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Belgium	BEF	40.85
Denmark	DKK	7.54
Germany	DM	1.98
Greece	GRD	337.39
Spain	ESP	168.04
France	FRF	6.64
Ireland	IEP	0.79
Italy	ITL	1,951.04
Luxembourg	LFR	40.85
Netherlands	NLG	2.23
Austria	ATS	13.93
Portugal	PTE	202.79
Finland	FIM	6.02
Sweden	SEK	8.77
United Kingdom	GBP	0.66

EMPLOYMENT OBSERVATORY
Trends

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Trends provides a comparative and in-depth overview of selected policies and developments in the labour markets of the Member States on the basis of articles provided by the SYSDEM correspondents. It appears twice a year and is published in English, French and German.
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Underemployment Trends in the European Union: Introduction and Synopsis[1]

In the run-up to the European Monetary Union, unemployment still constitutes the number one social problem facing most European countries. The tasks of raising the employment rate and reducing unemployment, particularly youth and long-term unemployment, were further reaffirmed by the Luxembourg Employment Summit and the decision to implement the provisions of the Amsterdam Treaty. A central role in the two-way consultation processes between the Member States and the European Commission in the context of the National Action Plans is played by the quantitative indicators of unemployment. This issue of "Trends" takes a closer and critical look at some of the indicators used.

This introduction summarises the country reports under four headings. In Section 1 the conceptual differences underlying the administrative unemployment rates frequently used at the national level and those used for the purpose of international comparisons are elaborated. These indicators are then supplemented by a description of the dynamics of (long-term) unemployment. On the basis of information on inflows and outflows it is possible to determine the duration of unemployment and thus the extent to which it has become entrenched (Section 2). In the third section the definition of unemployment is expanded in two regards. Firstly it is considered how much higher, in numerical terms, the unemployment rates would be without the efforts of active labour market policy. Secondly, the reduction in potential labour supply is considered to the extent that this occurs with the help of government transfers (for example by means of early retirement). In the final section two forms of underemployment, involuntary part-time work and "discouraged workers", are discussed (Section 4).

The aim of the reports is to quantify the aspects mentioned; they relate to the problem of underemployment. The International Labour Office (ILO) distinguishes between "visible" and "invisible" underemployment. Visible underemployment is a category that aims to capture the inadequacy of the employment level; individuals are visibly underemployed if they involuntarily work less than appropriate to their qualifications, are looking for and are available for work. Invisible underemployment, on the other hand, is an analytical concept that relates primarily to the misallocation of labour of different skills. The topics covered in the contributions to this issue are to be subsumed under the problem of visible underemployment, although they in no way cover this topic exhaustively, but rather only treat pragmatically selected aspects of it.

1. Administrative and comparable unemployment rates

The ILO does not itself publish comparable unemployment rates; in international comparisons the standardised unemployment rates (SURs) of the OECD or the comparable unemployment rates (CURs) of Eurostat are used[2]. Both of these rates are based primarily on ILO conventions, though, as developed by the 13th International Conference of Labour Statisticians in 1982. The unemployed are measured as a percentage of the labour force which is defined as the "economically active population". In contrast to national definitions, according to ILO conventions one hour's paid employment per week is sufficient to be considered economically active. In national definitions, particularly by the public employment services, but also by national statistics offices, individuals are usually only classified as part of the labour force if they are working substantially more hours per week, or are looking for such work. In the Netherlands, for example, the threshold is currently 12 hours.

This leads to corresponding differences in the number regarded as unemployed; according to ILO conventions an individual is unemployed if he/she was (1) not in employment in the survey week (excluding temporary absence due to illness, etc.), (2) had actively looked for work during the previous four weeks, and (3) was available to take up employment within two weeks.

Absolute unemployment figures and unemployment rates are essentially based on two sources of data: firstly, administrative records, for example those of the public employment services and/or the institutions providing financial support to the unemployed (social insurance institutions, etc.), and, secondly, employment-related surveys of private households (labour force surveys). While labour force surveys are based on representative samples, administrative records present a complete survey of the registered unemployed; the latter are readily available, and its data allow for structural analysis.

Because of the differences in the data and the definitions used, the numerical values of both numerator and denominator differ between the comparable and the administrative unemployment rates. The variables are often mutually overlapping: In France, for instance, 309,000 people were unemployed in 1996 according to the ILO definition, but were not registered with the public employment service (ANPE), while almost 1.4 million people were registered with the ANPE although they were not unemployed according to the ILO definition. In the United Kingdom, too, around 1.3 million unemployed according to the ILO definition were at the same time claimants, although there were also almost one million claimants who were not ILO-unemployed, and almost 0.8 million ILO-unemployed who were not claimants.

It is also of interest to note that the evolution of registered unemployment is highly susceptible to changes in administrative definitions. On this point the reader is referred to the reports from Belgium, the Netherlands, Germany and the United Kingdom.

National unemployment rates exhibit considerable diversity. This relates to both the data and the computing procedures used. In a number of Member States the public debate centres virtually exclusively on a single unemployment rate; in others a number of official unemployment rates are published. Published national unemployment rates are often based on labour force surveys, which may or may not be in accordance with the labour force concept of the ILO. Some of the reports refer only to unemployment rates according to the labour force concept, which accordingly do not differ, or do so only negligibly, from the standardised rates (Ireland, Luxembourg and Portugal). Yet deviations from international comparable rates still may occur. In Sweden, for example, the unemployment rates determined on the basis of national labour force surveys are around 1.5–2 percentage points lower than the standardised ILO rates.

1 By Frank Stille, scientific programme manager of the European Employment Observatory (EEO).

2 For many years the U.S. Bureau of Labor Statistics has published internationally comparable unemployment rates, based on U.S. definitions.

In most Member States the Eurostat-comparable unemployment rate is lower than the registered unemployment rate. In 1996 this was particularly the case in Italy, but also in Belgium, Ireland, Austria, Portugal, Denmark and Germany (see Table 1).

In France, the Netherlands and the United Kingdom the differences are rather small, though here the comparable rates are slightly higher than the registered rates. In Spain and, in particular, in Greece comparable unemployment rates are substantially higher than registered rates. The unemployment rates given in the Greek report calculated on the basis of labour force surveys are broadly in line with the comparable unemployment rates calculated by Eurostat. OECD-standardised rates are not available for Greece. The course of registered and comparable rates over time also differs in the Greek case.

2. (Long-term) Unemployment and its dynamics

The unemployment rates usually used for international comparisons are based on (average) stocks of (long-term) unemployed. Changes in stocks normally result from a far greater number of inflows into and outflows from unemployment. Individuals can change their status by entering a further training programme, taking parental leave, retiring, etc. The contributions to this issue focus on the exchange with employment.

Information on inflows and outflows can be derived both from administrative unemployment data and from surveys. The orders of magnitude so determined may differ considerably. This is clearly shown by the Greek report, for instance. This means that the problems surrounding national and standardised unemployment rates discussed above also apply to the dynamics of unemployment.

On the basis of flow data, it is possible to construct supplementary indicators to (long-term) unemployment rates that are useful in characterising unemployment; examples are *fluctuation* and *duration*. Unfortunately, it was not possible to collate such information and conduct the corresponding analyses for all Member States.

Fluctuation

Expressing half of the absolute sum of inflows into and outflows from unemployment as a proportion of the average stock of unemployment, we obtain the fluctuation rate. This indicates the average turnover frequency of the stock of unemployed persons per period or, to put it another way, the average duration of a spell of unemployment. The magnitude of both, of course, is influenced by the intensity of active labour market policy which interrupts the unemployment spells.

In Germany the average stock of unemployed in 1996 amounted to around 3.5 million; with inflows amounting to around 7 million and outflows of 6.5 million, the fluctuation rate is thus calculated to be around 1.9. This fluctuation rate is likely to be exaggerated given the fact that short-term interruptions of unemployment, for example due to illness or training measures, are also included. In Spain the fluctuation rate in 1996 was as high as 3.2; thus the average stock of around 4.0 million unemployed was "turned over" more than three times per year. It should be noted, however, that differences in fluctuation rates are heavily influenced by the extent of seasonal unemployment.

In Greece the fluctuation rate calculated on the basis of information provided by the public employment service (OAED) for 1996 amounted to just 0.2; on the basis of labour force surveys, the fluctuation rate was just under 0.5. In Finland the unemployment rate shot up from 4% to 20% between 1990 and 1994. The rates of new entrants did not increase to the same extent; the fluctuation rate declined due to the much lower rates of outflow.

Table 1: Unemployment rates 1996

	Comparable[1,3]	Registered[2,3]
B	9.8	14.0
DK	6.9	8.5
D	9.6	10.5
GR	9.6	4.3
ESP	22.1	14.3
F	12.4	12.0
IRL	11.8	18.8
I	12.0	27.3
L	2.5	2.5
NL	6.3	6.0
A	4.4	5.9
P	7.3	9.8
FIN	15.4	n.a.
SWE	10.0	n.a.
UK	8.2	7.4

1 Cf. "Employment in Europe", 1997; the numerator is identical with the comparable unemployment numbers of Eurostat.
2 Numerator: "Registered unemployed" from Eurostat.
3 Denominator: "Total employment plus total unemployed" from "Employment in Europe", 1997.

Average duration of unemployment

On the basis of information on the number of registered unemployment spells per year – an individual can be unemployed more than once during a year – the average duration of unemployment spells can also be calculated by dividing the number of spells by the average stock. This indicator, in other words, is the inverse of the fluctuation rate. In (west) Germany the average duration of unemployment spells was at more than six months (1996).

In Spain the average unemployment period lasted less than four months. In spite of this the long-term unemployed account for a relatively high proportion of the unemployed in Spain. This suggests that there are major differences in the duration of unemployment periods. In Italy unemployment periods of almost 12 months are calculated on the basis of stock data; according to outflow data, which allow completed periods of unemployment to be considered, the average unemployment period rises to almost 27 months. In Finland the average duration of unemployment spells increased markedly between 1990 and 1994, whereas there has been no such increase in Sweden.

Long-term unemployment

The distribution of the duration of unemployment spells is of great importance for the phenomenon of long-term unemployment. In Denmark, for example, more than 40% of cases involved relatively short periods of unemployment lasting up to 2.4 months, whereas just 10% lasted more than 9.6 months;

in absolute terms the latter figure applies to 85,000 people. On the basis of labour force surveys, around 52,000 people had been unemployed for more than a year in 1996. This implies a rate of around 21% with respect to the average stock of unemployed.

Other Member States, such as Belgium and Italy, have a long-term unemployment share (as a proportion of the average stock of unemployment) of more than 60%, and others between 50% and 60% (Greece, Spain, Ireland and Portugal). Apart from Denmark, only Luxembourg, Sweden and Austria have similarly long-term unemployment shares. Sweden, though, has a problem with long registration periods; participants in active measures are not "openly" unemployed but still registered at the PES.

In (west) Germany around one third of the unemployed had been so for more than one year in 1996 according to stock data provided by the public employment service; according to labour force surveys (and thus also to Eurostat) the figure was 48%. This difference results primarily from the account taken (or not taken) of short-term interruptions.

Irrespective of such definitional differences, on the basis of information from the public employment service, it has been shown that the relative importance of long-term unemployment in the stock data is understated; the German statistics on completed periods of unemployment in the annual outflow statistics show that the relative weight of the long-term unemployed, calculated in unemployment days, is, at 58%, almost twice as high as the proportion of the stock calculated on the basis of surveys. Although in the outflow statistics the unemployment periods with a duration of more than one year accounted for just 17%, compared to 32% in the stock data, the average duration of these periods amounted to almost 800 days, and was thus almost seven times as long as the average duration of unemployment periods of less than one year. Similar calculations for France and Great Britain show that in 1996 the "long-term share", weighted with the number of unemployment days was as high as 67%[3].

In Greece the problem of long-term unemployment has worsened further. The outflow rates for both men and women have fallen markedly and the labour market opportunities for the long-term unemployed have deteriorated significantly. Yet the situation for the long-term unemployed in Italy is even worse; there the outflow probability amounts to just 12%.

3. Broad unemployment

In making an EU-wide comparison of unemployment rates it also makes sense to allow for the extent to which the rates are influenced by the different size of active labour market policy in the Member States. Examples of active measures which have the affect of temporarily "removing" participants from the unemployment registers are:

- training measures,
- job creation measures,
- short-time work, etc.

Unemployment rates are also reduced to varying degrees by reductions in the supply of labour made possible by transfers; the most common of these are

- early retirement and disability pensions unemployment, and
- parental leave and similar measures.

The data of the reports are derived primarily from the relevant national institutions responsible for implementing such measures. In some Member States such information is not available at the macro level, however.

Thus, aspects of the concept of broad unemployment will be touched upon as it is used by the OECD in its economic country reports. The interpretation of these data is certainly open: the measures mentioned contribute to the fact that unemployment did not turn out even higher. Conversely, the broad unemployment rate can be interpreted as an indicator for hidden unemployment.

In the OECD analyses, the data on the numbers on people in the various categories are converted into full-time equivalents. Such calculations have been conducted in only some of the contributions.

Similar problems have to be solved when annual average values have to be calculated for the various labour market policy programmes – retraining or short-time work, etc. – or when the proportion of, say, the occupationally disabled that are actually available to the labour market has to be determined. In such questions, too, the reports follow different approaches. Overall complete comparability has not yet been achieved.

The reports restrict themselves largely to numerical effects. It goes without saying that a comparable empirical data forms the basis for analyses of the impacts of these measures on unemployment and employment. Such analyses deal with questions such as: Do labour market policy measures exert, in addition to their direct unemployment-reducing effect, indirect multiplier effects (see, for example, the German report) and/or are substitution and displacement effects to be taken into account that reduce the overall effect (see the Irish report)? The French report contains a table that seeks to provide a quantitative estimate of the influence exerted by the various measures on employment and unemployment. Early retirement is considered to exert an important, many other measures only a very minor effect.

With all the reservations that need to be applied, Table 2 aims to provide a synopsis of the reports by listing different unemployment rates for a single year (1996). Column (1) gives the unemployment rate from "Employment in Europe". Column (2) indicates the unemployment rate that would emerge – purely arithmetically – when including individuals participating in labour market policy measures. Column (3) allows, in addition to labour market policy measures, for the measures to reduce the size of the economically active population (also arithmetically). To make this calculation, not only the number of "unemployed", but also the size of the working population must be increased by the appropriate amount.

Turning first to the influence of labour market policy measures, it emerges that in France, Denmark and Ireland the unemployment rate is comparatively very much higher when including individuals participating in labour market policy measures. The broad middle ground, in which labour market policy exerts substantial arithmetic effects is led by Sweden and Finland, followed by Belgium, Germany, Portugal and even Luxembourg. According to this indicator, labour market policy was less important in the Netherlands, the United Kingdom and Greece. In Spain participants in labour market policy measures are classified as unemployed (!); thus no information on the differences between columns (1) and (2) could be provided in the report.

If the influence of early retirement and disability pensions and other measures reducing the supply of labour to avoid unemployment is also considered, comparison of columns (1), (2) and (3) reveals that in many Member States these measures are of greater importance than active labour market policy. The leading countries in this regard are

3 Cf. W. Karr (1997): *Die Erfassung der Langzeitarbeitslosigkeit*. IAB Kurzbericht No. 5. Nuremberg.

Luxembourg, Denmark, Greece and the Netherlands, with a substantial labour-force-reducing effect of such programmes also recorded in a number of other countries. Such schemes are comparatively unimportant, on the other hand, in Spain, France and Finland. It should be noted, however, that the effect of such measures could not be reliably determined in a number of countries due to data problems.

4. Part-time work for economic reasons and discouraged workers

In some circumstances the actual extent of paid employment will not be in accordance with individual wishes. This is the case, for example, for those working fewer hours than they would like to. Apart from temporary short-time work, which was covered in Section 3, this phenomenon focuses on part-time workers who, due to a lack of economic alternatives, are working part time involuntarily. This aspect of part-time work "for economic reasons" is, however, accounted for in an indicator developed by the U.S. Bureau of Labor Statistics (U6)[4]. The contributions show that involuntary part-time employment is above all a substantial problem in Sweden and France, and also, to a declining extent, in Finland, Greece and the United Kingdom.

An additional aspect of underemployment relates to the fact that some people have become "discouraged", i.e. have withdrawn from job-search activities because they do not believe they are likely to be successful. The "discouraged worker" phenomenon appears to be particularly prevalent in Italy; this remains true even allowing for the fact that the figure given in the Table 3 is based on a slightly broader definition. In Germany and Sweden discouragement is of some importance.

Table 2: Unemployment rates (1), unemployment rates in the absence of labour market policy (2) and "extended" unemployment rates (3), 1996

	(1)	(2)	(3)
B*	9.8	13.1	21.4
DK	6.9	11.7	20.5
D	9.6	11.9	15.0
GR	9.6	10.5	20.9
E	n. a. (22.1)	22.1	23.3
F	12.4	21.6	23.0
IRL	12.2	18.4	n. a.
I	12.0	12.7	14.7+
L	2.5	3.1	12.2
NL	6.3	7.3	15.6
A*	4.4	n. a.	6.9+
P*	7.3	9.4	16.6
FIN	15.3	20.2	24.0
S	10.0	13.9	14.8+
UK	8.2	9.2	12.9

* 1995; + incomplete; n. a.: not available from the reports.

Table 3: Orders of magnitude[1] of involuntary part-time work (1) and discouragement (2)

	(1)	(2)
B	n. a.	0.6
DK	n. a.	n. a.
D	0.5	1.4
GR	1.5	0.6
E	n. a.	0.2
F	2.3	n. a.
IRL	0.7	0.7
I	n. a.	3.9
L	n. a.	n. a.
NL	(low)	0.8
A	n. a.	0.5
P	n. a.	0.4
FIN	1.9	0.9
S	(high)	1.6
UK	1.3	0.5

1 Expressed as the number of percentage points by which the unemployment rate is increased.

Concluding remarks

The diversity of unemployment rates used in the Member States is surprising in view of the fact that, for some time now, uniform conventions have, in principle, been agreed upon. Apart from the statistical problems that may have contributed to this situation, one also has to reckon with the political nature of defining unemployment. The Eurostat-comparable unemployment rates, as well as other Labour Force Survey-based unemployment rates, are firmly established in the Luxembourg process and in scientific comparisons. Analyses of the structure and the dynamics of (long-term) unemployment, nevertheless, cannot dispense with the data provided by public employment services and other institutions.

The results both of the country reports on active labour market policy and of measures to decrease labour supply can be based on registered as well as on comparable unemployment rates; this introduction has used comparable unemployment rates. The absolute numbers presented in Table 2 are not to be taken as fully compatible magnitudes; missing information and methodological problems are (still) abundant. Moreover, the figures represent "numerical" results only and must be interpreted as upper bounds. In this respect, economic analyses must be brought in to achieve a more precise evaluation of the impact of the above-mentioned measures on employment and unemployment.

Nevertheless, the table shows that, first, policies of the various Member States have reacted to the problem of unemployment with quite distinct intensity, and, second, that the relative position of Member States varies significantly depending on whether they use the comparable or a broader rate of unemployment as a yard stick.

The aim of the benchmarking in question and the availability of data ultimately tip the balance toward that definition which is most appropriate for each specific case.

4 Cf. J. Shiskin (1976): "Employment and Unemployment: The Doughnut or the Hole?" In: *Monthly Labor Review*, February, pp. 3–10.

Belgium

Introduction

In this article we will discuss the Belgian unemployment situation by studying the development of various unemployment rates between 1985 and 1996. Within the category of the full-time unemployed receiving benefit, we will also examine changes in the number of long-term unemployed and of discouraged workers.

We subsequently attempt to generate time-series for two other rates: one that takes account of part-time workers, and one encompassing persons in disability, social assistance and early exit schemes.

Standard unemployment rates

Standardised rates and national rates

Table 1 presents *standardised unemployment rates* based on the labour force survey that is organised each year by the National Institute for Statistics among 35,000 households. No differences were found between the data distributed by OECD and those published by Eurostat and the ILO.

The standardised unemployment rates remained high (at 11.3%) between 1985 and 1987. Then they declined gradually to 6.7% in 1992, after which they rose again to 9.5% in 1996.

At the *national level*, there are two commonly used ways to measure unemployment rates. In contrast with the data based on the labour force survey (see Table 1), both national rates are based on administrative data. The first method – the so-called degree 1 – consists of dividing the jobseekers who receive an allowance by those insured against unemployment.

According to the second measure – the so-called degree 2 – the numerator consists of all non-working jobseekers and the denominator of total labour force. The group of non-working jobseekers consists of the following three categories:

- full-time jobseekers with an allowance (the largest group);
- non-working jobseekers who are compulsorily registered (such as youngsters in their qualifying period and the unemployed who have temporarily lost their right to an allowance);
- non-working jobseekers who have registered voluntarily.

The national unemployment rates since 1985 are given in the second and third columns of Table 1.

According to degree 1, the unemployment rate declined from 17.4% in 1985 to 11.9% in 1990. Since then it has risen again to 15.9% in 1993. Degree 2 indicates a similar development, although the rates are lower: from 13.6% in 1985 to 9.6% in 1990. It has since risen to 13.8% in 1994.

The most important change in the definition of unemployment took place in 1996. Prior to that year, two groups – (1) unemployed persons older than 55 and out of work for at least two years and (2) unemployed older than 50 with a disability – fell under the special category of "older non-jobseeking unemployed". They were not included in the category of "full-time jobseekers with an allowance", and were thus excluded from the official unemployment statistics. Since 1996 access to this category has been made easier in two ways. Unemployed persons aged between 50 and 64 no longer have to prove a handicap of 1%, and the required unemployment period has been reduced from two years to one year. This change in the definition explains a great deal of the decrease in full-time jobseekers with an allowance between 1995 and 1996 by 22,200 units.

The second change in the definition of unemployment concerns the school-leavers: their qualifying period was expanded by a Royal Decree of 27 December 1993 from 6 months to 9 months. This means that they have to wait three months longer in order to fall under the category of full-time jobseekers with an allowance, and thus to become entitled to unemployment benefits.

