



Conceptual Frameworks: Labour underutilization

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Labour underutilization

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Background

- **Unemployment rate**
 - Widely used as headline measure of labour market performance
 - Highlights potential matches between **available labour supply** (people) and **available demand** (jobs) at a given point in time
- Particularly relevant in contexts with
 - Diverse labour markets (job opportunities)
 - Channels for seeking jobs
 - Safety nets such as unemployment insurance
- BUT: Not sufficient to capture all groups with insufficient access to employment opportunities (work for pay or profit)

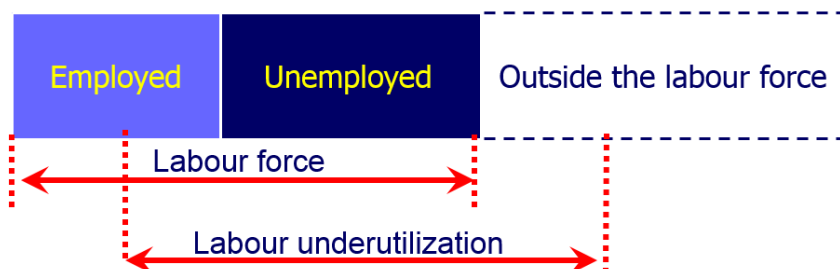


UNEMPLOYED PERSON is person who is...

1. Not in employment (not in work for pay or profit)
2. Seeking for work for pay or profit;
3. AND is Available for work for pay or profit



Labour force & labour underutilization



Labour underutilization: Scope

- Unemployed persons
- +
- Other groups that reflect unmet need for employment among
 - Persons in employment
 - Persons outside the labour force





Labour underutilization: Scope

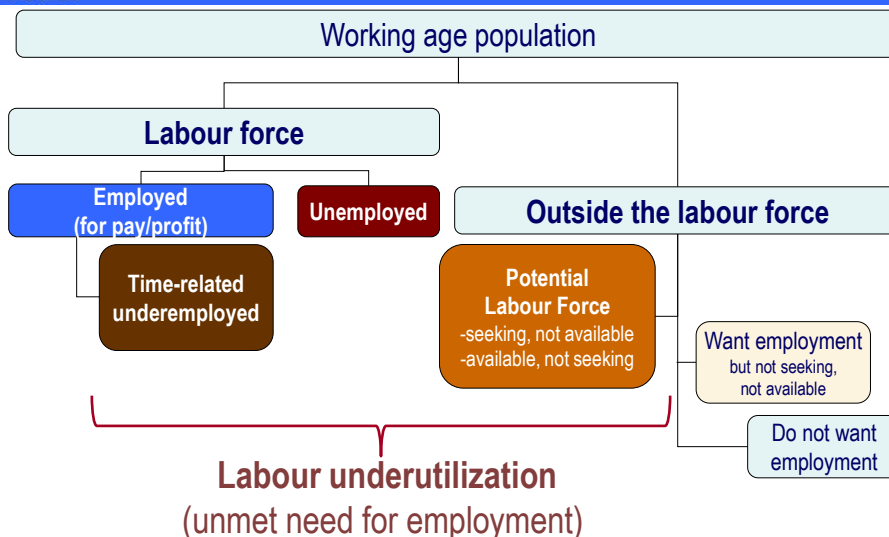
“Refers to mismatches
between labour supply and demand,
which translate into an **unmet need for employment**
among the population”

Para 40, Resol I. (19th ICLS, 2013)

- In reference to employment (work for pay or profit)
- Identifies groups among the employed & persons outside the labour force who share similarities with the unemployed
- Focuses on issues of insufficient labour absorption
- For broader labour market monitoring



Labour force & labour underutilization Improved labour market monitoring across contexts



Labour underutilization components: Similarities and differences

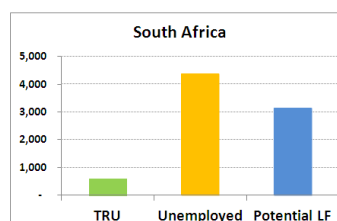
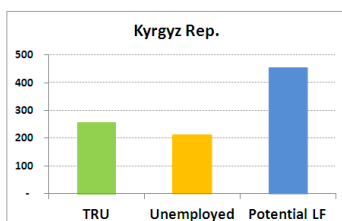
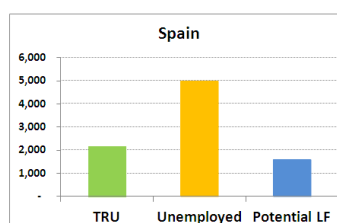
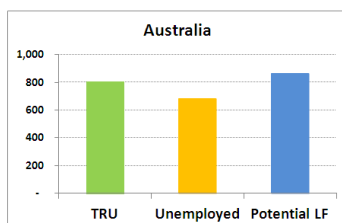
- **Time-related underemployed**
 - Employed, but with insufficient working time
 - Wanting and available to work more hours
- **Unemployed**
 - Not employed, but “currently available supply of labour”
 - Seeking and available to work
- **Potential labour force**
 - Not employed, but “potential supply of labour”
 - Seeking, but not available to work
 - Not seeking, but available and wanting to work



