data published by Eurostat.
- For the number of the unemployed, Eurostat excludes those persons who seek a job **only** in passive way, i.e. respondents who await the result of application for a job, the result of competition for recruitment in the public sector or call from public employment office. In the conditions of the Czech Republic it concerns only small number of persons who influence the full comparability of results published by the CZSO and Eurostat though. From 2005 the Czech Statistical Office will use the methodology of Eurostat.
- The mentioned differences project to the differences in derived relative indicators, prevailing in rate of employment, rate of economic activity and rate of unemployment. These differences on the level of sample of whole population are minimal but can be higher in specific cases, e.g. in rates of employment and unemployment of young men aged 20-24.

For the evaluation of data coming from different sources of Eurostat but also within the individual titles disseminated by Eurostat, one has to take into account that the details of the content of indicators may differ from the content generally understood by reader (e.g. within the annual publication of LFS results for 2002 the numbers of employees refers to age group 15-64 and not to 15+ as it is usual in publication of the CZSO). The differences appear also in counting of average annual working hours, where Eurostat uses in some cases data for 2nd quarter, as the annual averages are not available for all Member States. The CZSO assumes that the differences between Eurostat and CZSO in the selected indicators will be mentioned in the shortest possible delay including the explanations of the reasons.

Given for information below is the estimate of the monthly rate of unemployment made by Eurostat for the last known month (December 2004). As in 2003 the rate of unemployment in the Czech Republic was below the average for all 25 EU Member States and was lower than the rates in 12 EU Member States.

Estimate of Eurostat's prediction of the monthly rate of unemployment for the EU Member States (December 2004)¹⁾

%

Country	Unemployment rate	Country	Unemployment rate
EU – 25	8.9	Latvia	9.6
EU – 15 countries	8.0	Lithuania	9.4
EU – 12 countries (Eurozone)	8.9	Luxembourg	4.4
EU – 10 new countries	13.7	Hungary	6.2
Belgium	8.0	Malta	6.9 (November 2004)
Czech Republic	8.3	the Netherlands	4.7 (November 2004)
Denmark	5.1	Austria	4.5
Germany	10.0	Poland	18.3
Estonia	8.3	Portugal	6.7
Greece	10.5 (June 2004)	Slovakia	16.9
Spain	10.4	Slovenia	5.8
France	9.7	Finland	8.6
Ireland	4.3	Sweden	6.4
Italy	7.7 (June 2004)	United Kingdom	4.6 (October 2004)
Cyprus	5.5		

¹⁾ The general unemployment rate is related to the 15-74 age group.

Source: Eurostat New Cronos database

Note: It concerns seasonally adjusted data.