Both changes have decreased the number of full-time jobseekers with

Table 1: Unemployment rates (standardised rates and official rates, 1985–1996, in %)

Year	Standardised unemployment rates (1)	Official unemployment rates (2)	
		Degree 1	Degree 2
1985	11.3	17.4	13.6
1986	11.3	16.1	12.6
1987	11.3	15.8	12.2
1988	10.1	14.1	11.1
1989	8.3	12.7	10.1
1990	7.2	11.9	9.6
1991	7.0	12.5	10.2
1992	6.7	13.7	11.2
1993	8.1	15.9	13.0
1994	9.6	–	13.8
1995	9.3	–	13.9
1996	9.5	–	13.7

Sources: (1) OECD, Labour Force Statistics (1997); (2) Ministerie van Tewerkstelling en Arbeid (1994, p. 97); Federaal Ministerie van Tewerkstelling en Arbeid (1997, p. 25).

an allowance, and thus the category of non-working jobseekers that is used to measure the unemployment rates.

Long-term unemployment

Table 2 indicates the development of long-term unemployment rates, as measured by the number of full-time jobseekers with an allowance who have been unemployed for more than one year, as a percentage of the civilian labour force.

The total long-term unemployment rate was 7.6% in 1995. It was at its lowest level in 1991, at 5.0%. Long-term unemployment rates have consistently been twice as high among women as among men.

Long-term unemployment represented 62.4% of the total unemployment population in 1995, or 61.4% for men and 63.2% for women (Eurostat).

Discouraged workers among full-time jobseekers with an allowance

In this point we will discuss the category of discouraged workers as it has been developed by two Belgian researchers in their investigation of full-time jobseekers. Their definition of discouraged workers is different from the one that is often used in an international context and which relates to workers who have withdrawn from the labour market and who are no longer registered as jobseekers. The two researchers (De Witte & Hooge), by contrast, define discouraged workers as officially registered unemployed who have a negative perception of their unemployment but who have become discouraged from looking for a job.

On the basis of a survey among 309 long-term unemployed (De Witte, 1992) and another one among 1,109 short-term unemployed (De Witte & Hooge, 1995), a typology of full-time jobseekers was developed on the basis of subjective features: (1) the importance of paid work in the life perspective of the person, (2) the degree to which he/she has been looking for a paid job, and (3) the perception of the situation of being unemployed.

The five different types that have been found are given in Table 3. One type is called the "discouraged" group. These unemployed are relatively strongly committed to paid employment and have been looking for work to a limited degree. They consider being unemployed as problematic. The group of the discouraged can be described as pessimistic. They have tried actively to find a job, but at the moment of the interview they had become discouraged from looking further, since their efforts in the past had not been fruitful. They seek government assistance in their search for a job, but seem to have given up hope of finding a job on their own.

About 14% of the long-term unemployed and 21% of the short-term unemployed fall into the category of the discouraged unemployed. In contrast to the other types, the discouraged unemployed are characterised by a longer period of job search. This is in agreement with their profile: only after many fruitless applications does the feeling of pessimism prevail.

Flow characteristics of non-working jobseekers

Table 4 depicts the movements into and out of the categories of non-working jobseekers[1] in Flanders in the course of 1996. It reveals a very strong dynamism in the composition of the category. In the course of 1996 there were 403,000 registrations. The external outflow was, with 430,000 outflow movements, 6.6% greater, so that the number of non-working jobseekers diminished by 10.4%.

The internal movements within the category of non-working jobseekers balance each other, because each inflow into a certain subcategory implies an outflow from another subcategory[2].

Table 2: Long-term unemployment rates (in %)

Year	Men	Women	Total
1985	5.3	11.6	7.9
1986	4.7	11.3	7.3
1987	4.5	10.9	7.1
1988	4.1	9.7	6.4
1989	3.6	8.6	5.7
1990	3.2	7.8	5.1
1991	3.3	7.5	5.0
1992	3.7	8.1	5.5
1993	4.3	9.1	6.4
1994	5.0	10.0	7.2
1995	5.4	10.4	7.6

Sources: Own calculations based on: Federaal Ministerie van Tewerkstelling en Arbeid (1997); Ministerie van Tewerkstelling en Arbeid (1997).

Table 3: Typology of five different types of unemployed

	Commitment to paid work	Search behaviour	Perception of unemployment
Optimistic	+/–	+	+/–
Desperate	+	+	—
Discouraged	+	+/–	–
Adapted	+	–	+
Withdrawn	–	—	+

Source: De Witte and Hooge (1995).

1 For a definition of non-working jobseekers, see above.

2 Because of technical problems, the internal outflow (especially in the female category) is a fraction higher than the internal inflow. However the provider of this information guarantees that this has only little effect on the total in- and outflow-movements and that it has no effect at all on the final moment of 31 December 1996.

Table 4: Movements into and out of the category of non-working jobseekers in Flanders (between 31 December 1995 and 1996)

	Initial figure: 31 December 1995		Inflow movements 1996		Outflow movements 1996		Final figure: 31 December 1996		Change 1996/1995
	Number (n)	Share (%)	External (n)	Internal (n)	External (n)	Internal (n)	Number (n)	Share (%)	(%)
Total									
Full-time jobseekers with allowance	226,340	81.5	317,784	51,840	363,188	37,178	193,962	77.9	-14.3
Qualifying period	29,567	10.6	63,597	3,448	48,475	22,344	26,289	10.6	-11.1
Others	21,813	7.9	21,526	16,385	17,823	13,602	28,707	11.5	+31.6
Total	277,720	100.0	402,907	71,673	429,486	73,124	248,958	100.0	-10.4
Men									
Full-time jobseekers with allowance	89,927	79.3	149,448	19,738	170,168	11,803	76,013	76.2	-15.5
Qualifying period	14,498	12.8	31,532	1,339	26,514	8,436	12,399	12.4	-14.5
Others	9,027	8.0	10,533	6,112	7,762	6,764	11,361	11.4	+25.9
Total	113,452	100.0	191,513	27,189	204,444	27,003	99,773	100.0	-12.1
Women									
Full-time jobseekers with allowance	136,413	83.0	168,336	32,102	193,020	25,375	117,949	79.1	-13.5
Qualifying period	15,069	9.2	32,065	2,109	21,961	13,908	13,890	9.3	-7.8
Others	12,786	7.8	10,993	10,273	10,061	6,838	17,346	11.6	+35.7
Total	164,268	100.0	211,394	44,484	225,042	46,121	149,185	100.0	-9.2

Source: Steunpunt Werkgelegenheid-Arbeid-Vorming (1997).

The total labour market reserve was 278,000 non-working jobseekers at the end of 1995, while in the course of 1996 403,000 external inflow-movements took place. This means a ratio of 1.45, or almost 1.5 inscriptions in the course of 1996 per jobseeker at the end of 1995. This reveals a very strong dynamism on the labour market, and more precisely between the jobseeking segment and the working segment. This dynamism is strongest among men: 1.69 compared with 1.29 among women (Steunpunt Werkgelegenheid–Arbeid–Vorming, 1997).

Assessment

In the previous section three central findings were made concerning unemployment figures. The first is that there are at least three official unemployment rates, each based on different calculations (surveys versus administrative data; the small group of full-time jobseekers with an allowance versus the group of non-working jobseekers).

The second finding results from the use of new techniques to select, for example, only the long-term unemployed or the discouraged workers: in 1995 the long-term unemployment rate was 8%. About 18% of full-time jobseekers with an allowance are discouraged workers who have given up the hope of finding a job on their own.

Thirdly, our analysis of the dynamics of unemployment movements reveals, in particular, considerable dynamism between the jobseeking segment and the working segment, especially among men.

Broader underemployment rates

The following categories of employees with a limited labour market attachment can be added to open unemployment to derive an estimation of the extent of underemployment.

Part-time unemployment

The full-time unemployment[3] rates, which take into account only full-time workers and (full-time) unemployed jobseekers, are given in Table 5.

The unemployment rates encompassing the persons working part-time for economic reasons[4] are given in Table 6.

A comparison between the two time-series of unemployment rates reveals that the female unemployment rates that take account of the persons working part-time for economic reasons (Table 6), are significantly higher than the female full-time unemployment rates (Table 5). Indeed, more than 80% of the persons working part-time for economic reasons are women.

Labour market policy programmes

The persons falling under the category of labour market policy programmes consist of people taking a career break and of those in apprenticeship and in employment programmes.

Career breaks offer employees the opportunity to leave the labour market for a limited period of time, on their initiative, in order to have more time for other things, such as family life or occupational training. The employee has to be replaced for this period by an unemployed person. During his/her career break the employee is entitled to an allowance.

The apprenticeship contracts are meant to stimulate the integration of youngsters in the labour market. The federal government forces companies to integrate a number of young unemployed by such contracts. The youngsters involved receive six months' practical training.

There are four different employment programmes that have been created to insert jobseekers in the regular labour market:

- "the employed unemployed" (*tewerkgestelde werklozen* – TWW): the jobseekers in this category get an unemployment allowance for a maximum period of one year, whereas those in one of the three following categories receive a wage;
- "special temporary framework" (*bijzonder tijdelijk kader* – BTK): these jobs are located in non-profit institutions;
- "third labour circuit" (*derde arbeidscircuit* – DAC): this scheme is meant for long-term jobseekers who are employed exclusively in the non-commercial sector;
- "subsidised contractuals" (*gesubsidieerd contractuelen* – Gesco's): the "gesco's" are employed in municipal institutions.

Participation in these three labour market policy programmes is given in Table 7.

The number of persons in labour market policy programmes increased between 1985 and 1990 (165,000), but subsequently declined to 145,000 in 1996.

Early retirement schemes

There are three major early retirement schemes in Belgium:

- elderly non-jobseeking unemployed. They receive an unemployment allowance but no longer have to look for a suitable job;
- the "conventional bridging pension": for workers aged 58 and over (in exceptional cases at age 50 or 52): they get an unemployment allowance plus a supplementary benefit from the former employer;

Table 5: Full-time unemployment rate (in %)

Year	Men	Women	Total
1987	9.5	18.8	13.3
1988	8.6	17.3	12.2
1989	7.6	16.0	11.1
1990	7.4	15.2	10.7
1991	8.2	15.7	11.4
1992	9.2	16.9	12.5
1993	11.0	18.9	14.4
1994	11.9	19.9	15.4
1995	12.1	20.1	15.6

Sources: Own calculations based on NIS (1996); Federaal Ministerie van Tewerkstelling en arbeid (1997).

Table 6: Unemployment rates encompassing persons working part-time for economic reasons (in %)

Year	Men	Women	Total
1987	9.7	21.7	14.6
1988	8.9	20.8	13.8
1989	8.1	20.1	13.1
1990	7.7	19.5	12.7
1991	8.4	19.8	13.2
1992	9.3	20.8	14.2
1993	10.8	21.9	15.6
1994	11.6	22.2	16.2
1995	11.7	21.9	16.2

Sources: Own calculations based on NIS (1996); Federaal Ministerie van Tewerkstelling en arbeid (1997).

3 Full-time unemployment rate: (full-time) non-working jobseekers, as a percentage of full-time workers plus (full-time) non-working jobseekers.

4 (Full-time) non-working jobseekers plus half of the persons working part-time for economic reasons, as a percentage of the full-time workers plus half of the persons working part-time voluntarily plus the (full-time) non-working jobseekers plus half of the persons working part-time for economic reasons.

Table 7: Persons in labour market policy programmes

Year	Career break	Apprenticeship	Employment programmes	Total
1985	–	22,968	–	–
1986	6,905	25,203	–	–
1987	19,769	35,088	79,959	134,816
1988	31,445	34,949	78,900	145,294
1989	39,995	37,752	79,651	157,398
1990	46,412	34,367	84,336	165,115
1991	52,817	26,880	76,096	155,793
1992	57,994	20,982	76,909	155,885
1993	55,961	15,913	75,306	147,180
1994	51,654	14,441	74,489	140,584
1995	50,124	14,729	74,060	138,913
1996	51,973	18,810	74,060	144,843

Source: Steunpunt Werkgelegenheid–Arbeid–Vorming (1997).

Table 8: Persons in early retirement schemes

Year	Older non-jobseeking unemployed	Conventional bridging pension	Bridging rest pension	Total
1985	38,284	105,037	3,936	147,257
1986	59,003	119,882	2,903	181,788
1987	65,801	129,558	2,352	197,711
1988	70,665	133,398	25,612	229,675
1989	72,877	138,364	24,035	235,276
1990	72,431	139,733	21,466	233,630
1991	73,911	138,610	16,937	229,458
1992	74,137	138,205	11,870	224,212
1993	74,295	137,292	0	211,587
1994	73,104	136,387	0	209,491
1995	72,460	134,302	0	206,762
1996	91,665	133,309	0	224,974

Source: Steunpunt Werkgelegenheid–Arbeid–Vorming (1997).

Table 9: Disabled and people receiving social assistance

Year	Disability scheme (1)	Social assistance scheme (2)
1985	165,914	42,014
1986	165,381	43,774
1987	164,134	48,602
1988	163,916	50,928
1989	164,204	51,782
1990	164,090	49,479
1991	164,243	51,759
1992	164,424	53,874
1993	164,751	56,059
1994	166,192	62,724
1995	168,083	69,636
1996	169,831	74,798

Sources: (1) RIZIV; (2) Vranken, Geldof & Van Menxel (1996).

– the "bridging rest pension" (until 1991) for male employees older than 60: they get a pension allowance.

As shown in Table 8, the number of early retirees increased to 235,000 in 1989, subsequently declined to 207,000 in 1995, only to rise once again in 1996. Above we indicated that this increase is mainly due to a change in the definition of this group.

Disability and social assistance schemes

We consider it convenient to integrate the category of disabled into our alternative underemployment indicator, because this category contains a certain number of potential workers who are not registered in the unemployment statistics. Each year 7% to 8% of the disabled flow out of the disability scheme into the labour market. However this percentage could be much higher, but some remain disabled for reasons other than their health (such as advanced age or a low educational level).

As is shown in Table 9, the number of disabled persons has remained fairly stable (at around 165,000) until the middle of the 1990s. Since 1994 a small increase can be observed, from 165,000 to 170,000 in 1996.

In the case of the social assistance schemes, there may be overlaps with the category of non-working jobseekers who are compulsorily registered as unemployed, in the sense that the latter category includes jobseekers who get help from the centres for social assistance. This is for example the case for unemployed persons who have *temporarily* lost their right to an allowance (e.g. because of undeclared work). However we consider it convenient to integrate this category in our calculation of an alternative underemployment indicator, because the category contains unemployed who are suspended from the unemployment service and who have lost *definitively* their right to an allowance. This is for example the case for those who had been looking for a job for longer than 1.5 times the average unemployment period in their region.

Table 9 also shows that the number of people receiving social assistance has grown since 1985. This can be attributed to various reasons. Firstly this is due to stronger sanctions on unemployment allowances, which has led to an increased movement from unemployment assistance to social assistance. In 1995 22,000 jobseekers were suspended because they had been unemployed for too long. In 1996 the figure was 32,000. Secondly, the age of adulthood was

Table 10: Alternative underemployment indicator

Year	Alternative underemployment						Employment	Alternative under-employ-ment rate
	Non-working jobseekers	Labour market policy programmes	Early retirement schemes	Disability schemes	Social assistance schemes	Total		
1987	500,845	134,816	197,711	164,134	48,602	1,046,108	3,613,904	22.4
1988	459,425	145,294	229,675	163,916	50,928	1,049,238	3,669,563	22.2
1989	419,330	157,398	235,276	164,204	51,782	1,027,990	3,726,632	21.6
1990	402,874	165,115	233,630	164,090	49,479	1,015,188	3,783,440	21.2
1991	429,955	155,793	229,458	164,243	51,759	1,031,208	3,791,949	21.4
1992	472,907	155,885	224,212	164,424	53,874	1,071,302	3,778,267	22.1
1993	549,268	147,180	211,587	164,751	56,059	1,128,845	3,741,690	23.2
1994	588,676	140,584	209,491	166,192	62,724	1,167,667	3,712,999	23.9
1995	596,872	138,913	206,762	168,083	69,636	1,180,266	3,734,881	24.0

lowered in 1991 from 21 to 18, so that the share of people younger than 25 years receiving social assistance has increased. Thirdly, the increase can be attributed to a growing destabilisation of families which has led to a growth of divorces.

Assessment

As already mentioned, there are several ways to measure unemployment. First of all we recalculated the figures in order to take account of part-time work. It emerges that female unemployment rates that take account of persons working part-time for economic reasons are significantly higher than those that measure only full-time unemployment.

We then proceeded to develop an alternative underemployment indicator. These new rates are presented in Table 10.

These new rates are evidently much higher than the official unemployment rates (such as the so-called degree 2). However, there are two similarities between these alternative underemployment rates and the degree 2: (1) the location of the low point in 1990 and (2) the fact that since 1993 the rates have been higher than in 1987.

Conclusion

In Table 11 we provide an overview of the different unemployment rates that have been considered in this report.

For all the unemployment rates considered, time series are available from 1987 until 1995 (except for degree 1). When we compare the rates we see that the standardised rate is the one that differs the most from the rest: it shows a low point in 1992 whereas the rest situates it in 1990, and it indicates a decline of two percentage points between 1987 and 1995, whereas the rest show a clear increase.

This increase in the rates between 1987 and 1995 amounts to 1.7 percentage points for degree 2, for the rate encompassing persons who work part-time for economic reasons, and for the alternative rate. The first exception is the long-term unemployment rate, that suggests a rise of only 0.5 points. This means that the rise in unemployment is mainly due to an increase in the number of short-term unemployed. The second exception is the full-time unemployment rate

Table 11: Overview of unemployment rates (in %)

Year	Standardised rate	Degree 1	Degree 2	Long-term unemployment rate	Full-time unemployment rate	Rate encompassing persons working part-time	Alternative under-employment rate
1985	11.3	17.4	13.6	7.9	–	–	–
1986	11.3	16.1	12.6	7.3	–	–	–
1987	11.3	15.8	12.2	7.1	13.3	14.6	22.4
1988	10.1	14.1	11.1	6.4	12.2	13.8	22.2
1989	8.3	12.7	10.1	5.7	11.1	13.1	21.6
1990	7.2	11.9	9.6	5.1	10.7	12.7	21.2
1991	7.0	12.5	10.2	5.0	11.4	13.2	21.4
1992	6.7	13.7	11.2	5.5	12.5	14.2	22.1
1993	8.1	15.9	13.0	6.4	14.4	15.6	23.2
1994	9.6	–	13.8	7.2	15.4	16.2	23.9
1995	9.3	–	13.9	7.6	15.6	16.2	24.0
1996	9.5	–	13.7	–	–	–	–

which has risen by 2.3 points. This indicates that the increase in unemployment is mainly to be found among the full-time unemployed.

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DK Denmark

Introduction

Denmark is usually considered to be a country where almost every aspect of a citizen's life is registered by the authorities. The main tool for the public registers is the *personal identification number,* which follows every Dane from cradle to grave and allows him or her to be identified every time there is a contact with the public sector. This personal identification number also makes is easy to map the individual's changing positions on the labour market. Therefore most of the information we have on the labour market behaviour of Danes is based on public administrative registers.

This enables *Danmarks Statistik* to create unique longitudinal data sets, containing information on individual labour market status over extended time periods. For instance, it is possible to follow in detail the unemployment history of each individual wage earner since the early 1980s. Individual information on employment, education, participation in labour market programmes, family status, working hours, wage rates, etc. can be compiled from the registers. These registers form an invaluable source of information for research – once care has been taken to anonymise the data in such a fashion that no individual can be identified by the users of the data set.[1]

The use of administrative registers for statistical purposes has a number of well-known shortcomings, however. Since the registers are often used to identify obligations or claims in relation to the public sector, registration is not a neutral procedure, but implies strategic behaviour on behalf of both the individual and the authorities. For instance, being registered as unemployed normally implies the right to receive unemployment benefits, which acts as an incentive for the individual to register. For authorities, the number of persons in a specific register may act as a measure of political success or failure and thus create incentives to move individuals from one register to another.

Apart from the conventional Danish labour market statistics based on administrative data, labour force surveys are also conducted on a regular basis; the questionnaires are similar to those used in other EU countries. These are the data that are normally used in EU publications and other international publications in order to allow for comparisons with other European countries. However, this situation sometimes creates confusion because two different figures are published describing the same concept – one from register data and the other from the labour force surveys.

Standard unemployment rates

The differences between the labour market statistics based on register data and those on labour force surveys is central to any interpretation of Danish unemployment statistics. This section first presents the unemployment statistics based on register

1 The Centre for Labour Market and Social Research in Aarhus is one of the Danish research groups at the leading edge of exploring such longitudinal data sets. An introduction to their work can be found at the internet-address: www.cls.dk.

data, and then takes a look at the results derived from the labour force surveys.

Registered unemployment

The unemployment figure normally cited in the Danish media and used as target for economic policy is the number of registered unemployed (often presented as a share of the workforce). This figure measures the number of persons having registered as unemployed with the employment offices and declared that they are actively looking for work. The majority of these registered unemployed (approx. 85%) are members of an unemployment insurance fund, and registration is a precondition for receiving unemployment benefits. The remainder are unemployed recipients of social security who also have an incentive to register at the employment office, although some underreporting may occur for this group. Unemployed persons activated in labour market programmes or participating in one of the three schemes for paid leave are not included in the number of registered unemployed (cf. below).

The rate of unemployment

Figure 1 shows this traditional measure of total unemployment (unemployed as a percentage of the labour force) for the period from 1950 to 1997. The figure depicts the strong fluctuations in the unemployment rate over the last fifty years. Since 1973 unemployment has been rising in a stepwise fashion, a pattern characteristic of many other OECD countries, indicating hysteresis as being a prominent feature of current unemployment. Finally, one notes the remarkable fall in the unemployment rate over the last 3–4 years – from 12.3% in 1993 to 7.8% in 1997.

The degree of unemployment

The unemployment register enables Statistics Denmark to calculate not only the average number of registered unemployed during a given period (for example one year) but also to calculate the total number of persons affected by unemployment during a period and the duration of their individual unemployment. The relation between the average number of unemployed and the total number of persons affected by unemployment is of course a measure of the average proportion of the year during which a person is unemployed. This share is called the *degree of unemployment*. As shown below, the degree of unemployment can be calculated not only as an average figure. One may also study the distribution of the unemployed from small to large degrees of unemployment.