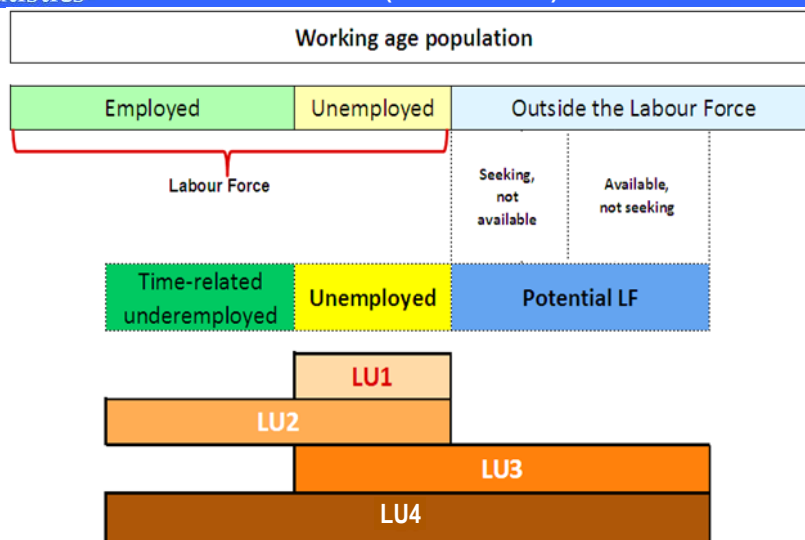
-Persons in situations with insufficient employment compared to an alternative situation

-Express interest in employment & put different levels of pressure on the labour market

LU Components: Relevant in different contexts & at different stages of economic cycle



NEW Combined indicators of labour underutilization (LU1-LU4)



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Combined indicators of labour underutilization (LU1-LU4)

Four indicators: to assess the nature of LU throughout the business cycle:

- **LU1:** Unemployment rate:

$$\left[\frac{\text{persons in unemployment}}{\text{labour force}} \right] \times 100$$
- **LU2:** Combined rate of time-related underemployment and unemployment:

$$\left[\frac{\text{persons in time-related underemployment} + \text{persons in unemployment}}{\text{labour force}} \right] \times 100$$
- **LU3:** Combined rate of unemployment and potential labour force:

$$\left[\frac{\text{persons in unemployment} + \text{potential labour force}}{\text{extended labour force}} \right] \times 100$$
- **LU4:** Aggregate measure of labour underutilization:

$$\left[\frac{\text{persons in time-related underemployment} + \text{persons in unemployment} + \text{potential labour force}}{\text{extended labour force}} \right] \times 100$$

Note: extended LF = LF + potential labour force

19th ICLS: Recommendations for national reporting

- To select at minimum 2 measures of Labour underutilization

LU1 (unemployment rate)

+

Other LU measure, as per national context

- To be disseminated together, as part of national minimum set of labour market indicators

Varied responses to economic downturns

Context	Common responses	Measures
-Diverse labour market -Unemployment insurance -Labour protection	→Unemployed →Reduce work hours	LU1 LU2
-Homogeneous market -Limited job opportunities -Limited labour protection	→Unemployed →Reduce in work hours →Become discouraged →Remain willing to work for pay/profit, but engage in other activities →Take any available job (e.g. skills mismatch) →Create own informal business (self-employed) →Emigrate	LU1 LU2 LU3 Willing non-job seeker Inadequate employment Informal Sector Emp. Labour migration

-Need several indicators to adequately monitor labour markets!

-Labour underutilization focuses on capturing groups with unmet need for employment



Resources and Contact

- 19th International Conference of labour statisticians

<http://www.ilo.org/19thicls>

- ICLS Resolutions and Guidelines

<http://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/>

- STATISTICS contact

statistics@ilo.org



THANK YOU!
MERCİ!
OBRIGADO!