

Box 7

THREE INDICATORS TO COMPLEMENT THE STANDARD DEFINITION OF EMPLOYMENT AND UNEMPLOYMENT

Eurostat has been publishing three new harmonised indicators of underemployment and the potential additional labour force for the euro area and EU countries since 2011¹. These indicators complement the International Labour Organization's (ILO) measure of unemployment (shown in Table 5.3.b of the statistical annex) and can be seen as forming “halos” or concentric circles around the pool of unemployed as defined by the ILO. The data give further insight into the potentially available labour supply that is not captured via the standard definition of employment and/or unemployment. This box presents the new indicators and offers an initial analysis of the additional information provided by them regarding the labour market structure and its development, using the latest available data for 2012.

In order to be classified as unemployed according to the ILO's definition, a person needs to fulfil three criteria: (i) not to have worked at all in the reference week, (ii) to be available to take up work within the next two weeks and (iii) to have been either actively seeking work in the past four weeks or have already found a job that starts in the next three months. Easing the first of these criteria makes it possible to identify *underemployed part-time workers*, i.e. those who are willing to work more hours and can increase their attachment to the labour market as fully employed persons². The easing of the other two criteria in the ILO's definition permits the identification of those who, while not being employed, are either seeking a job but *are not immediately available* or are available but *are not actively seeking a job*. An example of the former would be students who have not yet completed their studies, while the latter would include, for instance, those who are prevented from seeking a job due to personal or family circumstances. This group also includes the so-called discouraged workers, who believe their search for work to be in vain. As such, these two categories of persons do not come under the standard definitions of persons employed or unemployed and are therefore not accounted for as part of the labour force/active population; they are instead classified as economically inactive. Still, given their closer attachment to employment than other inactive persons, they can be referred to as the *potential additional labour force*. These new indicators thus help to complete the picture of those persons between the three standard ILO statuses of employment, unemployment and inactivity (see Chart A).

The data source for these additional indicators is the same as that for the unemployment rate, namely the harmonised quarterly labour force survey (LFS).³ The supplementary indicators are

1 http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Underemployment_and_potential_additional_labour_force_statistics

2 Note here that the indicator of underemployment captures only part-time workers who would like to work additional hours. It does not include full-time workers who may wish to work extra hours.

3 Available at http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/documents/DS_LFS_EN_6_subdoc_regulation.pdf

Chart A Supplementary indicators in context

(2012; thousands of persons aged 15-74; euro area)

1. Full-time employed + part-time employed not seeking additional hours	134,066.9	Employed (1+2)	Active (1+2+3)	Total population 248,295.0
2. Part-time employed seeking additional hours/full-time employment	6,149.7			
3. Unemployed		17,881.1		
4. Seeking work but not immediately available to take up work	1,646.0	Potential additional labour force (4+5)	Inactive (4+5+6)	
5. Immediately available to take up work, but not seeking work	6,056.1			
6. Others inactive	82,495.2			

Source: Eurostat.

Note: The three supplementary indicators are in bold in the first column.

currently available from the first quarter of 2005 to the fourth quarter of 2012.⁴ They are released around 100 days after the reference period, in line with the quarterly release calendar for the LFS. The data are broken down by gender, age, educational attainment and nationality (nationals, nationals from another EU Member State and non-EU nationals). The latest annual data are also presented as percentages of the labour force (active population) in order to give an idea of their relative size. It should be noted, however, that while the underemployed as a percentage of the labour force is a genuine “share” in statistical terms, as the underemployed (numerator) are part of the labour force (denominator), this is not the case with the other two indicators. Since the unemployed not immediately available or not actively seeking work (the respective numerators) are not part of the labour force, the sum of these shares as a percentage of the actual labour force should thus be interpreted as a potential relative addition to the latter.