Figure 2 shows the development of the number of persons affected by unemployment, the average number of unemployed and the degree of unemployment from 1982 to 1997. The latter figure is measured on the right axis. All three curves tend to move in parallel, indicating that, for instance, a rise in the average number of unemployed can be attributed both to a rising number of persons being affected by unemployment and an increase in the average share of the year, in which each affected person is unemployed. Typically however, the relative change is larger in the degree of unemployment. One exception is found from 1996 to 1997, where the fall in average unemployment is solely caused by a falling number of persons having been affected by unemployment. Below, I will return to this observation when discussing recent

Figure 1: Traditional measure of total unemployment, 1950–1997

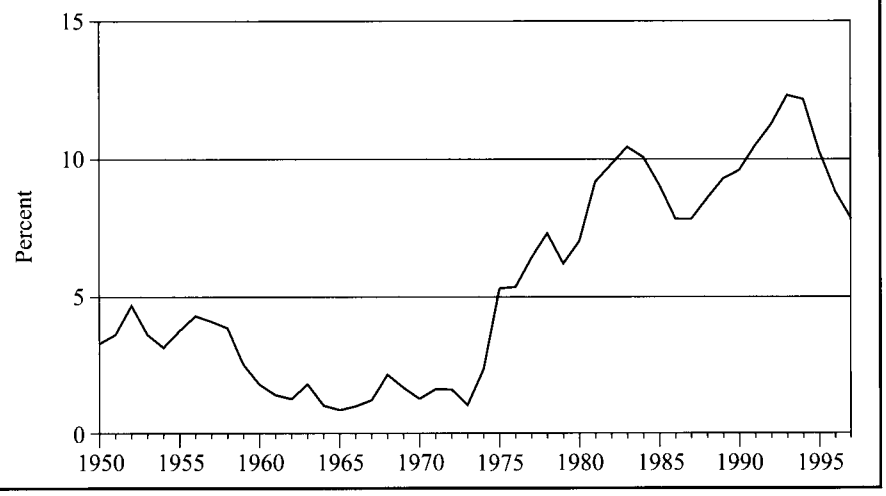
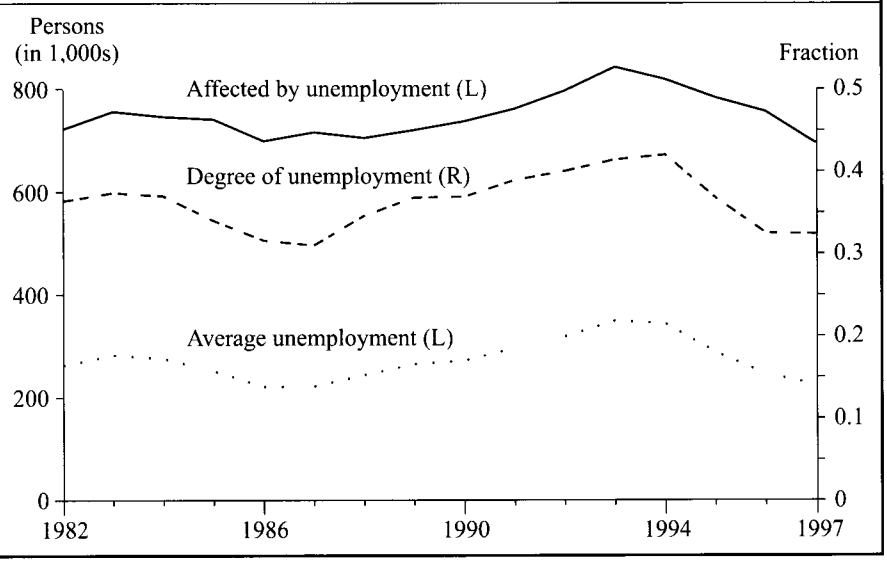


Figure 2: Numbers of persons affected by unemployment, 1982–1997



tendencies in long-term unemployment.

Flows into and out of unemployment

As can be seen from Figure 2, around 750,000 persons – or more than a quarter of the workforce – are affected by unemployment every year. On average each unemployed person is on the unemployment register for between 30% and 40% of the year. There is, however, a wide dispersion. For any given year one may calculate the number of persons having different degrees of unemployment. As shown in Figure 3, a large number of those affected by unemployment (around 300,000 persons every year) experience only one or more short spells of unemployment. On the other end of the scale one finds the long-term unemployed who are unemployed for more than 80% of the year. This group numbered approx. 160,000 in 1994, but has diminished in recent years. In this context, one can also note that since 1994, there has actually been an increase in the number of persons affected by short unemployment spells, while there has been a tendency for the number of persons with longer spells to diminish.

One important observation should be made when interpreting Figure 3. The degree of unemployment is defined within one given calendar year. Thus a person becoming unemployed on 1 July and leaving unemployment on 30 June of the following year will have a degree of unemployment of 0.5 in each of the two years. Furthermore, the unemployment spells measured in these statistics are affected by participation in active labour market programmes. Therefore the statistics cited in Figure 3 may underestimate long-term unemployment, where that is taken to mean a marginal position on the labour market maintained over an extended period.

A recent study published by the Ministry of Finance (1997, chapter 4) presents more information on the extensive flows into and out of unemployment. Table 1 gives a survey on some of the main results. Between the first two quarters of 1997, the unemployment figure rose by 35,000 persons. This was the net result of 87,000 persons moving into and 52,000 persons moving out of unemployment from the first to the second quarter of 1997. This observation supports the view that the Danish labour market is characterised by a very high degree of mobility, which of course also includes persons moving between various positions on the labour market without being affected by unemployment.

Figure 3: Periods of unemployment

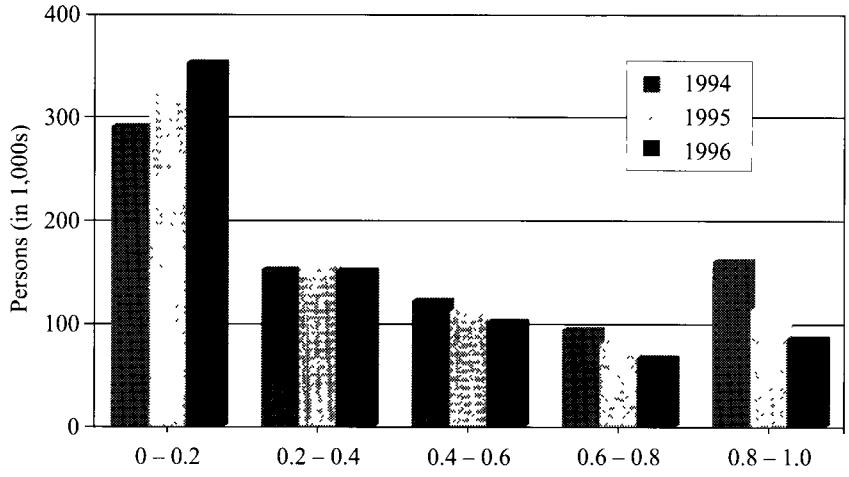


Table 1: Labour market flows into and out of unemployment from 1. to 2. quarter of 1997

	To unemployment	From unemployment
Employment	58,000	32,000
Active labour market programmes	12,000	6,000
Leave	4,000	5,000
Social assistance and disability	11,000	9,000
Early retirement programmes	2,000	*
Total	87,000	52,000

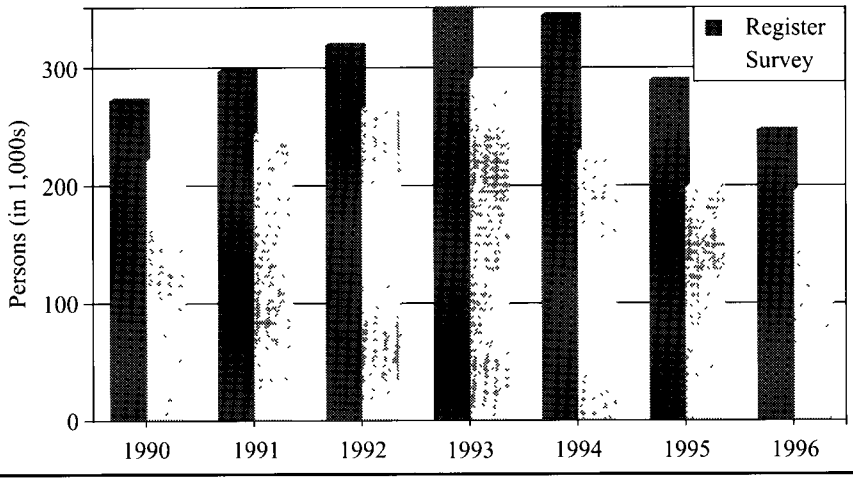
Source: Ministry of Finance (1997, figure 4.1).

Standardised rates of unemployment

As mentioned above, administrative data are not collected for the purpose of research or international comparisons. Therefore, data from administrative registers have to be modified, or special labour market surveys have to be conducted with these ends in mind. Since 1975 regular labour market surveys have taken place in Denmark. Since 1984 the surveys have been conducted in cooperation with Eurostat. The OECD and other international organisations use these data for international comparisons. The current surveys are based on a sample of 15,600 persons aged 15–66 years. Since 1994 the results have been published on a quarterly basis.

In Figure 4, the number of unemployed according to the Danish unemployment register are compared to the Eurostat survey data published in *Employment in Europe*. The number of unemployed reported in the labour force surveys is somewhat lower than in the unemployment register. The average difference over the period shown is 68,000 persons or 22% of the register data. The difference increased in 1994–95, but is

Figure 4: Number of unemployed according to the Danish unemployment registers and Eurostat



now back to the relatively low level of the early 1990s.

The main explanation for the difference between the two sources of data is probably that in the surveys persons without work are asked whether they have actively been looking for work within the last four weeks and can start a job within two weeks. Some of those on the unemployment register may reply negatively to these two questions for a number of reasons. Some of them may be waiting for a training scheme or a leave period; the increase in the difference between the two series in 1994–95 may thus be explained by the large-scale introduction of schemes for paid leave. Others may be discouraged workers no longer actively looking for work, but still claiming benefits. Whatever the source of the difference, from time to time it – not surprisingly – gives rise to a lively public debate about the interpretation of the Danish unemployment figures.

Long-term unemployment

As described above, one measure of long-term unemployment often used in Denmark is the number of unemployed with a degree of unemployment of 80% or more in a given year. The measure of long-term unemployment most frequently used in international comparisons is the number of persons that have been unemployed for more than one year. In 1996 the number of persons unemployed for more than 80% of the year amounted to 85,000; the number of persons unemployed for more than one year was estimated at 52,000 persons in the labour force surveys. Both figures have declined steadily since 1994.

Underemployment

The question of the validity of the unemployment register as a measure of actual jobseekers has already been touched upon in relation to the comparison of the unemployment figures from administrative registers and from labour force surveys. Here the question of validity turned on whether the registered unemployed are actively looking for work.

On the other hand, there could be persons outside the unemployment register who are actual or potential jobseekers but not currently registered as unemployed because they are:

- in a programme of active labour market policy or on leave;
- on early retirement or receiving a disability pension;
- working part-time but looking for more work;
- not members of an unemployment fund or eligible for unemployment benefits or social security.

A number of persons in these groups may be labelled *underemployed* in the sense that they represent a potential increase in unemployment, while others are permanently positioned outside of the labour force (economically inactive). The exact dividing line between the underemployed and those outside the labour force is of course difficult to draw. On the other hand information on the changing size of the groups mentioned above is often necessary when interpreting changes in the size of open unemployment based on register data or labour force surveys.

Active labour market programmes

Since a person taking part in a labour market programme or a leave scheme is not included in the unemployment register, changes in the number of these participants may influence open unemployment. Since 1994 Statistics Denmark has published the so-called AMFORA statistics which contain information similar to the unemployment register, but cover participants in the various labour market programmes. The AMFORA statistic is also collected on an individual basis, enabling researchers to follow an individual's movements between unemployment and activation, making these data valuable for a number of evaluation purposes. Table 2 shows for 1996 the average number of persons in activation and also the average degree of participation (equivalent to the degree of unemployment discussed above).

As shown in Table 2, 377,800 persons participated in one or more labour market programmes in 1996. The average number of participants (full-time equivalents) was 138,000 persons; this compares with average open unemployment of 245,600 persons in the same year. The average degree of participation was 0.37 (or approx. four months). The highest degree of participation is found for subsidised employment and leave schemes, while the average time

Table 2: The total and average number of participants and the average degree of participation in active labour market programmes and leave schemes in Denmark, 1996 (rounded figures)

	Total number of participants	Average degree of participants	Average number of participants
Ordinary job training	53,400	0.38	20,400
Special job training	44,200	0.30	13,300
Pool jobs (public service jobs)	7,100	0.29	2,100
Self-employment	15,400	0.81	12,400
Voluntary work	1,400	0.27	400
Subsidised employment	114,700	0.42	48,600
Education, ordinary	60,800	0.28	17,200
Education, special	22,900	0.26	6,000
Education, total (excl. educational leave)	82,800	0.28	23,200
Other activation	17,300	0.19	3,200
Sabbatical leave	2,500	0.39	1,000
Child-care leave	69,400	0.44	30,600
Educational leave	92,100	0.34	31,400
Leave schemes	163,000	0.39	63,000
Active labour market programmes and leave schemes	377,800	0.37	138,000

Note: Since the same person may participate in more than one programme during the same year, the subtotals of the number of participants may be less than the sum of the components.

Source: Danmarks Statistik (1997, p. 14).

spent in educational activities is about 28% of a year.

Early retirement and disability pensions

The AMFORA statistic also contains information on the number of persons drawing unemployment pensions (for insured persons aged 60–67) and the now abandoned early retirement schemes for insured persons aged 50–59 years. The average number of persons in these two schemes was 166,900 in 1996. To this 6,000 persons can be added those who are in receipt of a special part-time pension, while still working part-time.

The total number of persons receiving disability pensions was 276,000 in 1994. Friis (1994) estimated that approx. 100,000 of these receive their disability pension due to social indications. Also the 50,000 persons receiving sickness benefits and the approx. 20,000 persons on revalidation (retraining) may be included in this broad category of persons receiving social assistance while being on the fringe of the labour market.

Part-time work and discouraged workers

The flexibility of the Danish labour market is also expressed in the wide range of working hours observed among women and to some extent among men. Part-time work is normally regulated by the same collective agreements as other working arrangements and there are few indications of part-time work being involuntary.

The question of discouraged workers has already been touched upon in relation to the interpretation of the difference between registered and labour force survey unemployment. In the latter, the unemployed indicating that they are unable to take a job within two weeks are asked for an explanation. Of the 60,000 persons receiving unemployment benefits in the second quarter of 1997 while not being able to take up work within two weeks, only 8,000 responded that they had given up looking for work. The rest referred to health problems, education or family reasons to explain why they were not willing to take up paid work for the time being.

Assessment

Summing up, one finds a number of groups that – while not on the unemployment register – can be considered as underemployed in the sense that they are not actually in ordinary employment, but potentially could be. Based on the AMFORA statistics, Table 3 summarises some of the trends discussed above for the second quarter of 1997.

Table 3: The number of participants in various labour market programmes, leave schemes and early retirement, full time equivalents, second quarter of 1997

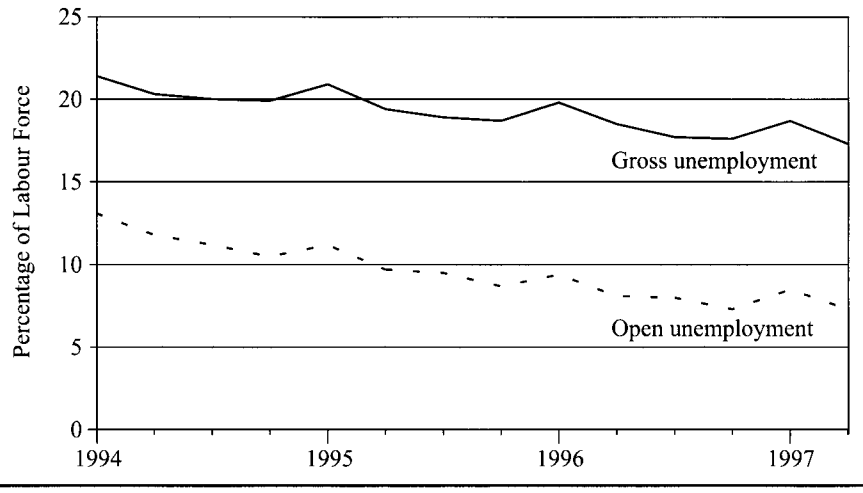
	Number (rounded figures)	Share of labour force (%)
Subsidised employment	48,400	1.6
Leave schemes	49,200	1.7
Education and training for unemployed	23,200	0.8
Other activation	3,800	0.1
Early retirement (members of unemployment insurance funds)	169,600	5.8
Registered unemployment	215,800	7.3
Total	510,100	17.3

Source: Danmarks Statistik (1997, p. 27).

The most striking feature of Table 3 is the large discrepancy between the registered unemployment rate of 7.3% and the "broad" unemployment rate of 17.3% when persons on leave schemes, active programmes and early retirement are added. This has sometimes led to a heated debate on whether the current low rate of open unemployment in Denmark is mainly caused by "hiding" unemployed in leave schemes, etc. Figure 5 sheds some light on these issues. The main impression is that both open unemployment and the broad or concept of unemployment have fallen since 1994, though the fall during 1994 was mainly caused by persons moving out of open unemployment into leave schemes, etc. However, since 1995 there has been a significant fall in both unemployment concepts, trends that are consistent with the significant rise in both private and public sector employment during the same period.

One should finally note that Table 3 does not include a number of persons receiving social benefits, early retirement pensions and sickness-related benefits.

Figure 5: Share of the labour force, gross unemployment and open unemployment



Conclusion

This article has dealt with different measures of unemployment and underemployment in Denmark. The main results can be summarised as follows:

- There is some discrepancy between the estimates of unemployment found in register data and in labour market surveys.
- A large number of persons are in active labour market programmes, leave schemes, etc. Thus a broader concept of unemployment including these groups would more than double the unemployment rate.
- The fall in open unemployment in Denmark since 1994 reflects a real improvement in labour market conditions and not solely an increase in the number of persons on various labour market measures.

Finally one should emphasise that the difference between passive unemployment and active labour market programmes is not only a question of "hiding" the unemployed outside the unemployment register. Through activation, a large number of the unemployed will be able to leave the ranks of the unemployed altogether and enter into ordinary employment or education. Therefore, underemployment is not just an extended form of unemployment, but may be a precondition for subsequent employment. This is what active labour market policy is all about.

Per Kongshøj Madsen

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Germany

Introduction

Against the background of increasing doubts concerning the relevance of official unemployment statistics, a debate has begun in Germany on alternative indicators. Back in the 1970s the concept of the *"stille Reserve"* (literally, "silent reserve") was developed as a way of estimating potential labour supply. In the 1990s, faced with the sharp rise in unemployment, attention is increasingly focused on the question of the extent to which active labour market policy distorts our picture of the actual number of unemployed ("hidden unemployment"). In addition, the very considerable dynamic observed on the labour market has meant that, increasingly, flow data have also been used to assess the labour market situation, although stock unemployment data remain the most widely used indicator.

Unemployment rates

National rates

The unemployment stock and unemployment rates

According to the official statistics, *registered* unemployment consists of those currently not in paid employment who are registered at the employment office and are looking for work for at least 15 hours per week (prior to 1.1.1998: more than 18 hours). In 1997 78% of the jobseekers registered with the employment office were counted as unemployed (ANBA, 1/1998). Availability for work is a decisive criterion in defining registered unemployment. Receipt of unemployment benefits or unemployment assistance, for instance, is not a sufficient condition for registration as unemployed. Since 1985 those unable to work and elderly employees drawing an early retirement pension following a period of unemployment are no longer considered as part of the labour force. In 1996 the difference between those benefit recipients who were actually available for work and those for whom this did not apply or only to a limited extent (largely those receiving benefits under § 105 of the Labour Promotion Act, i.e. persons aged over 58 years) amounted to around 6% of all benefit recipients (BA [Federal Labour Office], 1997a).

In addition, a relatively small number of persons register at the employment office although they are not entitled to unemployment benefit or assistance. The proportion of the unemployed that were in receipt of benefits has risen continuously; the increase has been particularly pronounced in eastern Germany (from 82.2% in 1992 to 88.8% in 1996), but also occurred in west Germany (from 69.9% to 73.5% over the same period). However these figures do not include those unemployed persons not drawing benefits and looking for work entirely on their own initiative.

In the course of recent years the criteria according to which jobseekers have been counted as unemployed in the official statistics have been progressively tightened. The most important change, which took effect in 1985, related to the criterion of availability for work, which many elderly workers do not meet. Other changes have meant, for example, that since 1989 foreign workers requiring a work permit are no longer counted as unemployed prior to their first period of employment in Germany. The same is true for those undergoing publicly funded full-time further vocational training, those taking language courses and those in the so-called "waiting loops" in the education system (cf. Wagner, 1995, p. 751). Also since 1989, those not drawing benefits are only included in the statistics if they report every three months to the job placement services; this change led to a reduction of around 10,000 persons in the unemployment statistics (cf. Kress et al., 1995, p. 742).

An annual sample survey *(Mikrozensus)* is conducted in Germany every April or May with the aim of estimating the number of "jobseekers" *(Erwerbslose)*: this includes those unemployed persons who are not registered at the employment office, but are nonetheless looking for work (for example by means of newspaper advertisements, private job placement services and other initiatives). Given that availability to work is not a decisive criterion for this aggregate, it must be considered to be an extended concept of unemployment. On the other hand, those working temporarily for just a few hours per week are not counted as jobseekers, but as employed.

