

KILM 13. Persons outside the labour force

Introduction

The inactivity rate is the proportion of the working-age population that is not in the labour force. Summing up the inactivity rate and the labour force participation rate (see KILM 1) will yield 100 per cent. Information on this indicator is given for 189 economies for the same standardized age groupings provided in KILM table 1a: 15+, 15-24, 15-64, 25-54, 25-34, 35-54, 55-64 and 65+. The estimates are harmonized to account for differences in countries' data collection and tabulation methodologies as well as for other country-specific factors such as military service requirements. The series includes both country reported and imputed data.

Use of the indicator

Although labour market economists tend to focus on the activities and characteristics of people in the labour force, there has been continued, if less visible, interest in individuals outside of the labour market, especially those who want to work but are not currently seeking work.¹ Much of this growing

interest stems from concern over improving the availability of decent and productive employment opportunities in developing and developed economies alike. Individuals are considered to be outside the labour force, if they are neither employed nor unemployed, that is, not actively seeking work. There is a variety of reasons why some individuals do not participate in the labour force; such persons may be occupied in caring for family members; they may be retired, sick or disabled or attending school; they may believe no jobs are available; or they may simply not want to work.

In some situations, a high inactivity rate for certain population groups should not necessarily be viewed as "bad"; for instance, a relatively high inactivity rate for young people aged 25 to 34 years may be due to their non-participation in the labour force to receive education. Furthermore, a high inactivity rate for women aged 25 to 34 years may be due to their leaving the labour force to attend to family responsibilities such as childbearing and childcare. Using the data in KILM 13, users can investigate the extent to which motherhood relates to the labour force patterns of women. It has long been recognized that aspects of household structure are associated with labour market activity. For example, female heads of households tend to have relatively high inactivity rates. Among married-couple families, husbands typically have low inactivity rates, especially if there are children in the family. However, a low rate of female inactivity could coincide with a high

¹ The resolution concerning the statistics of work, employment and labour underutilization, adopted by the 19th International Conference of Labour Statisticians, Geneva, 2013 taps into this pool of inactive by identifying situations of inadequate absorption of labour, beyond those captured by unemployment. The resolution introduces a definition of potential labour force and proposes that the definition cover persons who have indicated some interest in employment but who are currently counted as being outside of the labour force. It distinguishes three mutually exclusive groups:

- a) unavailable jobseekers, referring to persons without employment who are seeking employment but are not available;
- b) available potential jobseekers, referring to persons without employment who are not seeking employment but are available; and

- c) willing potential jobseekers, comprising persons without employment who are neither seeking nor available for employment but who want employment.

Further information can be sought at:
http://www.ilo.org/wcmsp5/groups/public/---dgreports/--stat/documents/publication/wcms_220535.pdf

rate for men, for instance if the male is completing his education or is physically unable to work, thus making the wife the primary wage earner.

A subgroup of persons outside the labour force comprises those known as discouraged jobseekers, defined as persons not in the labour force, who are available for work but no longer looking for work due to specific labour market-related reasons, such as the belief that there are no jobs available. This is typically for personal reasons associated with their perception of lack of job availability. Regardless of their reasons for being discouraged, these potential workers are generally considered underutilized. The presence of discouraged jobseekers is implied if the measured labour force grows when unemployment is falling (although demographic pressures should also be taken into consideration). People who were not counted as unemployed (because they were not actively searching for work) when there were few jobs to be had may change their mind and look for work when the odds of finding a job improve. Furthermore, when numbers of discouraged jobseekers are high, policy-makers may attempt to “recapture” members of this group by improving job placement services. (See discussion on “discouragement” also in KILM 10.)

Definitions and sources

There are several aspects of the definition to consider for the indicator on persons outside the labour force. Foremost is the fact that estimates must be made for the entire population, either through labour force surveys, population censuses, or similar means. Typically, determinations are made as to the labour force status of the relevant population. The labour force is defined as the sum of the employed and the unemployed. The remainder of the population is the number of persons outside the labour force.

Only labour force participation rates and population figures deemed sufficiently

comparable across countries were used in the construction of table 13.² To this end, only labour force survey and population census-based data were used in the construction of the estimates. In countries with more than one survey source, only one type of source was used. If a labour force survey was available for the country, inactivity rates derived from these were chosen in favour of those derived from a population census. Only inactivity rates that are sufficiently representative of the standardized age groups (15+, 15-24, 15-64, 25-34, 25-54, 35-54, 55-64 and 65+) were used in the construction of the series.

Table 13 includes both real (country reported) inactivity rates as well as rates that were imputed using econometric modelling techniques. GDP levels and growth rates, population age structure variables and dummy variables to capture time trends, region-specific trends and country fixed effects were among the explanatory variables used to generate the imputed labour force participation rates in KILM table 1a, which were then used in the construction of table 13. These rates were estimated separately both for each age group as well as for the sexes.

Limitations to comparability

The usual comparability issues stemming from differences in concepts and methodologies according to types of survey, variations in age groups, geographic coverage, etc., do not apply in the case of table 13. The table is derived from the harmonized labour force participation rates in table 1a, where only data deemed sufficiently comparable across countries were used, which makes table 13 harmonized (and comparable) by default. The selection criteria for creating the harmonized data set were explained in the previous section.

² See the corresponding section of the KILM 1 manuscript for details on the construction of the harmonized table 1a. Since table 13 is the complement of table 1a, the same methodologies for construction apply.