The latest data for 2012⁵ show that underemployed part-time workers in the euro area totalled some 6.2 million persons or 3.9% of the labour force (see the table below). The number of underemployed persons increased last year as much as it had done over the four years from

Employment, unemployment and supplementary indicators over the period 2008-2012

(Thousands of persons aged 15-74; euro area)

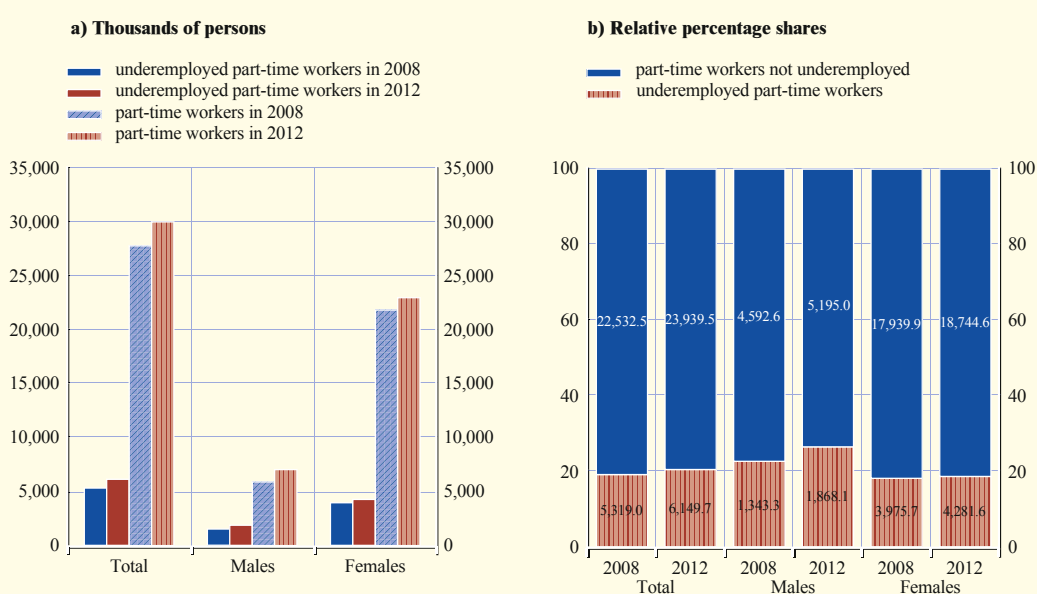
	2008	2009	2010	2011	2012
Full-time and part-time workers not seeking additional work (1)	138,807	135,959	134,928	135,466	134,067
Underemployed part-time workers (2)	5,319	5,530	5,787	5,750	6,150
Employed persons (1+2)	144,126	141,489	140,715	141,216	140,217
Unemployed persons (3)	11,709	14,799	15,692	15,839	17,881
Active persons (1+2+3)	155,834	156,287	156,407	157,055	158,098
Persons seeking work but not immediately available (4)	1,843	1,617	1,625	1,635	1,646
Persons available to work but not seeking work (5)	5,029	5,341	5,467	5,805	6,056
Potential additional labour force (4+5)	6,872	6,958	7,091	7,439	7,702

Source: Eurostat.

⁴ The underemployed part-time workers series start in the first quarter of 2008.

⁵ Data are available at a quarterly frequency, but are not yet seasonally adjusted.

Chart B Part-time workers as a whole and underemployed part-time workers, broken down by gender