For many years it was standard practice in Germany – and to some extent remains so to this day – to calculate the *unemployment rate* with respect to civilian dependent employment (employees plus the unemployed); at the same time the official statistics of the Federal Labour Office (*Bundesanstalt für Arbeit* – BA) also give the unemployment rate with respect to total civilian employment, i.e. including the self-employed and family workers. This latter rate is only available at regional level for the years since 1994, however. Given that the number of employees is estimated on the basis of a sample just once a year, monthly unemployment rates with respect to total civilian employment are, while more comprehensive, less accurate. The Annual Statistical Report *(Statistisches Jahrbuch)* of the Federal Statistics Office still only publishes the unemployment rate with respect to civilian dependent employment.

Table 1: Unemployment and jobseeker rates and benefit recipients as a share of the unemployed (in %)

	Federal Labour Office (BA)				*Mikrozensus*	
	Unemployment rate				"Jobseeker rate" with respect to dependent employment	Benefit recipients as a proportion of unemployment
		With respect to civilian employment		With respect to dependent civilian employment		
Year	Germany	West	East	Germany	Germany	Germany
1985	8.2			9.3	9.2	63.1
1986	7.9			9.0	8.8	62.9
1987	7.9			8.9	9.0	63.3
1988	7.7			8.7	8.7	65.8
1989	7.1			7.9	8.0	68.0
1990	6.4			7.2	7.0	68.6
1991		5.7		7.3	7.2	
1992	7.7	5.9	15.4	8.5	8.7	73.3
1993	8.9	7.3	16.1	9.8	10.4	79.2
1994	9.6	8.2	15.2	10.6	11.4	77.9
1995	9.4	8.3	14.0	10.4	11.1	76.5
1996	10.4	9.1	15.7	11.5		78.0
1997	11.4			12.7		

Note: up to 1990, west Germany only.

Sources: BA (1997a, p. 47 and p. 145); ANBA Jahreszahlen 1988; *Statistisches Jahrbuch,* various years; for the *Mikrozensus* data, see Statistisches Bundesamt: *Bevölkerung und Erwerbstatigkeit,* Fachserie 1, Reihe 4.1.1, various years.

Over the course of time the difference between the unemployment rates according to the two definitions has narrowed slightly (Table 1). The *"Erwerbslosenquote"* (jobseeker rate) calculated on the basis of the *Mikrozensus* also refers only to dependent employment.

Flows into and out of unemployment

Labour market dynamics have declined from their peak at the start of the 1990s and have returned to around the level experienced in the mid-1980s. The turnover rate, i.e. the ratio of flows into unemployment to the stock of unemployment, has moved between a factor of 1.6 and 2 during the past ten years.

The decline in inflows has been particularly pronounced among those unemployed who were previously in employment. There are a number of reasons why increasingly economically "inactive" persons are registering as unemployed at the employment offices. They include rising participation rates among women, an increase in vocational further training, career interruptions, and the immigration of ethnic Germans from eastern Europe. There has been a more than proportionate increase in unemployment registrations of those previously not officially recognised as unemployed due to sickness or failure to renew the application for placement.

Standardised rates

The standardised unemployment rates calculated by the OECD and by Eurostat are based on the concept of the labour force elaborated by the ILO in 1982. Here the unemployed are defined as those not in paid employment who were willing to take up employment during the reference period specified in the survey and who had looked for work during a specified period, which in some cases reaches back to before the reference period.

The ILO itself, however, does not publish standardised unemployment rates in its Yearbook of Labour Statistics. For Germany it records the number of registered unemployed as a proportion of the dependent labour force and, in accordance with the Mikrozensus, gives the number of jobseekers as a proportion of the dependent labour force.

In order to be able to calculate comparable unemployment rates, Eurostat relies on the results of the European Labour Force Survey. Here the unemployment rate is defined as unemployment as a proportion of the labour force (those in employment plus the unemployed). The unemployed are defined as those persons aged over 15, who, during the observation period, (a) are out of work (even for a marginal number of hours per week), (b) declare that they are willing to take up employment within the next two weeks, and (c) have actively looked for work during the previous four weeks (see Eurostat, 1998).

In contrast to Eurostat, the OECD calculates unemployment with respect not just to the civilian labour force, but to the labour force as a whole. On top of this come other minor differences relating to the standardisation procedure (see OECD Employment Outlook, 1994, p. 201).

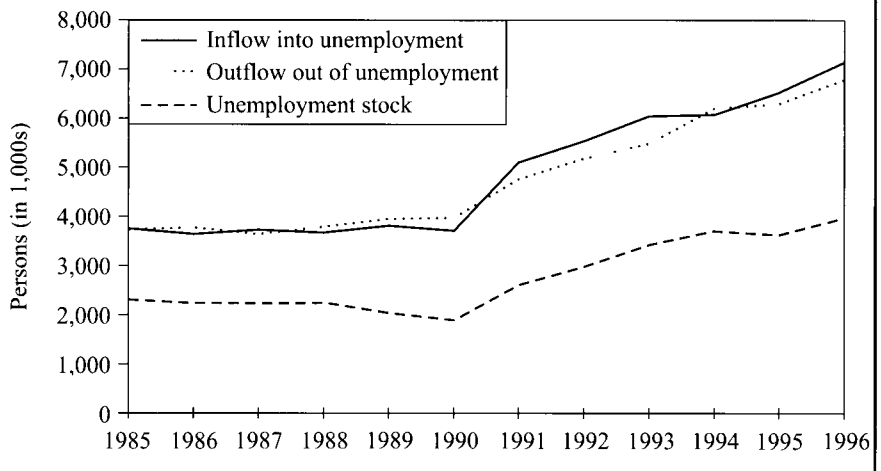
Although the standardisation procedure used by the U.S. Bureau of Labor also produces different unemployment rates, they approximate to the OECD and the Eurostat estimates.

Long-term unemployment

Stock data

For many years now long-term unemployment as a proportion of total unemployment has remained unchanged at a high level in Germany; with the exception of the period 1991 to 1993 the figure has been in excess of 30% for more than ten years (BA, 1992, 1997a). Moreover, a number of studies have shown that

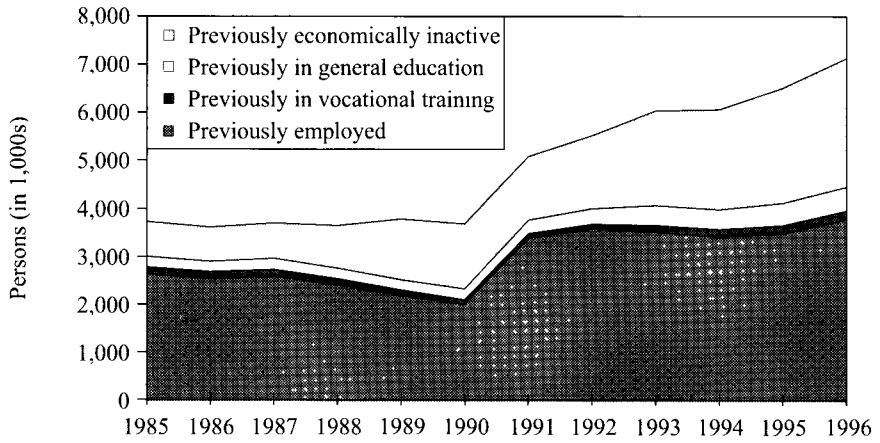
Figure 1: Stock of and flows into and out of unemployment



Note: up to 1990, west Germany only.

Source: BA (1997a).

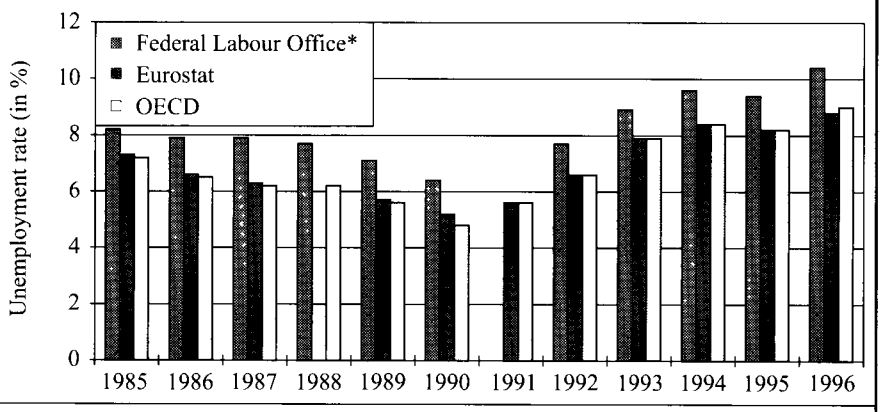
Figure 2: Inflow to unemployment



Note: up to 1990, west Germany only.

Source: BA (1997a).

Figure 3: Comparison of unemployment rates



Notes: up to 1990, west Germany only. – * Relating to civilian Labour force.

Sources: Eurostat (1998), annual average figures; BA (1997b); OECD Employment Outlook, various years; OECD Labour Force Statistics (1996).

the statistics understate the incidence of long-term unemployment. In particular, those whose unemployment is temporarily interrupted by virtue of illness or training measures are not counted as long-term unemployed in the official statistics. In addition, elderly workers who are not available for work, or only to a limited extent, are not generally counted as unemployed and thus not included in the definition of long-term unemployed. The results of the *Mikrozensus* confirm that the number of long-term unemployed indicated by the statistics of the Federal Labour Office constitute a minimum (cf. *Wirtschaft und Statistik*, 4/1995). For example, in western Germany in 1993 the long-term unemployed accounted for 26% of total unemployment according to the official statistics, but for 40% according to the results of the Mikrozensus (Wagner, 1995, p. 750). The differences can be explained with reference to the nature of the survey and in particular to the recognition or non-recognition of temporary interruptions to unemployment.

Flow data

Flow data indicate the number of unemployed persons completing a spell of unemployment during the period of one month (in May/June each year); this enables the actual duration of completed spells of unemployment to be calculated retrospectively. By contrast, stock data relating to September of each year provide information only on the previous duration of an on-going spell of unemployment. Because during the course of one year people may experience recurrent spells of short-term unemployment, flow data give a lower figure for long-term unemployment than stock data. For example, the latter reported a long-term unemployment share of 33% for September 1994, the survey of outflows a figure of just 17% (cf. Kress et al., 1995, p. 745).

As measured in person-days, however, it is evident that a large proportion of unemployment is concentrated on a small number of unemployed

persons. In 1996 the long-term unemployed accounted for 58% of the overall volume of unemployment in west Germany. This figure means that 58% of the stock of unemployment on a given day are or will become long-term unemployed. Almost 40% of the short-term unemployed reported by the statistics are potential long-term unemployed. The stock of unemployed persons out of work for more than one year and those who will be affected by long-term unemployment is of course higher than the stock of long-term unemployed existing on any one day. The "arithmetic stock" calculated in this way also amounted to 58% in 1996, compared with the "reported" stock of 33% (cf. Karr, 1997).

Assessment

During the 1990s the number of persons registered as unemployed with the Federal Labour Office was up to 700,000 higher than the unemployment figure estimated by Eurostat. In 1996 registered unemployment was half a million, or 15% higher than the estimated Eurostat figure (BA, Eurostat). While the number of registered unemployed does not have to meet the ILO criteria for labour market statistics, because it is determined by institutional factors, the number of jobseekers reported in Germany on the basis of survey results is also not comparable to the standardised unemployment rates published by international institutions, as it includes people that are not available for work during the two weeks following the survey. On top of this there are also differences in the definition of the unemployment rate, as, depending on the statistic in question, the number of unemployed is calculated with respect to dependent employment, civilian employment, or total gainful employment.

Extended unemployment rates

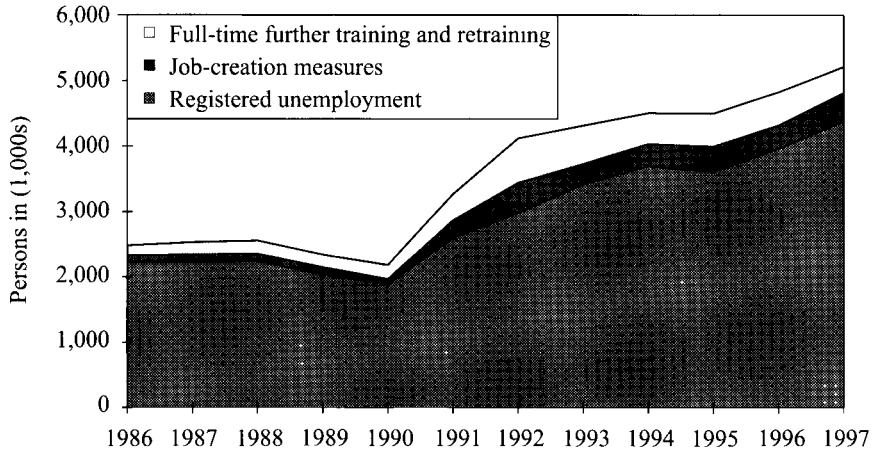
Active labour market policy

The deployment of active labour market policy instruments has increased over recent years – with the exception of the period from 1989 to 1991, when unemployment in western Germany declined substantially – and increasingly focused on the new federal states of eastern Germany and on labour market target groups (above all the long-term unemployed). The number of persons in job-creation measures raises the number considered to be in employment and correspondingly reduces both the absolute unemployment statistic and the unemployment rate.

The research institute attached to the Federal Labour Office, the *Institut für Arbeitsmarkt- und Berufsforschung* (IAB) assumes that, due to multiplier effects, the level of unemployment was reduced by job-creation measures to a slightly greater extent than the number of job-creation measures. For 1996 this implies a reduction in unemployment by 10.7% instead of 8.2%.

Unemployment would also be higher if further training and retraining measures were taken into account (Figure 4): in 1992 such measures reduced unemployment in eastern Germany by 27% and in 1993 by 23%. In terms of Germany as a whole, the unemployment-reducing effect has declined from a peak of 18% in 1992, and has now returned to the level prevailing prior to German unification (the 1996 figure was 11%, that for 1997 8%). If, in addition, those participating in measures to promote their occupational reintegration and those in vocational further training and language courses were included, unemployment would be reduced by an additional 2 to 4 percentage points. Such measures are conducted primarily in western Germany.

Figure 4: Registered unemployment, participation in job-creation measures and persons undergoing further training and retraining



Note: up to 1990, west Germany only.

Sources: 1985–1989: Statistisches Jahrbuch, various years; since 1990, see Autorengemeinschaft (1997, p. 35 and 36), and MittAB, 4/1990; for 1997, see the *Sachverständigenrat* report.

Short-time working

Short-time working reduces registered unemployment to a lesser extent than job creation and training measures. The unemployment-reducing effect, in terms of full-time equivalents, amounted to around 3% in 1992 and 6% in 1993; since then the figure has oscillated between around 1 and 3%.

Hidden unemployment and early retirement models

Early retirement models have had a significant unemployment-reducing effect. The following groups clearly constitute a component of hidden un-

Table 2: Short-time workers and their full-time equivalent (short-time workers × average loss of working hours) (annual averages, in thousands)

	Persons	Full-time equivalent
1985	235	
1986	197	
1987	273	
1988	208	
1989	108	
1990	56	
1991	146	6
1992	653	88
1993	948	229
1994	372	90
1995	199	47
1996	277	74
1997	183	80

Note: up to 1990, west Germany only.

Sources: 1992–1997: ANBA, 1/1998, p. 28; 1986–1991, BA (1997a); full-time equivalent for 1997: *Sachverständigenrat* (1997/98).

employment: elderly workers receiving benefits from the public employment service but not registered as unemployed (those receiving early retirement benefit and the transitional allowance for the elderly, and benefit recipients under § 105c of the Labour Promotion Law), people retiring early on the basis of prior long-term unemployment, and those on a "labour-market-related" disability pension (Figure 5). Widespread use of early retirement and the transitional allowance for elderly unemployed workers as instruments of labour market policy was made in the years following German unification in the new federal states, reducing the number of unemployed between 1991 and 1993 by around 40% each year; the figure for Germany as a whole is around 20%. By 1995, however, this effect for Germany as a whole had been reduced to just 10%, and in 1996 declined to as little as 5%. On the other hand, registered unemployment is increasingly being reduced by the opportunity of drawing an early retirement pension for reasons of prior long-term unemployment (for instance by 16% in 1995).

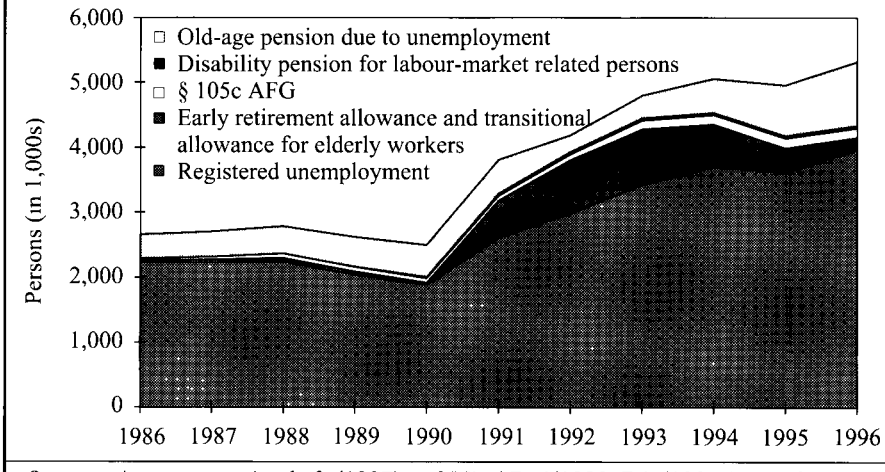
The serious problems surrounding the concept of the *"stille Reserve"* (silent reserve) developed by the IAB involve determining the full-employment criterion. Alternative calculations of this form of hidden unemployment have been made by the German Institute for Economic Research, Berlin (DIW) for selected years. These relate to those non-employed persons who are neither registered as unemployed nor in general education, but who wish to take up employment immediately or in the coming year (highly labour-market-oriented silent reserve), and those intending to take up employment, but only in the next two to five years (moderately labour-market-oriented silent reserve). Taken together, the two groups amounted to around 2.4 million in 1992 and 2.5 million in 1996. While for 1996 these estimates were comparable to the narrower definition of the silent reserve, the results for 1992 differ markedly. The DIW approach also contains a group consisting of those inactives who would be prepared to take up employment immediately; in 1996 this group accounted for more than half a million people, and comes closest to the concept of "discouraged workers".

A complete calculation of potential labour supply should also include those who have reduced their working hours not entirely voluntarily, as under different labour market conditions they would make their labour services available to the market in full. According to IAB figures, in 1996 350,000 people were working in "accepted", i.e. non-voluntary, part-time employment (Autorengemeinschaft, 1997, p. 29).

Assessment

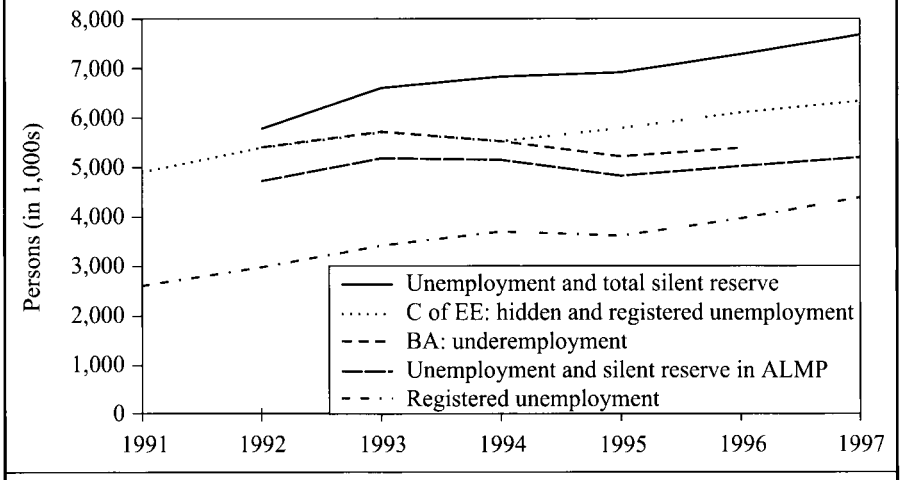
The German public employment service considers the following components, alongside registered unemployment, as constituting underemployment: short-time working, job-creation measures, full-time further training and retraining, vocational training measures and language courses, and those receiving benefits

Figure 5: Total registered unemployment and hidden unemployment among elderly workers



Sources: Autorengemeinschaft (1997) and MittAB, 4/1990; BA (1997a); Bundesministerium fur Arbeit und Sozialordnung (1997).

Figure 6: "Silent reserve", underemployment, hidden and open unemployment



Sources: BA (1997a); Sachverstandigenrat, various years; Autorengemeinschaft (1997).

under § 105c of the Labour Promotion Act.

Rather more comprehensive are the estimates of "hidden unemployment" calculated by the Council of Economic Experts *(Sachverständigenrat)* since 1990. These calculations also include recipients of early retirement and transitional benefits for the elderly and, since 1995, recipients of the "old-age pension for reasons of unemployment". In its concept of the "silent reserve" the public employment service includes a proportion of the underemployed under the title "the silent reserve in policy measures". These calculations do not include those in job-creation measures, however.

Conclusions

The figures published by international organisations on German unemployment are generally lower than the national figures for registered unemployment that play a dominant role in the domestic policy debate. This is due to two main criteria that are formulated more narrowly in the standardised unemployment figures than in the national statistics. Firstly, jobseekers in marginal employment (in terms of working hours) are counted as employed, rather than unemployed, in international labour statistics; secondly, registered unemployment also encompasses persons who are de facto not available for work, or only to a limited extent. On the other hand, the national statistics take no account of those seeking employment without recourse to the public employment service. This latter effect is not sufficiently important, however, to offset the two aforementioned effects. Overall, the standardised unemployment rate can be seen as the bottom line for assessing the incidence of unemployment in Germany.

The incidence of long-term unemployment is frequently used as an indicator of the social dimension of the unemployment problematic. Compared to the survey results of the *Mikrozensus* and the European Labour Force Survey, the number of long-term unemployed is understated in the official statistics for definitional reasons, in particular temporary interruptions to unemployment. Moreover, and more important, many elderly workers are no longer counted as (long-term) unemployed.

Increasingly attempts are being made to place the problem of unemployment in a broader context and to assess underemployment or hidden unemployment. Three attempts by leading German institutions to assess the dimensions of this phenomenon, however, reveal significant definitional differences. Whereas the public employment service includes in its concept of underemployment those in job-creation and vocational training measures, those on short time, and elderly unemployed persons in transition towards early retirement (those receiving benefits under § 105c of the Labour Promotion Act), its concept of the "silent reserve" also takes account of people who, in more favourable cyclical phases, would seek to enter the labour market as jobseekers. Each of the two concepts is based on a specific line of research enquiry. In its concept of underemployment, the Federal Labour Office is attempting to measure the extent to which unemployment is reduced by labour market policy measures; calculations of the "silent reserve", on the other hand, aim to measure potential labour supply at any given point in time. The Council of Economic Experts bases its concept for measuring hidden unemployment on the effects of labour market policy, but also incorporate, alongside participants in labour market policy measures, those in early retirement models for labour market reasons.

While the elderly unemployed drawing benefits under § 105c of the Labour Promotion Act and those in labour-market-related early retirement models can clearly be classified under the term "hidden unemployment", both vocational training and job creating measures prove problematic in terms of determining the extent of hidden unemployment. Why should the calculation focus solely on vocational training that is financed by the employment office, and not on training as a whole, or solely on wage subsidies and not on other forms of subsidy? Moreover it is expected of labour market policy measures that, in the final analysis, they help lastingly to reduce the level of unemployment.

One problem with the concept of the "silent reserve" as a measure of underemployment is that it identifies potential labour supply in terms of cyclically favourable situations. In periods characterised by high struc-

tural unemployment, however, cyclical high points are increasingly unsuitable as a yardstick, as even they do not constitute a full-employment situation. Full employment is only achievable once the causes of structural unemployment have been removed. The definition of such a full-employment equilibrium, however, is located deep in the realm of fiction.

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GR Greece

Introduction

Despite the fact that there has been a great deal of discussion in Greece about the aggravation of unemployment in recent years, no work has been done on its dynamics and particularly on the flows into and out of unemployment and long-term unemployment (LTU). Also, no attempt has been made to estimate broader indicators of labour market slack, including disguised underemployment. The limited availability of relevant statistical information prevents an in-depth analysis in this regard. However, an attempt can be made to utilise available data to shed light on these issues.

Unemployment rates

National rates

The main source of information about unemployment is the Labour Force Survey (LFS), conducted by the National Statistical Service of Greece (NSSG) in the spring of each year[1]. The LFS covers the whole country and is based on a 1.5% sample of the population. For the definitions of the economically active population, employment and unemployment, the NSSG follows the guidelines adopted in 1993 by the 13th UN International Conference of Labour Statisticians.

According to the definition followed in the LFS, the unemployed are defined as those persons 14 years or older who (a) did not work

1 From 1998 onwards the LFS will be conducted quarterly.

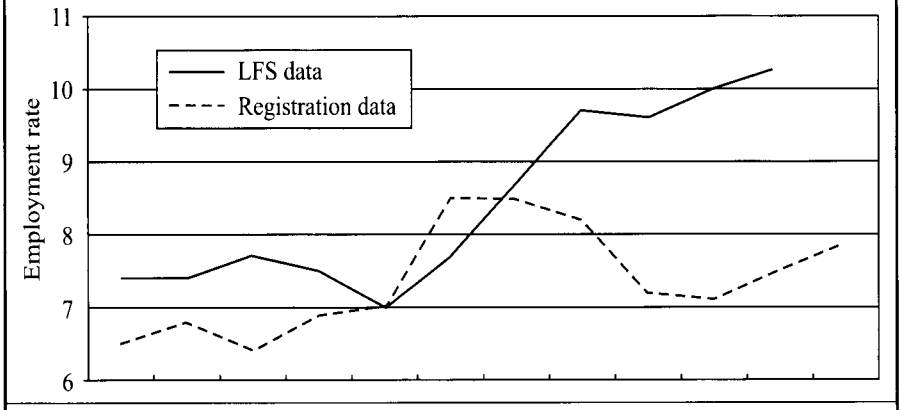
during the reference week and did not have a job from which they were temporarily absent because of illness, leave, strike, weather conditions, etc.; (b) were looking for dependent employment or self-employment; and (c) had undertaken certain concrete steps to find employment. The Greek LFS covers only private households and departs from ILO guidelines in that it does not include individuals living in institutions.

Another source of unemployment data is the registration records of the Public Employment Service (OAED). These are available on a monthly basis. Usually there is inconsistency between registration and LFS unemployment data. Because of restrictions on eligibility for unemployment benefits, a large proportion of those reported as unemployed in the LFS are not registered with the public employment offices. On the other hand, many individuals registered as unemployed are not reported as such in the LFS. In 1996, according to the LFS only 11% of the unemployed had been registered at the OAED employment offices and only 6% indicated that they were receiving unemployment benefits. On the basis of OAED records, the numbers of registered unemployed and of those receiving unemployment benefits were about three and a half times greater than the corresponding figures in the LFS.

The OAED maintains records only of dependent employment and expresses the number of registered unemployed as a percentage of the dependent labour force. Given the importance of self-employment in Greece, this constitutes an additional limitation of the OAED data. In view of all these problems, the registration data cannot provide a good measure of unemployment.

Tables 1 and 2 and Figure 1 present the unemployment rates according to registration and LFS data in the period 1986–1996. Registration unemployment data are also available for 1997. With the exception of 1990 and 1991, in all other

Figure 1: Unemployment rates



Sources: Tables 1 and 2.

Table 1: Average monthly unemployment stocks, inflows and outflows according to registration records

Years	Unemployment	Inflows[1]	Outflows[2]	Inflows minus outflows	Inflows	Outflows
	Percentage of the dependent labour force				Percentage of unemployment	
1986	6.5	1.6	0.4	1.2	23.9	5.9
1987	6.8	1.4	1.0	0.4	20.8	14.5
1988	6.4	1.3	1.5	–0.2	20.8	23.2
1989	6.9	1.2	0.3	0.9	17.7	3.8
1990	7.0	1.3	0.8	0.5	18.3	11.2
1991	8.5	2.1	0.2	1.9	12.8	2.6
1992	8.5	1.2	0.9	0.3	12.5	10.0
1993	8.2	1.1	1.2	–0.1	12.2	14.7
1994	7.2	1.2	2.0	–0.8	15.1	27.9
1995	7.1	1.0	0.4	0.6	14.0	5.5
1996	7.5	1.4	1.3	0.1	18.1	17.3
1997	7.9	1.4	0.5	0.9	18.4	7.0

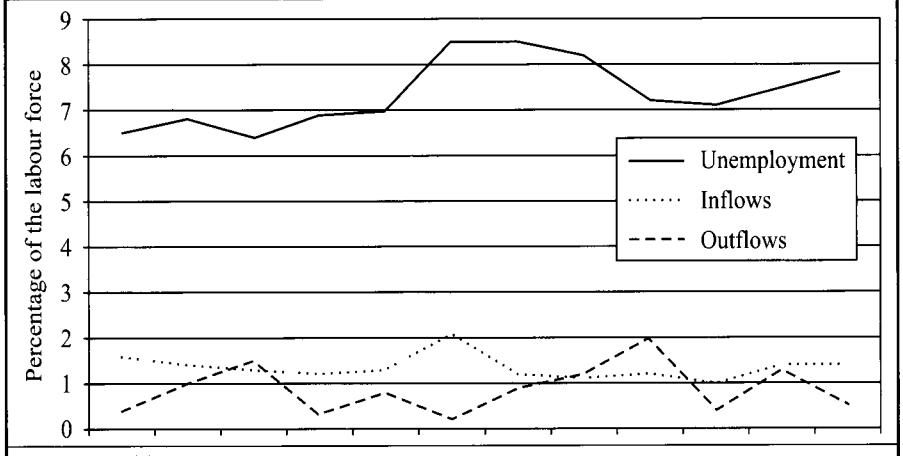
Notes:

1 New registrations.

2 Outflows were proxied by the difference between inflows in year t and the change in the stock of unemployment between the years t and t–1.

Sources: Calculations on the basis of (1) data from OAED: Annual Statistical Data 1990, OAED (1995) and (2) unpublished data from OAED.

Figure 2: Unemployment rate: inflows and outflows (registration data)



Source: Table 1.

Table 2: Unemployment stocks, inflows and outflows on the basis of the annual LFS

Year	Unemployment			Inflows[1]			Outflows[2]			Inflows minus outflows			Inflows			Outflows		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women
						in % of labour force									in % of unemployed			
1986	7.4	5.1	11.6	4.2	3.5	5.5	4.6	4.1	5.6	–0.4	–0.6	–0.1	56.6	68.5	47.2	62.6	80.1	48.5
1987	7.4	5.1	11.4	4.1	3.4	5.4	4.1	3.4	5.5	0.0	0.0	–0.1	56.0	66.4	47.8	56.3	65.9	48.8
1988	7.7	4.9	12.5	4.1	3.1	5.8	3.6	3.3	4.2	0.5	–0.2	1.6	52.9	62.8	46.3	47.2	67.9	33.3
1989	7.5	4.6	12.4	3.6	2.7	5.2	3.8	3.0	5.3	–0.2	–0.3	–0.1	48.8	59.1	42.3	51.3	65.1	42.6
1990	7.0	4.3	11.7	3.5	2.5	5.2	3.9	2.8	5.7	–0.4	–0.3	–0.5	49.8	59.0	44.0	55.0	65.7	48.3
1991	7.7	4.8	12.8	4.1	3.0	6.0	3.6	2.5	5.5	0.5	0.5	0.5	53.4	63.2	46.8	46.8	52.2	43.2
1992	8.7	5.4	14.2	4.4	3.4	6.1	3.2	2.7	4.0	1.2	0.7	2.1	50.7	62.1	43.3	36.8	49.7	28.4
1993	9.7	6.4	15.2	4.8	3.8	6.6	3.7	2.7	5.0	1.1	1.1	1.6	49.9	59.2	43.4	37.8	43.0	34.1
1994	9.6	6.5	14.9	4.6	3.7	6.1	4.5	3.5	6.1	0.1	0.2	0.0	47.9	57.0	41.0	46.3	54.0	41.1
1995	10.0	6.7	15.3	4.8	3.8	6.3	4.3	3.6	5.3	0.5	0.2	1.0	47.9	57.0	40.9	42.7	53.8	34.8
1996	10.3	6.3	16.6	4.3	3.2	6.0	3.8	3.6	4.2	0.5	–0.4	1.8	41.7	50.8	36.4	36.9	56.1	25.4

Notes:
1 Inflows were proxied by the number of the unemployed for less than 12 months at the time of the annual LFS.
2 Outflows were proxied by the difference between inflows in year t and the change in the stock of unemployment for a particular group between the years t and t–1.

Sources: Calculations on the basis of data from the Labour Force Survey from the years 1986 to 1996.

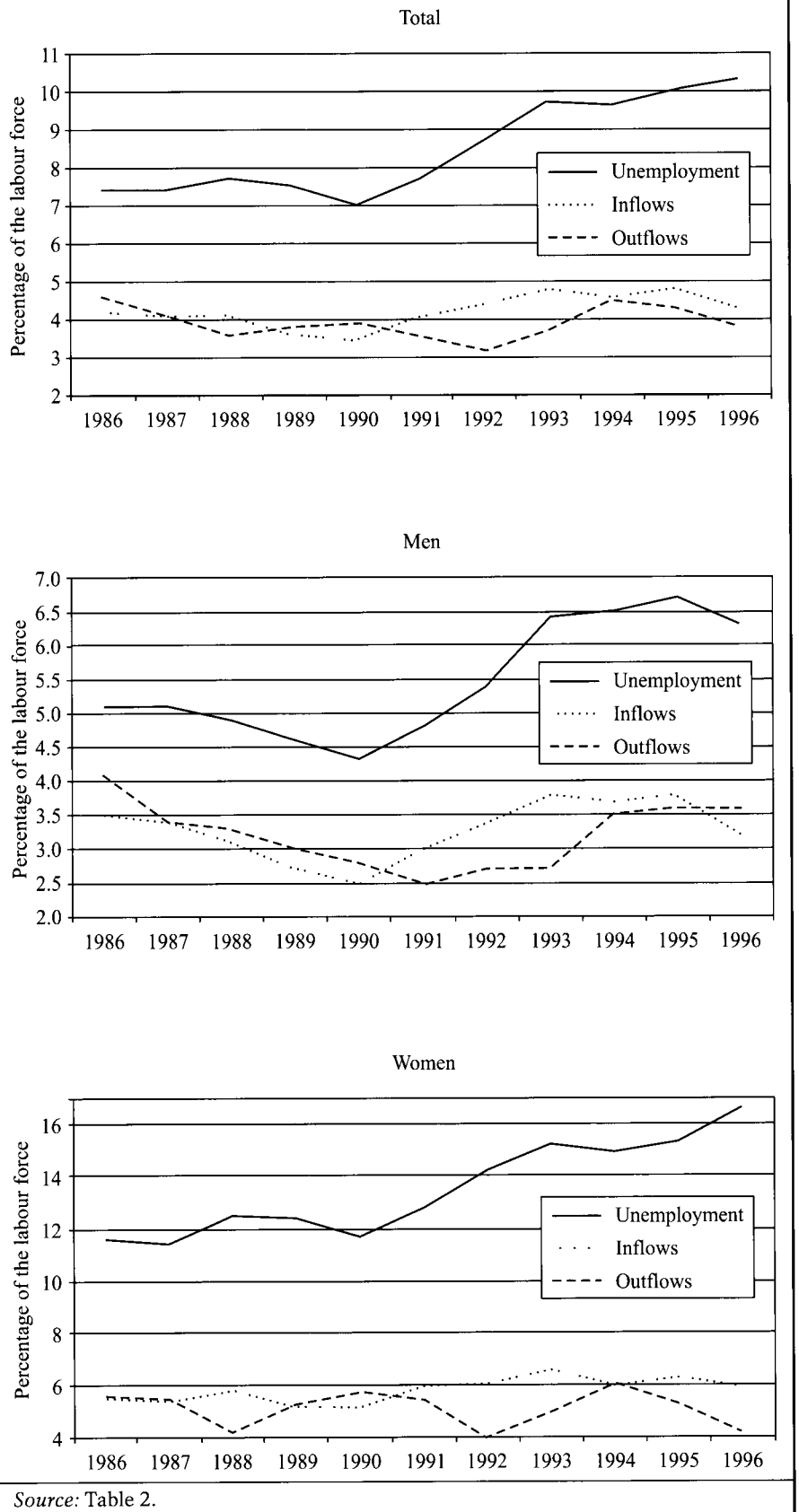
Table 3: Long-term unemployed (LTU) and flows into and out of LTU on the basis of the annual LFS

Year	LTU			Inflows[1]			Outflows[2]			Inflows minus outflows			Inflows			Outflows		
				Percentage of the labour force									Percentage of LTU					
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women
1986	3.2	1.6	6.1															
1987	3.2	1.7	5.9	2.5	1.7	4.0	2.5	1.6	4.1	0.0	0.1	–0.1	77.6	97.9	67.0	76.5	90.7	69.0
1988	3.6	1.8	6.7	2.7	1.7	4.4	2.3	1.6	3.7	0.4	0.1	0.7	74.5	93.8	65.6	62.5	89.1	50.2
1989	3.8	1.9	7.1	2.8	1.8	4.4	2.5	1.7	3.9	0.3	0.1	0.5	72.7	97.3	61.7	66.9	93.7	55.0
1990	3.5	1.7	6.6	2.4	1.6	3.8	2.6	1.7	4.3	–0.2	–0.1	–0.5	67.9	90.3	57.8	75.2	96.9	65.4
1991	3.6	1.8	6.8	2.5	1.5	4.2	2.5	1.5	4.3	0.0	0.0	–0.1	69.7	87.2	61.5	70.5	86.3	63.0
1992	4.3	2.1	8.0	2.6	1.6	4.3	1.8	1.3	2.7	0.8	0.3	1.6	61.8	79.2	54.1	43.1	64.3	34.0
1993	4.8	2.6	9.2	2.9	1.9	4.6	2.3	1.3	3.8	0.6	0.6	0.8	60.2	73.9	53.3	46.7	51.8	44.1
1994	5.0	2.8	8.8	2.9	1.9	4.5	2.6	1.7	4.2	0.3	0.2	0.3	57.9	69.7	51.7	52.8	62.3	47.7
1995	5.2	2.9	9.1	3.1	2.0	4.9	2.8	1.8	4.3	0.3	0.2	0.6	59.2	68.9	54.2	53.6	64.7	48.0
1996	6.0	3.1	10.6	3.1	2.0	4.8	2.2	1.7	3.0	0.9	0.3	1.8	51.1	63.4	45.5	36.7	55.4	28.1

Notes:
1 Inflows to LTU were proxied by the number of unemployed for 12–23 months at the time of the annual LFS.
2 Outflows were proxied by the difference between inflows in year t and the change in LTU for a particular group between the years t and t–1.

Sources: Calculations on the basis of data from the Labour Force Survey for the years 1986 to 1996.

Figure 3: Unemployment rate: inflows and outflows (Labour Force Survey data)



Source: Table 2.

years the unemployment rates were higher according to the LFS than on the basis of registrations. Since 1992, the divergence of the two rates has increased. In some years the rates moved in different directions according to the two sources. On the whole, there was little association between the LFS and the OAED rates (correlation coefficient of 0.36).

Standardised rates

Greece is not included among the countries for which the OECD computes Standardised Unemployment Rates. Also, it is the only EU country for which the Eurostat does not publish "Comparable Unemployment Rates" (CURs). The unemployment rates for Greece presented in Eurostat publications come from the national LFS, but are a little lower due to the fact that they do not include the 14-year olds in the labour force and exclude from the unemployed those who are waiting to start in a new job that they have already found and those who are temporarily laid off.

Flows into and out of unemployment

To shed more light on the problem of increasing unemployment and LTU in Greece it is useful to examine the flows into and out of the relevant stocks. Since available data do not allow us to follow individuals over time and track the changes in their labour force status, we have constructed "proxy" flow data. We did this on the basis of information from the registration records and also on the basis of data from the annual LFS.

Table 1 and Figure 2 present average annual unemployment stocks and flows, as percentages of the labour force, on the basis of OAED monthly registration data. In Table 1 the flows are also presented as percentages of unemployment. During the period under consideration there were fluctuations in flows, but there is no clear trend in a particular direction.

Registration data are not very helpful for an analysis of the dynamics of unemployment because the unemployed usually register only if

they are entitled to receive benefits or want to establish the right to participate in subsidised active labour market programmes. As a result, changes in the availability and attractiveness of such programmes from year to year have generated significant changes in the number of registrations.

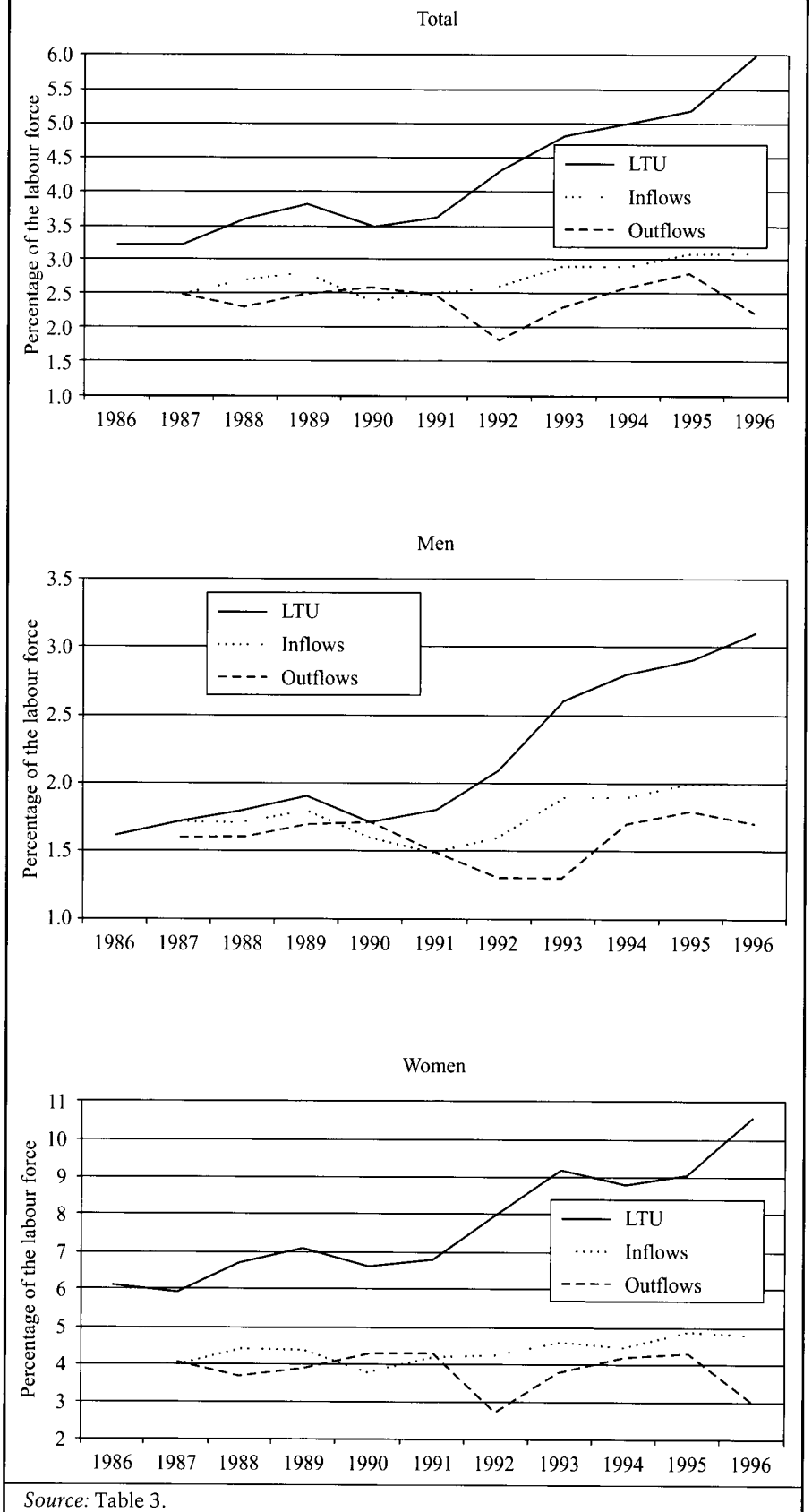
A better picture of the dynamics of unemployment can be obtained with the help of information from the LFS (Table 2). These data show a small increase in unemployment in the period from 1986 to 1991 and a much larger one in the period from 1992 to 1996. Up to 1990, the male unemployment rate was falling, while the rate for women fluctuated. From 1991 to 1995 the unemployment rate for men increased gradually, while the rate for women rose considerably. In 1996 the rate for men fell, while the rate for women increased more than in the past.