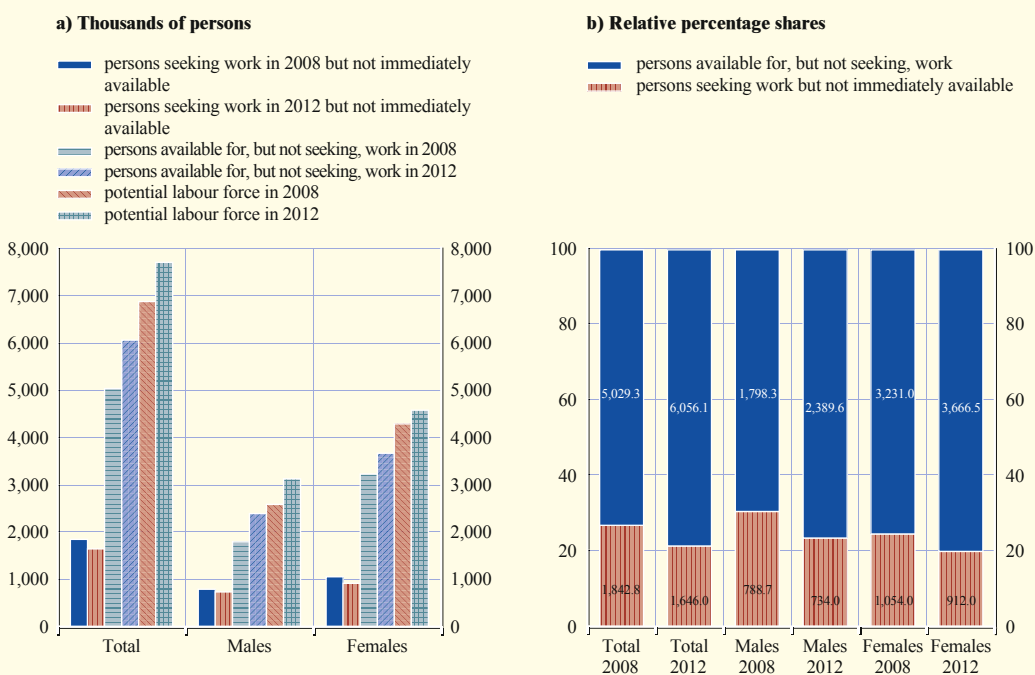
Source: Eurostat.

2008 to 2011. The potential additional labour force in the euro area includes 7.7 million people (4.8% of the labour force), most of whom are persons available for, but not seeking, work (78.6%), while the remainder are persons seeking work but not immediately available (21.4%). Furthermore, data for the potential labour force have followed different patterns since 2008. The number of persons seeking work but not immediately available decreased in 2009 and remained broadly stable thereafter up to 2012. However, the number of persons available for, but not seeking, work has steadily increased since 2008. The latter could be evidence of increasingly discouraged workers and could have resulted from the weak economic environment and the increased level of unemployment.

A gender distribution analysis of the full set of labour market indicators shows that, while men are the predominant gender in employment (55% in 2012) and unemployment (56% in 2012) statistics, women form the majority in these supplementary indicators. Chart B a) presents the total and gender breakdown of part-time workers and of those willing to work more. Underemployed part-time workers represent around 20% of the total number of persons working part-time. About 70% of underemployed persons are women. This is because, among other things, many more women than men work part-time. Taking this into account and looking at the relative shares by gender (Chart B b)), it can be seen that, compared with the total number of males working part-time, the male relative share is higher than that of women.

A similar outcome can be seen in the potential additional labour force indicators (Chart C). The shares of women and men in the category of persons available for, but not seeking, work were 60.5% and 39.5% respectively in 2012. The share of women in the category of persons seeking work but not immediately available was slightly lower (55.4% in 2012). Chart C also compares the 2012 data with the 2008 data. It shows how the potential additional labour force increased during the whole period for both women and men. However, the

Chart C Potential additional labour force broken down by gender



Source: Eurostat.

change predominantly affects the number of men, who represent 65% of the total increase. The number of men available for, but not seeking, work increased more sharply than it did for women, while there was a share decrease in the number of women seeking work but not immediately available over the period.

Overall, these new indicators give a further insight into the euro area labour market by taking into consideration the various degrees of attachment of persons considered employed or inactive in the ILO's standard definitions. They can help not only to provide a better understanding of the developments in the labour market that are not captured by the broader ILO categorisations, but also to monitor slackness/tightness in the labour market as well as the potential for labour force-enhancing reforms, particularly in the area of labour market activation.