For the analysis of unemployment dynamics we proxied flows into unemployment at year t by stock data on those unemployed for 11 months or less at the time of the survey. Outflows were proxied by the difference between the inflow in year t and the change in unemployment between the years t and t–1 (for a similar methodology, see OECD, 1995, pp. 19–42). In Table 2 the inflows and outflows are presented as percentages of both the labour force and unemployment.

As can be seen from Table 2 and Figure 3, from 1986 to 1990 the rate of flows into unemployment for men was reduced substantially, while the rate for women fluctuated and showed a small decrease. In 1991 the rates of inflows increased for both genders. The increase continued up to 1995, while in 1996 there was a decrease of the inflows for both men and women. On the whole there was relatively strong correlation between the rates of unemployment and inflows (0.83 in the case of men and 0.79 in the case of women).

The rates of outflows from unemployment for men decreased substantially from 1986 to 1991 and increased in the period 1993 to 1996. For women the rates fluctuated, showing substantial decreases in 1988, 1992 and 1996, which were years of relatively high gender-specific unemployment rates.

Figure 4: Long-term unemployment rates: inflows and outflows



Source: Table 3.

Table 2 shows that in the period 1986–1996 both inflows and outflows tended to represent smaller parts of unemployment for men and particularly for women. This indicates a continuous increase in the importance of long-term unemployment for both genders, but much more so for women. According to our results the probability of leaving unemployment between 1986 and 1996 decreased from about 80% to 56% in the case of men and from about 48% to 25% in the case of women.

Flows into and out of LTU

The overall rise in unemployment in recent years has been associated with a continuous increase in LTU. The increase was larger for women, reflecting not only the rise in their overall unemployment but also an increase in the incidence of LTU. The correlation coefficient between unemployment and LTU in the period 1986–1996 was 0.92 for men and 0.99 for women.

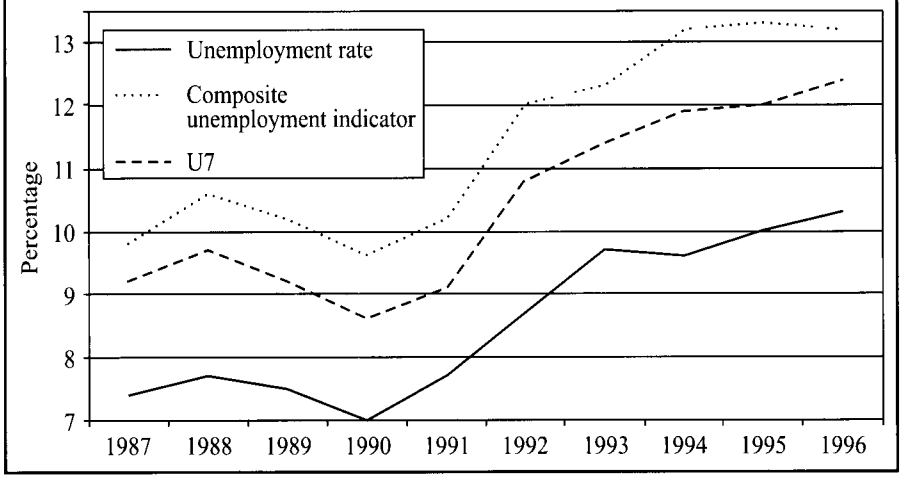
The information presented in Table 3 and Figure 4 sheds more light on the problem of LTU. Inflows to LTU were proxied by the number of those who were unemployed for 12 to 23 months at the time of the annual LFS. Outflows were proxied by the difference between inflows in year t and the change in LTU between the years t and t–1.

Inflows to LTU as a percentage of the labour force increased for both men and women and were strongly correlated with the level of LTU (the correlation coefficient was 0.87 in the case of men and 0.84 in the case of women). Outflows fluctuated for both genders and in the case of women showed a substantial fall. When inflows and outflows are expressed as percentages of LTU, we observe a decrease for both men and women. This indicates an increase in the importance of hard-core LTU for both genders.

Supplementary measures of labour market slack

The unemployment rate is a major indicator of labour market performance, but it does not reflect all forms of labour market slack. Unemployed individuals participating in active labour market programmes, involuntary part-time workers, discouraged workers, etc., are not included in the estimates, despite the fact that they constitute part of the unemployment problem. In this section we will present some supplementary measures which, in combination with the unemployment rate, can form a composite indicator providing a more complete picture of the deficiency in the availability of jobs.

Figure 5: Unemployment rate and other indicators of labour market slack



Active labour market programmes

Most active labour market programmes in Greece are carried out by the OAED. They are in the form of programmes for training, subsidised employment, self-employment, work experience, special help for particular groups, etc. Available information about the total number of participants in each of these programmes shows some discrepancies in certain years, but on the whole it seems that the number of unemployed who participated in them has been relatively small. As indicated by Table 4, the number of unemployed who participated in active labour market programmes, as a percentage of the labour force, fluctuated from year to year. Since a large proportion of subsidies came from EU funds, the size and availability of the programmes differed from year to year, depending upon the availability of such funds, and this affected the number of places offered.

Involuntary short-time work

Involuntary short-time work refers to two different groups: persons who worked fewer hours than usual for economic reasons and persons who worked part-time because they could not find full-time work (in Greece about 40% of all part-time workers).

To estimate the labour market slack represented by involuntary short-time work, we used data from the LFS. We divided the number of persons in the above two categories by two in order to convert the labour market slack into full-time equivalents and then expressed it as a percentage of the labour force.

According to our results, in the period under consideration involuntary short-time work added between 1.3 and 2.0 percentage points to the composite unemployment indicator.

Discouraged workers

The problems relating to the definition and measurement of discouraged workers have been analysed

elsewhere (OECD, 1987, 1993 and 1995) and will not be discussed here. Since there were no other data available, we considered as discouraged workers the persons who reported in the LFS that they did not look for work because they believed that they could not find a job or because they did not know where to apply. It is worth noting that most of the discouraged workers were women. The number of discouraged workers added less than 0.6 percentage points to the composite unemployment indicator throughout the period (Table 4).

Early retirement and disability

A large number of persons has retired early, but most of them left their jobs voluntarily on account of certain beneficial provisions of the pension system, and cannot be considered as representing involuntary underemployment. Also, many individuals have received pensions on account of disability where, given the numbers involved, it is not certain whether they were actually disabled or left their jobs to work elsewhere. Table 4 presents the number of persons below 65 who were inactive because they were on pension or were disabled, as a percentage of the labour force, for the years 1992 to 1996 (there are no data for the years before 1992).

Other types of disguised underemployment

In Greece there is extensive disguised underemployment related to underutilisation of knowledge and skills, but this is impossible to quantify. Because of the relatively large supply of persons with secondary education and with higher education, particularly in certain fields, a considerable part of them work in jobs that require less or a different kind of knowledge.

Another form of disguised unemployment is that unemployed use family resources to start small businesses that usually do not survive. The rate of new starts and closures of small businesses in Greece is very high. Moreover, a large proportion of those operating small businesses is underemployed, because of limited activity due to oversupply. Also, an undetermined part of the relatively large number of unpaid family workers are underemployed and remain in that status because of their inability to find paid employment.

Hoarding of labour is another kind of underemployment. Because of the family nature and the relatively small size of most enterprises, such hoarding is more extensive in Greece than in other countries. In addition to this, due to restrictions on dismissals, larger firms are forced to keep personnel which they do not need.

Overall indicators of labour market slack

Table 4 presents the *composite unemployment indicator* resulting from the summation of partial indicators of labour market slack. Because of

Table 4: Rate of unemployment and other indicators of labour market slack (in %)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Rate of unemployment	7.4	7.7	7.5	7.0	7.7	8.7	9.7	9.6	10.0	10.3
Number of participants in active labour market programmes as a percentage of the labour force	0.7	1.0	1.0	1.1	1.0	1.0	0.9	1.4	1.3	0.9
Number of involuntary part-time workers divided by 2 as a percentage of the labour force	0.6	0.6	0.6	0.5	0.5	0.8	0.7	0.9	0.8	0.8
Number of persons who worked less than usual for economic reasons divided by 2 as a percentage of the labour force	0.8	1.1	0.9	0.8	0.8	0.9	0.7	1.0	0.9	0.8
Number of discouraged workers as a percentage of the labour force	0.3	0.2	0.2	0.2	0.2	0.6	0.3	0.3	0.3	0.4
Composite unemployment indicator	9.8	10.6	10.2	9.6	10.2	12.0	12.3	13.2	13.3	13.2
Persons under 65 who did not look for work because they were on pension as a percentage of the labour force						11.0	10.9	10.4	10.1	9.8
Persons under 65 who did not look for work because of disability as a percentage of the labour force						2.6	2.4	2.2	2.2	2.4
Underemployment indicator						25.6	25.6	25.8	25.6	25.4
U6	9.0	9.6	9.0	8.4	9.0	10.3	11.1	11.6	11.8	12.0
U7	9.2	9.7	9.2	8.6	9.1	10.8	11.4	11.9	12.0	12.4
Difference between the composite indicator and the unemployment rate	2.4	2.9	2.7	2.6	2.5	3.3	2.6	3.6	3.3	2.9
Difference between U7 and the unemployment rate	1.8	2.0	1.7	1.6	1.4	2.1	1.7	2.3	2.0	2.1

Sources: Estimates on the basis of published and unpublished data from the LFS 1987–1996; for participants in active labour market programmes, data from OAED were used.

the problems related to the data concerning early retirement and disability, we did not include this type of underemployment in the above indicator. However, in a lower line of the table we present the *underemployment indicator* which is the summation of the composite unemployment indicator and this type of underemployment.

To facilitate comparisons, in Table 4 we present estimates of the U.S. Bureau of Labor Statistics U6 and U7 measures (for an explanation of the methodology for their estimation, see Auer, 1995, and Sorrentino, 1993). These measures are lower than the composite unemployment indicator because they do not include participants in active labour market programmes.

The composite unemployment indicator was higher than the unemployment rate by 2.5 to 3.5 percentage points, and as the unemployment rate rose, the gap increased, due to disguised unemployment. The underemployment indicator for the years 1992 to 1996 was around two and a half times larger than the unemployment rate. The difference between U7 and the unemployment rate ranged from 1.4 to 2.3 percentage points. In the last three years this difference has consistently been more than 2 points.

The above analysis indicates that the unemployment rate in Greece underestimates the lack of jobs; there certainly is need for an upward adjustment. On the other hand, in a country with a sizeable underground economy, one could argue that the measured unemployment rate may provide an inflated picture of the problem since some of those who are reported as unemployed may actually be working. Given the lack of data in this regard, it is impossible to quantify this problem.

Concluding remarks

In Greece the unemployment rate estimated on the basis of registrations at public employment offices provides an incomplete picture of the magnitude of unemployment. The LFS data constitute a better basis for estimating the unemployment rate as a measure of underutilisation of available human resources. In order to obtain a more complete picture of labour market slack, it is necessary to take into account disguised underemployment as well. According to our estimates, in the period 1986–96 2.5 to 3.5 percentage points have to be added to the measured annual unemployment rate to account for certain types of underemployment that could be quantified. When we take into account inactivity because of disability and early retirement, the underemployment indicator becomes about two and a half times higher than the unemployment rate.

The problem of unemployment can be understood better when the flows into and out of stocks are examined. Our analysis has shown that, together with the rise in unemployment, there has been a reduction in the relative size of the flows into and out both unemployment and LTU. However, the reduction of inflows was larger and this has caused an increase in the stocks. On the whole, our results have shown an aggravation of the problem of chronic and entrenched unemployment and a substantial deterioration of the probabilities for the unemployed to successfully break out of it.

Athena Petraki Kottis

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Spain

Introduction

While in some countries, underemployment as a form of disguised unemployment may be a significant problem, it is not likely to be so in the case of Spain, given its extremely high rates of open unemployment. These very high rates, however, have been disputed as being the result of statistical artefacts. So it is necessary to deal in detail with the differences between the usual LFS unemployment rate and national registered unemployment, the indicator on which public attention tends to focus in Spain itself. After concluding that the differences between the two can be explained in terms of the different concepts adopted, we turn to deal with the various notions of underemployment, concluding with an overall assessment of an "enlarged underemployment rate", which turns out to be two to three points higher than the standard unemployment rate.

Standard unemployment rates

As in other countries, in Spain there are two main statistics regarding unemployment. The first is the so-called "registered unemployment", stemming from the job applications submitted by jobseekers at the public employment offices. The second is "LFS unemployment", a sample-survey-based estimation which follows the ILO criteria.

Registered unemployment

Since 1985, INEM, the Spanish Public Employment Service, has published a monthly statistic called "registered unemployment", based on specific criteria clearly identified in a regulation of March of that year. Previously, INEM also published an unemployment figure, but the criteria on which it was based were less rigorous. The new statistic is calculated by deducting from the stock of people having applied for a job at INEM ("jobseekers") various groups which are considered neither out of work nor available for work. More specifically, the following groups are excluded:

- those applying for a second job compatible with their present one;
- those applying for a job to replace their present one;
- those receiving unemployment benefits but working part-time;
- those having requested a temporary suspension of their job demand for various reasons, making them unable to look for work;
- unemployment benefit recipients participating in the so-called "socially useful jobs" programme (stemming from agreements between INEM and the regional and local governments);
- those having rejected labour market integration measures deemed adequate to their personal characteristics;
- those not immediately available for work because of illness, temporary or permanent inability to work, military service, registration for the purposes of participating in a specific job selection process, those looking for a job in a foreign country or only at-home jobs, or those who have been temporarily laid-off or are on short-time work;
- the beneficiaries of the special agricultural subsidy (a special unemployment protection scheme for temporary agricultural workers in the regions of Andalucia and Extremadura) who have been unemployed for a period of at least a year since the beginning of the benefit;
- those receiving retirement pensions or over the age of 65;
- those following regular educational courses if they are under 25 or first-time jobseekers, as well as those participating in continuing training programmes (known in Spain as "occupational training") for at least 20 hours per week, and first-time jobseekers;
- those applying for a job with a duration of less than three months;
- those applying for a job with a work week of less than 20 hours.

Information is published on both jobseekers and registered unemployment. In addition, data on the reasons for excluding jobseekers from the unemployment statistics are also published. However, the most highly publicised single figure is the monthly "registered unemployment rate", published by the 10th of the following month and referring to the last day of each month. It is calculated with respect to the labour force figure from the Labour Force Survey. Needless to say, this procedure is untenable, as it assumes that the labour force is an exogenous variable (which obviously it is not, as it is computed as the sum of the employed and the unemployed in the LFS), and it has been repeatedly criticised by academics, albeit in vain. The fact that, calculated in this way, the "unemployment rate" is consistently substantially smaller than the LFS rate (currently 13% as compared to 21%), is probably behind this unwillingness to correct what everybody knows is incorrect.

More interesting is the number of exclusions as a proportion of jobseekers, which currently amounts to 45%. This proportion was around 25% in 1989, but grew steadily until 1993, when it reached its current amount. This was the result of a series of technical changes introduced by INEM that aimed at checking the

situations of jobseekers on the basis of computerised information available from various sources (the social security registers, the Ministry of Education, its own INEM records, and so on). The implication of these changes is that registered unemployment does not have a statistically consistent historical series. Moreover, the way in which the records are held at INEM (information on individual histories is not available) prevents any reconstruction of the series on a homogeneous basis.

It should not come as a surprise, in light of what has just been said, that the differences between the figures provided by the LFS and registered unemployment started to open up by 1990, and that they have remained more or less stable since 1993 (we shall come back to the comparison of the two figures later).

The concept of "registered unemployment" has been subject to criticism precisely on the grounds that the exclusions made in order to calculate it are excessive. In particular, the last five categories (or even six, at least partly) mentioned in the list of excluded groups would be considered unemployed under ILO-type criteria.

In any case, the need to identify the beneficiaries of the measures undertaken under the National Employment Plan currently being prepared, together with the recognition that registered unemployment cannot provide a credible basis for such an identification, has led the government to consider the notion of "non-employed jobseekers". Although no details have been provided so far on this notion, it is likely to include registered unemployment plus the five groups just mentioned, which are currently excluded.

Table 1 summarises the figures according to the various concepts corresponding to the period 1987–1997 on annual averages.[1]

One of the flaws of the notion of registered unemployment is the lack of adequate information on entry and exit flows. INEM does publish monthly information on flows affecting jobseekers: inflows classified by various characteristics, and outflows also classified by various variables, including the duration of demand at the moment of exit and the reason for exit (getting a job – by far the most important one – failing to renew job search, moving to a different province, and a residual "other reasons"). Table 2 presents the movements for the period 1989–1997. As can be seen, the flows in and out job-search status are very high and have substantially increased in the last few years. This is in accordance with the general view that Spain has one of the highest turnover rates in the European Union, reflecting the large number of short-term jobs.

Standardised rates (ILO, OECD)

The main figure used in Spain to measure unemployment is the unemployment rate stemming from the quarterly Labour Force Survey. This is calculated using the standard methods devised by Eurostat. The second quarter survey provides the basis for the information used in the European-wide LFS. In addition, the Spanish Statistical Institute (INE) publishes monthly results on the main figures. These are calculated as three-month moving averages.[2]

As is well known, the Spanish unemployment rate, as expressed by LFS data, has been well above the European average for many years. This has spurred a widespread scepticism about the real extent of the phenomenon, based on two lines of thought: first, the LFS overstates the real extent of unemployment, which would be better captured by other statistics such as registered unemployment; second, the underground economy, where many of those recorded as unemployed work, is a significant element behind the high rates observed.

Regarding the statistical problems of the LFS, recent analyses have come to the conclusion that, although the LFS is not without problems (mostly relating to its deficient estimation of the age structure of the population), they do not perceptibly affect the measurement of the level

1 INEM has an Internet web page where most of these figures may be found (http://www.inem.es).

2 The main results of the LFS are available through the Internet (http://www.ine.es).

Table 1: Jobseekers, registered unemployment and exclusions, 1987–1997 (average yearly figures[1])

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Jobseekers	3,750.0	3,945.8	3,989.7	3,984.3	4,123.3	4,264.5	4,810.2	4,621.4	4,359.6	4,134.6	3,872.1
Registered unemployment (RU)	2,924.2	2,858.3	2,550.3	2,350.0	2,289.0	2,259.9	2,705.8	2,647.0	2,449.0	2,275.4	2,118.7
Jobseekers excluded from RU	825.8	1,087.5	1,439.4	1,634.3	1,834.3	2,004.6	2,104.4	1974.4	1,910.7	1,859.2	1,753.4
of which:											
Subsidised agricultural workers	317.0	347.2	375.3	377.4	322.2	305.4	297.4	279.6	272.8	280.2	261.4
Students	245.4	337.7	425.3	440.9	395.4	320.2	297.1	284.2	234.3	231.7	215.5
Retired or over 65	11.8	17.8	26.3	29.0	28.8	24.1	18.1	25.1	14.9	41.5	42.7
Demanding short-time jobs	44.4	60.2	81.2	106.5	163.8	213.6	199.3	217.8	189.1	185.5	177.0
All other categories	207.2	324.6	531.3	680.5	924.1	1,141.3	1,292.5	1,167.7	1,199.6	1,120.3	1,056.8

Source: INEM. 1) in 1,000s.

Table 2: Jobseekers: stocks and flows, 1989–1997 (all figures in thousands)

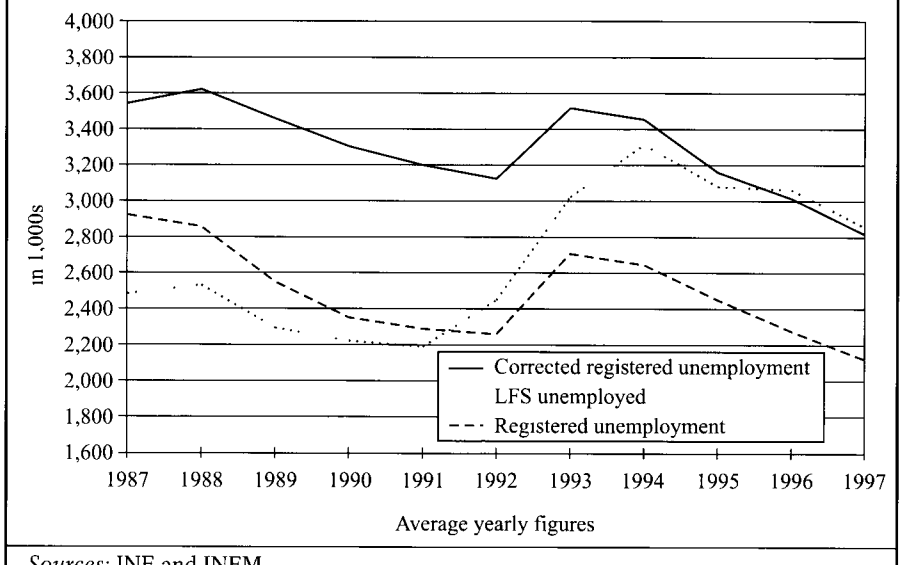
t	Stock 31.12. (t)	Inflows (t+1)	Outflows (t+1)	Stock 31.12. (t+1)
1989	4,009.0	7,882.2	7,771.9	4,119.4
1990	4,119.4	8,479.1	8,429.1	4,169.3
1991	4,169.3	7,731.7	7,491.3	4,409.7
1992	4,409.7	8,135.0	7,759.5	4,785.2
1993	4,785.2	8,743.3	9,127.1	4,401.4
1994	4,401.4	10,158.6	10,272.4	4,287.6
1995	4,287.6	11,399.0	11,677.8	4,008.8
1996	4,008.8	12,641.9	12,915.3	3,735.5

of unemployment (which could be even higher if those problems were corrected). As for the comparison with registered unemployment, it has become clear that the problem lies with the filters used in its computation. More specifically, if one adopted an expanded notion of registered unemployment so as to include the groups that would be considered unemployed under the LFS criteria, and if the resulting figure is compared with the number of unemployed people who, in the LFS, report being registered at the employment offices, one would find very similar figures. This is the exercise presented in Figure 1 for the period 1987–1997. As can be seen, until 1989, registered unemployment and LFS unemployment were quite close, but "corrected registered unemployment" was clearly higher. This was the period when INEM did not apply any specific filters to its figures other than the declarations made by individuals. Between 1989 and 1993, as already mentioned, INEM started using various filtering techniques, which meant that registered unemployment dropped as compared to LFS unemployment. However, "corrected registered unemployment" tended to come closer and closer to LFS unemployment, to the point that, since 1994, both series have converged almost entirely. This implies that the apparent differences between the INEM and INE (LFS) figures are mostly due to definitional issues and do not reflect any technical problems of the LFS.

As for the underground economy, although it is by definition impossible to quantify its real impact, there is evidence suggesting that most unofficial employment is captured by the LFS. First, if one considers the incentives to lie in the survey, they would mostly affect those receiving unemployment benefits. As it turns out, the number of unemployment benefit recipients estimated by the LFS is somewhat smaller than the actual number published by INEM, which makes sense if account is made of the fact that people tend to underdeclare their incomes. In addition, one would expect that the number of people reporting both being at work and receiving unemployment benefits (beyond the cases where this is legally possible) would be negligible or zero. But it is not, as a significantly non-zero number of people (amounting to 4% of total beneficiaries) do declare such a double status (whether that is a small or a large number is, of course, a matter of judgement). Second, it may be argued that, since the LFS underestimates the level of employment, a fact generally accepted, due to the problems mentioned above, the upward correction of that figure should imply a downward correction of unemployment, as this would reflect people misclassified as unemployed when they are in fact employed. However, as already mentioned, this is a misconstrued argument, as the correction of the age structure estimated by the LFS would lead, if anything, to an increase in the level of unemployment, as happens with other surveys (such as the ECHP) that weight the data in accordance with the age structure of the population.

On the whole, it seems clear that, despite the apparent differences between the two main statistical sources, these can be reconciled, and the LFS figure may be accepted as a valid first indicator of underemployment in Spain. It should be recalled that the latest figure indicated around 3,300,000 unemployed, equivalent to 20.5% of the labour force.

Figure 1: Registered unemployment, corrected unemployment and registered unemployed according to the LFS, 1987–1997



Sources: INE and INEM.

Long-term unemployment (one year and more)

The duration of unemployment is an important policy concern in every country, as it is generally believed that the long-term unemployed (LTU) tend to become "excluded" from the labour market, i.e. they become very difficult to employ and no longer exert downward pressure on wages.

Over the last 10 to 15 years, unemployment and LTU (measured as the proportion of the unemployed with at least one year of search duration) have tended to follow similar patterns, thus suggesting that Spain has not suffered any significant "ratchet effect", whereby a decrease in unemployment leads to an increase in the proportion of LTU, as the latter remain trapped in their situation and experience a lower probability of getting a job.

However, this aggregate picture is misleading. Available studies dealing with flows out of unemployment suggest that "duration dependence" (the notion that the LTU show a higher probability of remaining unemployed) is clearly observed in Spain. This conclusion follows both from aggregate analyses of transition probabilities from short- or medium-term to long-term unemployment and from microeconometric analyses using more sophisticated models and techniques.

Assessment

The unemployment rate in Spain, at over 20% of the labour force, is the highest in the European Union. Despite reservations about the statistical methods used to reach this figure, there is a general consensus that it is more or less correct. How do the unemployed cope with such a situation? Mostly because of the family support typical of southern European countries. Two out of three unemployed live in households where someone else has a job, and less than one out of ten live in households without any income (from work or the social security system). This does not mean that unemployment is not a significant problem, it only indicates how Spanish society has managed to cope with it.

Half of those unemployed have been so for at least a year. Somewhat paradoxically, this fact coexists with very high rates of turnover, suggesting that the latter tend to affect specific groups of workers (mostly youngsters; it is significant that close to 80% of placements registered at the INEM relate to people who have been unemployed for less than six months). Eventually they are integrated into the core of the labour market, leaving behind a substantial number of older, more difficult to employ workers, who constitute the bulk of the long-term unemployed.

It can be concluded that the unemployment rate in Spain is a measure of the underutilisation of human resources or underemployment that tends to be criticised for being too high rather than too low, as happens in other countries.

Underemployment rates

We now turn to consider alternative measures of underemployment, considering various situations that are generally excluded from unemployment but also indicate a certain degree of underutilisation of human resources.

Active labour market programmes

According to the LFS definition, people participating in active labour market programmes (ALMPs) are considered unemployed unless they are actually employed. For example, people taking vocational training courses are considered unemployed, provided they declare that they are actively searching for a job. Taking into account that ALMPs in Spain have mostly focused on vocational training, this implies that their consideration would not affect the definition of underemployment provided by LFS unemployment. There is one instance, however, where recipients of unemployment benefits are asked to undertake work for regional and local governments within the framework of agreements that the latter sign with INEM (as we saw above, this is one of the groups excluded from registered unemployment). However, the statistics provided by INEM suggest that this category includes only around 5,000 people, which would not affect the unemployment rate in any meaningful way. It can thus be concluded that the consideration of ALMPs does not introduce any significant correction to LFS unemployment as a measure of underemployment.

Short-time work

Short-time work may be interpreted in two different ways. First, it may refer to the expedient used by firms to overcome temporary difficulties by partly laying off their workers. Second, it may refer to the fact that people are working less than they would like to, because no other jobs are available (what is generally described as "involuntary part-time" work).

The Spanish Labour Force Survey contains, as one of its categories in the "labour force status" variable, the notion of "underemployment". In this concept are included those who, while normally employed on a full-time basis, are currently working less than 40 hours a week, this being due to short-time working as well as to those part-timers who declare having such a work schedule because they could not get a full-time job.

The number of underemployed workers for these two reasons has typically been around half a percentage point of total employment during the last ten years, as is shown in Table 3.

Hidden unemployment (early retirement, disability, etc.)

Participation rates of people (especially males) over the age of 55 have tended to decrease in Spain over the last ten years or so (a more substantial decrease was observed in the

Table 3: Various notions of underemployment and the "enlarged underemployment rate" in Spain, 1987–1997 (absolute figures in thousands)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Standard unemployed	2,936.5	2,899.0	2,555.1	2,438.2	2,388.2	2,686.0	3,396.7	3,762.9	3,537.5	3,535.8	3,364.9
Standard employed	11,329.6	11,708.5	12,194.4	12,556.5	12,622.1	12,457.7	11,867.6	11,727.7	12,027.4	12,342.0	12,706.4
Underemployed	94.3	61.5	49.1	45.0	33.7	36.0	40.2	49.4	60.7	73.4	81.9
Discouraged	80.8	35.9	25.3	18.2	10.4	48.3	60.5	84.5	72.9	60.1	66.4
Potentially active	30.9	34.9	33.9	36.6	47.4	64.9	90.3	104.0	109.8	110.4	104.5
Disabled 30–54 years old	200.1	211.6	218.5	219.0	214.5	215.4	221.5	224.6	235.5	243.3	264.1
Early retired men 55–59 years old	0.0	21.9	12.5	6.6	5.0	22.4	26.7	39.9	52.5	40.6	18.2
Early retired men 60–64 years old	0.0	14.9	9.9	23.5	28.4	30.0	47.9	77.7	101.6	77.6	84.7
Enlarged under-employed	3,342.6	3,279.8	2,904.3	2,787.1	2,727.5	3,103.0	3,883.8	4,342.9	4,170.5	4,141.3	3,984.7
Enlarged Labour Force	14,577.9	14,926.7	15,049.6	15,298.6	15,316.0	15,524.8	15,711.2	16,021.2	16,137.3	16,409.9	16,609.2
Standard unemployment rate	20.58	19.85	17.32	16.26	15.91	17.74	22.25	24.29	22.73	22.27	20.94
Enlarged under-employment rate	22.93	21.97	19.30	18.22	17.81	19.99	24.72	27.11	25.84	25.24	23.99
Difference	2.35	2.13	1.98	1.96	1.90	2.25	2.47	2.82	3.12	2.97	3.05

Source: European LFS.

preceding ten-year period). In addition, the number of people who declare being disabled (irrespective of age) has increased. This provides the basis for identifying groups of people who have left the labour market, probably because the situation did not provide them with a meaningful job opportunity.

More specifically, we have carried out the following calculation: for people between 30 and 54, we have estimated the number of those who declared being out of the labour force as a result of being permanently disabled; for those between 55 and 64, we have calculated the number of "additional active" persons if the participation rate remained stable at its 1987 level (in this second case, the exercise has been limited to males).

The results indicate that some 200,000 to 250,000 people declared being permanently disabled over the period we are considering (70% of them are men). As for early retirement, the figures seem to have increased over time (following from the declining participation rates), reaching 100,000 by 1994 and 150,000 by 1997. The complete results are included in Table 3, to which we shall return below.

Discouraged workers

Discouraged workers are defined as those people who stop searching for jobs because they think that the economic situation is such that they will not find employment however active their job search efforts. In Spain, the LFS includes specific questions aimed at measuring this phenomenon. Additionally, the Spanish Statistical Office has established a complementary concept, "potentially active persons". More specifically, discouraged workers are those who, not having worked (and not having a job), declare that they are available to work but that they have not searched for a job because they believe that they will not find one. Potentially active workers are similar, except that they did not search for various other reasons (such as believing that there are no jobs available, or because they do not know where to find one, are waiting for better times or for the result of applications).

On the whole, the number of discouraged workers has followed a pro-cyclical pattern, decreasing during the expansion of the late 1980s and increasing during the subsequent recession. After peaking at almost 85,000, the figure currently stands at around 65,000. As for potentially active workers, their numbers increased after 1992, possibly due to a change in the LFS questionnaire. Until 1991, they barely represented 40,000 people, but since 1993, their number has stood at around 100,000.

As in the preceding cases, Table 3 provides the details of the evolution of the number of discouraged and potentially active workers for the period 1987–1997.

Assessment

We can now put together all the elements of underemployment described in the preceding sections and calculate a rate of underemployment. As can be seen from Table 3, including the various measures of underemployment to the standard notion of unemployment would put the

"enlarged underemployment rate", defined as the underemployed as a proportion of the sum of the underemployed plus the employed, at two to three points higher than the standard unemployment rate. The difference between the two rates decreased during the expansion of the late 1980s and then increased to a maximum of 3.1 points in 1995. Over the last two years, during which the employment situation has improved, the gap has closed somewhat. However, these figures should be taken more as an approximation than as precise figures, due to two important methodological changes in the LFS: the change in the questionnaire in 1992 (which, for example, led to an increase in the number of part-time workers) and the change in 1995–1996 of the sample framework used in the survey.

On the whole, Spain has a very significant unemployment problem, to which the various measures of underemployment considered probably only add a few more percentage points.

Conclusion

In conclusion, let us recap the arguments presented in this article:

- The Spanish unemployment rate is the highest in the European Union, this not due to any statistical artefact in the way it is computed from LFS sources, for the latter are based on a common methodology based on the guidelines set up by Eurostat; all the relevant international bodies (Eurostat, OECD) accept these figures as valid when calculating their standardised rates.
- The lower figure given by "registered unemployment" follows from the way in which this figure is computed; it excludes various groups from the larger, administrative notion of jobseeker; some of those excluded would be considered unemployed under ILO criteria. After correcting for these exclusions, the numbers of registered unemployed turn out to be very similar to those stemming from the LFS, especially after 1994, because the computation of registered unemployment has been based on a consistent and improved procedure.
- Considering the various notions of underemployment, participants in active labour market policies are not likely to exert a significant impact on the figures; many of them are in any case considered to be unemployed. As for short-time work, early retirement, disability and discouragement, the LFS allows estimations of their impact and influence on the rate of underemployment. The "enlarged underemployment rate", calculated as including all of these groups among the underemployed, is shown to be between two and three points above the standard unemployment rate.
- The Spanish unemployment rate is thus not very significantly affected by the corrections introduced by the wider notion of underemployment, although the rate clearly increases.

Luis Toharia

France

Mass unemployment

Changes in the (standardised) unemployment rate, as simplistic as this concept is, clearly indicate that, in just over 20 years, the situation in France has changed from one of frictional unemployment, periodically swelled by cyclical fluctuations, to one of sustained and mass unemployment on an upward trend.

The number of people officially registered as unemployed, on the narrowest statistical definition, has risen from around 900,000 in the mid-1970s, just after the first oil shock, to over 3 million, and the unemployment rate has climbed from 4% of the working population to nearly 12.3%.

The probability that people – except those with "statutory guarantees" – will become unemployed in the space of a year rose from 3% prior to 1975 to more than 16% in 1996. All occupations, age groups, social groups and geographical areas are now experiencing unemployment, although there are still strong disparities.

Official unemployment assessments in France

Statistics on unemployment in France come from two sources: monthly figures published by the Ministry of Labour and the annual employment survey conducted by INSEE (National Institute of Economic and Statistical Information), which applies ILO criteria.

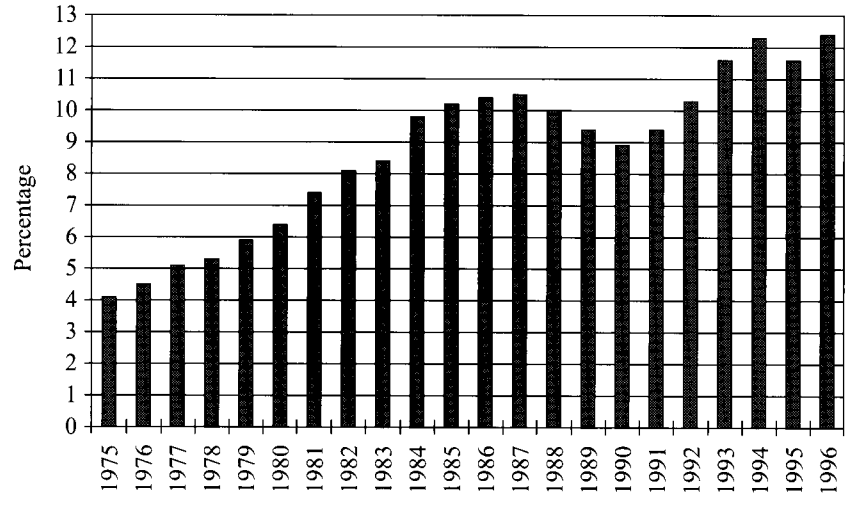
- The monthly statistics published by the ANPE (public employment service) describe short-term unemployment trends in detail. They identify eight categories of jobseekers:
- Category 1 (D.E.F.M.): unemployed person, immediately available, seeking full-time, permanent employment.
- Category 2 (D.E.P.): unemployed person, immediately available, seeking part-time, permanent employment.
- Category 3 (D.E.T.): unemployed person, immediately available, seeking fixed-term, temporary or seasonal (including very short-term) employment.
- Category 4 (D.E.D.): unemployed person, not immediately available, seeking full- or part-time, permanent or fixed-term employment.
- Category 5 (D.E.A.): employed person seeking other full- or part-time, permanent or fixed-term employment.
- Categories 6, 7 and 8 correspond respectively to Categories 1, 2 and 3 for people who had previously worked part-time for more than 78 hours a month.

Category 1, immediately available unemployed persons seeking full-time permanent employment, is the focus of attention.

This statistical source is widely considered to be an invaluable assessment tool for studying the labour market. However, it has the drawback of being affected by changes in administrative regulations such as the elimination in 1995 of jobseekers working part-time for more than 78 hours a month (moved to Category 6) and the recent transfer of jobseekers from the ANPE to ASSEDIC (the French unemployment insurance association). This latter change will result in the number of registered jobseekers falling by 10%. These changes in administrative regulations will have the effect of taking unemployment below the ILO figures, which previously were considered to be the most restrictive (see Figure 2: new DEFM category).

- The assessment, as defined by the ILO, resulting from the INSEE employment survey, corresponds to a more restrictive definition of unemployment, one that includes only some of those people who consider themselves to be among the unemployed from a sociological point of view. People who have not worked at all in the week leading up to the survey must be available for work within two weeks and must be actively seeking a job. The survey, which covers 75,000 households and is carried out every March, is more suited to structural than economic assessments and analyses. It does, however, provide a better picture of the different types of "inactivi-

Figure 1: Changes in the unemployment rate, as defined by the ILO (in %)



Source: INSEE.

Table 1: Unemployment rate (March 1997)

Unemployment by sex and age group		
	Men	Women
Aged 15 to 24	24.6	32.8
Aged 25 to 49	9.9	13.4
Aged 50 and over	8.0	9.2
Total	10.8	14.2
Proportion of the unemployed out of work for one year or more		
	Men	Women
Aged 15 to 24	20.2	22.6
Aged 25 to 49	36.9	42.1
Aged 50 and over	58.9	60.7
Total	38.9	38.9
Unemployment rate by socio-occupational category		
Management		5.1
Intermediate professions		7.0
Other white-collar		14.4
Blue-collar		15.8
Unemployment rate by educational qualification		
No diploma or CEP (primary leaving certificate)		17.5
BEPC (lower secondary), CAP (vocational training certificate), BEP		11.5
Baccalaureate (upper secondary)		11.4
Baccalaureate + 2 years of university		8.2
Higher education		7.3

Source: 1997 INSEE employment survey.

ty" that exist: people working short-time, people who are discouraged or unavailable for family reasons, and underemployed people who are forced into part-time work.

Following the recommendations of the Malinvaud report (1986), INSEE's annual estimate of ILO-defined unemployment is updated monthly using data gathered by the ANPE and forms the basis for the published monthly unemployment figure corresponding to the ILO definition.

However, it should be borne in mind that, over and above extrapolations that allow DEFMs to be used as a sort of advanced indicator of ILO-defined unemployment, the ANPE's administrative files and the employment survey data differ in terms of scope.

The ANPE and ILO figures differ not only in the nature of the data – the former uses administrative records and the latter a survey of a sample population – they also use different classification criteria. Under the ILO definition, an unemployed person is someone who has not worked during the week of the survey; under the ANPE definition, even someone who has worked fewer than 78 hours in a month and who fulfills the other criteria is considered to be unemployed.

Nor are the jobseeking evaluation criteria the same. For the ANPE, a jobseeker is someone who is registered with it and is taking "positive jobseeking actions". In contrast, the INSEE survey requires either registration with the ANPE or simply taking steps to find a job in the month leading up to the survey (replies to advertisements, registration with a temporary employment agency, etc.).

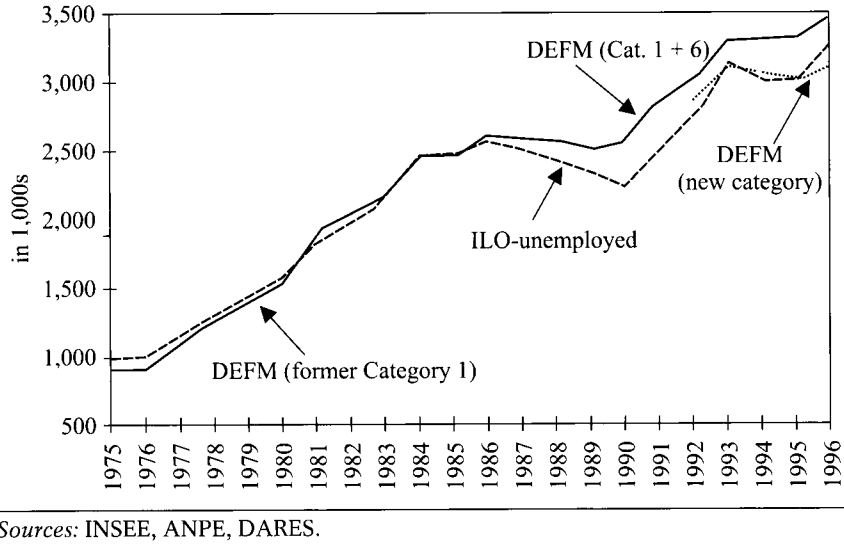
It is therefore not surprising that the employment figures obtained do not tally. Some people who fit the ILO definition are not registered with the ANPE, while others registered in one of the ANPE's eight jobseeker categories are not considered unemployed under the ILO definition.

The March 1996 survey found 309,000 people who were unemployed under the ILO definition but were not registered with the ANPE and 1,367,000 registered with the ANPE who were not unemployed according to the ILO definition.

France's monthly "unemployment figures" put ANPE-registered people into the category of "unemployed people, immediately available and seeking permanent full-time employment". In contrast, all international comparisons are based on the ILO definition.

As a result, two sets of statistics are published monthly. Although they are far from identical, they do not diverge significantly in terms of scale and trends.

Figure 2: The unemployed as defined by the ILO and DEFM-CVS on 31 December



Sources: INSEE, ANPE, DARES.

The real boundaries of unemployment

Public policy and administrative procedures change the boundaries of unemployment.

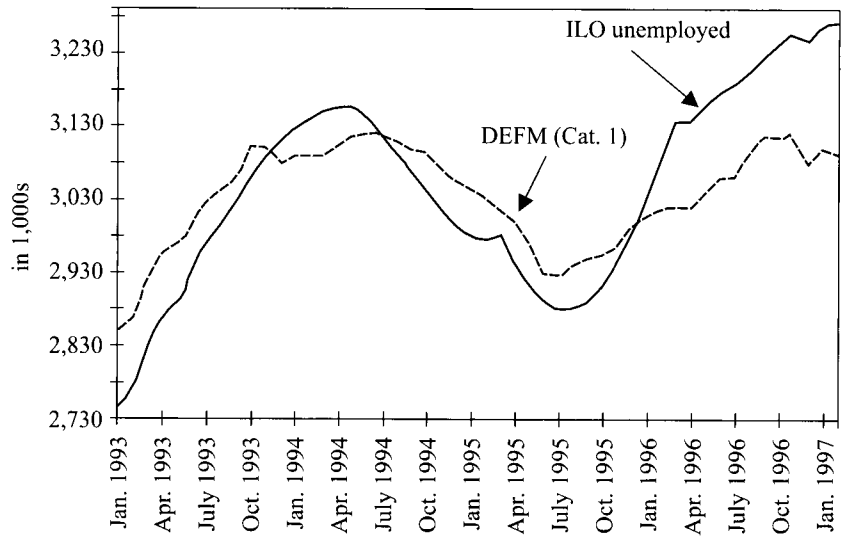
The unemployment boundary is closely tied to public policies, which results in people being removed from the labour market when they do not, in fact, have a job. Some policies aim to reduce the working population, others directly affect the unemployment statistics, and still others promote job creation and indirectly affect the way in which unemployment is measured by the statistics.

Policies designed to reduce the working population are aimed at both the young (longer schooling and training) and older people (early retirement schemes, gradual early retirement and jobseeking exemptions). The labour force is therefore reduced to an extent equal to the number of people covered by such measures, and ILO-defined unemployment is affected.

Public policies that directly affect the unemployment statistics include subsidised contracts in the noncommercial sector. In addition, some types of contracts in the noncommercial sector, such as Contrats emploi solidarité (Employment Solidarity Contracts – CES), and certain types of training resemble reintegration procedures rather than a real return to stable employment. They also affect the boundaries of unemployment.

In addition, subsidised employment mechanisms in the commercial sector influence the level of unemployment but, unlike other mechanisms, are aimed less at more statistical changes than at effectively creating jobs.

Figure 3: Jobseekers at end of month: CVS (Category 1) and ILO-defined unemployed



Sources: DARES, INSEE, ANPE.

Table 2: Labour market policy measures (estimated average annual number, in 1,000s)

	1975	1980	1985	1990	1996
Vocational training courses					
"Youth" training courses	5	23	55	85	85
Training courses for the "long-term unemployed" (CLD)	0	0	17	68	56
Other training courses	46	76	88	163	208
Early retirement					
Early retirement, ages 60–65	74	186	378	113	4
Total early retirement, ages 55–59	0	5	287	205	190
Jobseeking exemptions	0	0	15	230	270
Subsidised commercial employment					
Exemptions and allowances for hiring young people	0	284	177	226	357
Exemptions and allowances for hiring long-term unemployed	0	3	0	63	356
Other exemptions and hiring allowances	8	10	12	92	536
Company creation aids	0	6	31	30	36
Work & study contracts (including apprenticeships)	160	256	293	437	457
Training in companies	0	23	9	20	0
Restructuring measures	4	7	18	39	84
Economic reintegration	0	2	6	15	50
Subsidised noncommercial employment					
TUC, CES, CEC, CEV	0	0	116	148	425
All labour market policy measures*	137	624	1,289	1,709	2,817

*To avoid double counting, this figure is not equal to the sum of the various measures mentioned above.

Sources and calculations: DARES, INSEE, UNEDIC.

Policies aimed at reducing the working population and reintegration procedures directly affect statistical measures of unemployment, whatever the sources used. Administrative procedures governing the registration and removal of the unemployed have a direct effect on ANPE data, but only affect the results of the employment survey in terms of the discouragement or elimination that they cause. Accordingly, administrative procedures impact significantly on monthly unemployment figures as defined by ANPE Category 1, essentially through removal decisions; in contrast, they have a negligible impact on the employment survey figures, in particular with regard to ILO-defined unemployment.

The Act of December 1991 on monitoring jobseeking resulted in the elimination of several thousand jobseekers by introducing criteria governing jobseeking. The number of people affected by "administrative removals" increased from 47,200 in 1990 to 85,300 in 1996, following a peak of 109,800 in 1992. Today, 73% of removals result from a failure to respond to an agency's notification, 19% from a failure to seek a job, 6% from refusing a job offer and 1% from refusing training.

An administrative measure introduced in 1984 allows older unemployed people to continue receiving unemployment benefits without their having to actively seek work. This exemption is an acknowledgement of the fact that many elderly unemployed face severe difficulties in finding a job. These people are no longer included in the unemployment statistics and are effectively considered to have taken early retirement (jobseeking exemptions).

This exemption was introduced in March 1984 for unemployed people receiving benefits under the solidarity system and in July 1985 for those collecting unemployment insurance. It covers the unemployed drawing unemployment benefits or a solidarity allowance, from the age of 57 years and six months and from the age of 55 years, respectively. The unemployed who are not entitled to allowances can claim from the age of 55.

The annual average number of people exempted from jobseeking

(DREs) was estimated at 270,500 in 1996. In 1996, 86,600 jobseekers obtained DRE status for the first time.

In an employment policy assessment, DARES (see Table 3) identified four main types of measures with short-term effects on unemployment.

Programmes aimed at reducing the size of the working population affect labour supply directly. Such measures produce a sharp short-term reduction in unemployment. Training schemes also attract the nonworking population, and that partially reduces their impact on unemployment. As a result, an increase in the number of training contracts has a 90% impact on unemployment for adult training schemes and a 70% impact for youth training. In contrast, the impact on unemployment of an increase in the number of early retirees is nearly 100%.

The other measures reduce unemployment by changing the number of jobs available. Their net impact on employment is reduced by the windfall effects that such mechanisms represent for employers and their attraction for the nonworking population. The impact on employment of commercial employment subsidies, which are in general based on reducing the cost of labour, depends on how much the cost of labour is reduced. The *Contrat d'Initiative Emploi* (Employment Initiative Contract), introduced in 1995 for the long-term unemployed, reduces the cost of employing a new recruit by around 40% (exemption from employer contributions plus allowance); its impact on employment is around 20% of the change in the number of people under contract from one year to the next. The effect on employment of less generous measures, such as an exemption when the first employee is hired, is smaller (cost of labour reduced by 20%; effect on employment: 10%). It is higher, on the other hand, for apprenticeships (effect on employment: 30%).

These effects are sometimes considered to be weak. Yet a 40% drop in labour costs means that 17 subsidised employees (under 1995 Employment Initiative Contracts) cost the same as 10 "nonsubsidised" employees paid the guaranteed minimum wage. This means that it is financially possible to employ an additional seven people to ensure the same output for the same cost. Without a windfall effect, this would correspond to 40% of employees hired under Employment Initiative Contracts (7/17). It is therefore logical that the net effect on employment, taking the windfall effect into account, is less than 40%.

The effect on employment is considered to be much greater in the case of job creation in the noncommercial sector, where hiring decisions are governed by different mechanisms.

Other DARES research shows that employment policy does not affect unemployment and employment symmetrically: 302,000 jobs were created over the 1993–1996 period as a result of these policies, with a

Table 3: Effects on unemployment of the main categories of employment policy measures

Measure	Reduction in cost of labour (scale)	Employment coefficient (scale)	Unemployment coefficient (scale)
Early retirement		-1.00	
Adult training schemes			-0.90
Youth training schemes		-0.70	
Subsidised noncommercial jobs (CES)		0.90	-0.72
Subsidised noncommercial jobs (CEC)		0.70	-0.56
Subsidised commercial jobs:			
50% exemptions (1986–1987) – Various allowances (PICE, PCEA, etc.) – APEJ (1994)	10%	0.05	-0.04
Full exemption from social security contributions – Exemptions for 1st, 2nd and 3rd employee – Orientation contract – Return to employment contract without allowance, CRA – *Exo-jeunes* (youth exemption)	20%	0.10	-0.08
Qualification contract (social security exemption + allowance + salary effect) - CRE with allowance	30%	0.15	-0.12
Employment Initiative Contract (1995)	40%	0.20	-0.16
Apprenticeship (social security exemption + salary effect)	50%	0.30	-0.24
SIVP	70%	0.35	-0.28
Practical training	80%	0.40	-0.36

Explanation: The cost of labour is about 40% lower (column 1) when an employee is hired under an Employment Initiative Contract than is the case for a nonsubsidised job. An increase of 100 people produces a short-term increase in employment of 20 (column 2) and a reduction in unemployment of 16 (column 3). Similarly, an increase of 100 people on youth training schemes produces a short-term drop in unemployment of 70.

Source: MES-DARES.

drop of 234,000 in the number of unemployed. This was primarily the result of public mechanisms encouraging commercial employment, to which ever greater resources were allocated. The influence of other mechanisms gradually waned as public resources were reallocated to the commercial sector.

Underemployment

According to the Intergovernmental Conference of Labour Statisticians, "underemployment can be said to exist when a person's work is insufficient in relation to predetermined standards or another possible job, given his or her occupational qualifications. Two main types of underemployment can be distinguished: visible and invisible".

The visibly underemployed are people "who involuntarily work less than is usual in their field and are seeking an additional job or are available for such work during the reference period". Such cases can usually be identified in the INSEE employment survey.

Invisible underemployment is a vaguer concept; the term is applied to people engaged in work in which their qualifications are not utilised to the fullest; it is, by its very nature, difficult to assess.

Data from the employment survey provide an estimate of the underemployment rate (as defined by the ILO). However, this rate is consistently underestimated in the definition used for the employment survey. The inclusion of discouraged unemployed people in this survey seems restrictive.

The underemployment rate as calculated by the OECD is very similar to the unemployment rate concept, primarily because it considers part-time workers to be half-unemployed, rather than full-time underemployed. With this definition, a part-time worker is not considered to be someone who would like to work more.

From the point of view of collective psychology rather than the labour market, what counts is the number of people who want to work full-time because they need to earn more, but who are unable to do so. This harks back to the discussions that arose in France over the official elimination from unemployment statistics of jobseekers who worked more than 78 hours a month.

Some people are found in intermediate positions between employment, unemployment and inactivity, as the following diagram shows.

Thus, people on training schemes, employees involuntarily working shorter hours, early retirees, the discouraged unemployed and even people who would like to work but cannot seek employment because of their circumstances are all found on the boundary of unemployment.

Based on estimates published by DARES – Ministry of Labour and Social Affairs, the INSEE employment survey and the *Commissariat Général du Plan* (French Planning Commission – CGP), – the number of people on the unemployment boundary in France in 1996 breaks down as follows:

- 350,000 people (compared with 320,000 in 1990) without jobs taking vocational training courses.
- 1,570,000 people (compared with 1 million in 1990) involuntarily working shorter hours who would like to work more. The share of part-time work in total employment has risen sharply over the past 20 years in France, particularly under the effect of recently introduced public incentives. However, a growing proportion of this part-time work is not chosen by employees, who experience it as a form of partial unemployment. The employment survey revealed that more than 38% of part-time workers feel that they are in a situation that they have not chosen. This proportion has grown by 10 points since the early 1990s, and is much higher for men than for women. The proportion of men who would like to work more has risen by 20 points in five years, to well over 50% today; the proportion of women who feel this way has remained nearly stable at some 35% over the same period.
- 440,000 people (compared with 150,000 in 1990) have subsidised jobs in the noncommercial sector, mostly under CES. Such contracts are not necessarily unproductive and sometimes are a substitute for

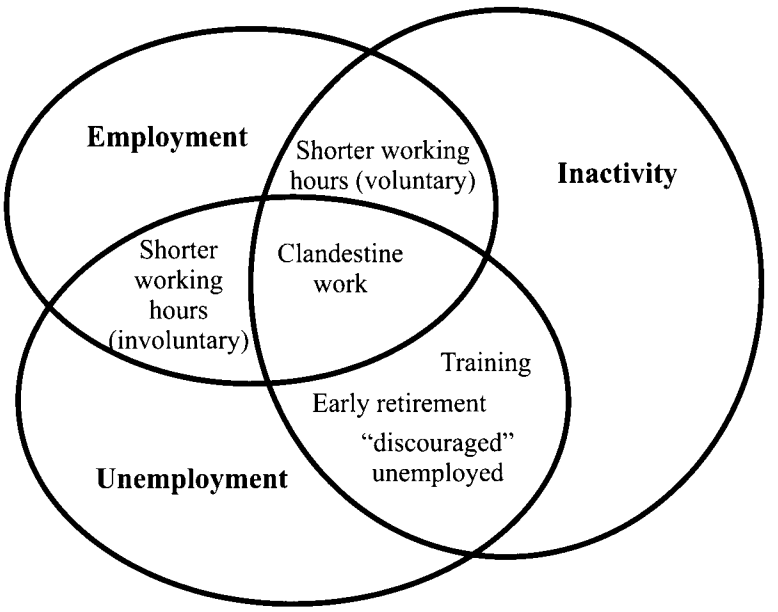
Table 4: Underemployment as defined by the ILO[1] (in 1,000s)

	March 1993	March 1994	March 1995	March 1996	March 1997
People working part-time and seeking a full-time job or an additional part-time job:					
Total	459	525	552	565	598
Men	123	139	157	160	170
Women	336	386	395	405	428
People working part-time and not seeking another job, but wanting to work more:					
Total	590	687	754	794	875
Men	104	127	161	172	178
Women	486	560	593	622	697
Underemployment represented by part-time jobs:					
	34.4%	37.4%	37.8%	38.2%	39.5%
People working full-time but involuntarily working shorter hours than usual:					
Total	301	249	217	213	143
Men	236	185	158	163	104
Women	65	64	59	50	39

1 The ILO assesses employment extensively and includes people who are called "underemployed", i.e. those "who involuntarily work less than is usual in their field and are seeking an additional job or are available for such work during the reference period". The concept of underemployment in the employment survey includes the above three categories.

Source: INSEE employment surveys.

Figure 4: Overlap between employment, inactivity and unemployment



Source: Freyssinet (1998).

normal jobs. These subsidised jobs are perceived more as a social alternative to unemployment than as something that will lead to a real job. According to DARES, just 10% of the CES granted to the long-term unemployed lead to stable employment (permanent contracts). A group of independent experts[1] estimates that the proportion of people who have moved into permanent employment after a CES is very low: just 3%.

- 240,000 unemployed (compared with 180,000 in 1990) are so discouraged that they no longer seek work. The discouraged unemployed are people no longer seeking a job or who have not begun looking because they do not know how to, because they think there are no jobs available locally or in their field, because they feel they are too young or too old for employers, because they believe they do not have the education, training, qualifications or experience required, or because they have other personal difficulties.
- 320,000 people (compared with 240,000 in 1990) who want to work but are unable to seek work because of their circumstances. Over and above those defined as discouraged, there are people who call themselves unemployed because they want to work but their circumstances – health problems, family problems or their national service obligations – temporarily prevent them from seeking a job.
- 470,000 people (compared with 550,000 in 1990) have withdrawn from the working population as a result of early retirement schemes. They can, in a way, be considered unemployed people who are paid not to seek employment.
- Finally, the number of people who lack secure employment is estimated at close to 1 million, if not more; of these, 660,000 have a full-time temporary job.

There is some overlap among the above-mentioned categories. For example, CES fall under the categories of forced part-time employment, atypical contracts and involuntary lack of security. As a result, "double counting" must be eliminated before the number of people affected by "employment difficulties" in France can be accurately assessed. DARES, the CGP and INSEE have studied the question and arrived at the following conclusions (see Table 5).

In total, *close to 7 million people are currently experiencing employment difficulties in France,* in other

1 *Contrat emploi solidarité· le paradoxe d'un dispositif* (Employment Solidarity Contract: the paradox of a mechanism).

Table 5: Number of people affected by employment difficulties in France*, 1996 (in 1,000s)

1. Unemployed (as defined by the ILO)		3,080
2. "Hidden" unemployment		820
of which:		
jobseekers in training schemes	350	
early retirees	470	
3. No job search		560
of which:		
the "discouraged" unemployed	240	
those unable to seek a job	320	
4. Involuntary shorter hours		1,570
of which:		
involuntary part-time	1,360	
involuntary shorter full-time	210	
5. Other forms of lack of security (temporary work, fixed-term contracts, etc.)		660
Total	6,690	

* Statistically, "hidden" unemployment and the lack of job search, or 1.4 million people, are normally classified as inactiv, while involuntary shorter working hours and other forms of work that lack security, or 2.2 million people, are classified as employed.

Sources: DARES, INSEE, CGP.

words, more than 30% of the French working population, whereas the official statistics only take approximately 3 million jobseekers into account.

In light of this analysis, it is easier to understand the plethora of public policies introduced to combat the exponential growth in the number of people experiencing employment difficulties. It should also be pointed out, however, that these very policies, with their financial incentives, have helped to weaken employment security (forced part-time, etc.). Moreover, these employment policies tend to overlap, making them increasingly opaque and nullifying their effects because of their growing complexity; this is so despite systematic assessment procedures. Measures are maintained even when they have been shown to be ineffective; what, then, is the point of assessing them?

New measures introduced by the Jospin government over the past few months do not indicate any particular effort to streamline these policies. The unexpected election of the socialists to a majority in the National Assembly forced the new government to make hasty decisions in order to fulfil its political responsibilities.

Today, France suffers from a regrettable absence of any serious examination of its employment policy, particularly given that the results achieved so far have not been very good. In addition, the analyses that have been made have not led to concrete policy decisions.

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IRL Ireland

Conceptual aspects and data sources

It seems appropriate to begin this report by describing the conceptual or definitional background to the compilation of labour force statistics in Ireland, for this facilitates a better understanding of what the various figures represent. The national unemployment rate is officially published by the Irish Central Statistics Office (CSO); the Standard Unemployment Rate (SUR), which is derived from the annual series of Labour Force Surveys (LFS), is based on ILO definitions. Benchmark estimates of this indicator for April of each year are calculated from the survey, and the monthly trend in the seasonally adjusted unemployment register (Live Register) is used to estimate the monthly SUR between successive surveys.[1]

A quarterly National Household Survey, which was introduced in September 1997, has replaced the Labour Force Survey and will provide quarterly benchmark estimates of the ILO-based unemployment rate. The first estimates from this new series will be published in April 1998.

The unemployment register (Live Register) is compiled from returns made directly to the CSO by each local office of the Department of Social, Community and Family Affairs. It comprises persons under 65 years of age who are either (a) claimants for insurance-based Unemployment Benefit (UB), (b) applicants for Unemployment Assistance (UA) that is means tested and funded from general taxation or (c) other registrants, comprising mainly applicants for credited social insurance contribu-

1 However, this approach was temporarily suspended following the rapid decline in the Live Register after September 1996, for it was clear that this decrease did not reflect underlying economic trends. It resulted primarily from more intensive investigation of claims and the application of sanctions, which resulted in significant numbers of persons leaving the Register who otherwise would not necessarily have done so. The calculation of the monthly SUR series was resumed in October 1997. A linear interpolation estimation approach has been used to compile retrospective estimates of the SUR between April 1996 and April 1997.

tions. The Live Register is thus essentially a count of claimants falling within the scope of certain social welfare programmes and is not regarded as an appropriate indicator of the level of unemployment. While for the most part it can be used as a short-time trend indicator, it is not reliable when viewed in this context over extended periods, because of the influence of changes in administrative rules and operational practices. Up to the mid-1980s, the unemployment level as indicated from the register and survey sources were broadly similar, but since then there has been a growing divergence, as the register-based figure has increased at a much more rapid pace. By April 1997, the most recent point in time for which a direct comparison is possible, the Live Register total was 256,000, compared with an LFS-based unemployment estimate of 159,000 – a difference of 97,000 (or 60%, when the survey-based total is used as a base).

No single factor can explain the increasing gap, but the following are likely to have had a significant impact on the Live Register and to have contributed to the divergence:

- equality legislation in the mid-1980s, which increased the number of women entitled to sign on the register without any change in their labour force status;
- the introduction of signing on the register as an eligibility requirement for subsequent participation in employment or training schemes;
- the increasing number of part-time and occasional workers who are registered in respect of days when they are not employed;
- changes in the rules and practices in relation to means testing, etc.

Unemployment trends

General unemployment trends

Tables 1 and 2 show the trend of employment and unemployment in Ireland on an annual (mid-April) basis, according to ILO definitions for the period from 1983 to 1997. Table 2, which contains unemployment rates, illustrates the various cyclical variations in economic conditions over this period. The unemployment rate reached a very high point in the mid-1980s – over 17% in 1986 – and then declined again later in that decade as economic circumstances improved. The re-emergence of global recession prompted another deterioration in the early 1990s (the unemployment rate rose again to nearly 16% in 1993), but the sustained economic growth of recent years has given rise to a marked improvement in the overall unemployment situation. The rate had fallen to 10.3% by April 1997 (the most recent Labour Force Survey figure), and further trend estimates (compiled as described above) indicate that it had declined further on a seasonally adjusted basis to 9.7% by January 1998. These are the lowest unemployment rates recorded in Ireland since the 1970s.

The pace of job growth in the Irish economy since 1993 would suggest that the fall in the unemployment rate should have been even greater. However, continuing labour force growth, due both to underlying demographic pressures and to rising labour force participation among women, restricted the degree to which the unemployment rate could be lowered.

The figures indicate a changing gender pattern of unemployment over the period in question. Throughout the 1980s, the female unemployment rate was somewhat higher than that for males, but since the beginning of the current economic upturn, the position appears to have become more or less equal. At the most recent point for which a gender subdivision is available (April

Table 1: Labour force aggregates, 1983–1997 (in 1,000s)

Year	At work	Unemployed	Labour force
1983	1,144.1	180.7	1,324.8
1984	1,122.2	204.2	1,326.4
1985	1,099.2	221.5	1,320.7
1986	1,095.0	226.4	1,321.4
1987	1,107.6	225.4	1,333.0
1988	1,111.7	217.3	1,329.0
1989	1,113.2	197.3	1,310.5
1990	1,151.6	174.5	1,326.1
1991	1,147.3	197.8	1,345.1
1992	1,165.2	206.7	1,371.9
1993	1,183.1	220.0	1,403.1
1994	1,220.5	211.1	1,431.6
1995	1,281.7	177.5	1,459.2
1996	1,328.4	178.9	1,507.3
1997	1,380.1	159.1	1,539.2

Table 2: Unemployment rates (ILO), 1983–1997 (in %)

Year	Men	Women	Total
1983	13.2	14.5	13.6
1984	15.0	16.3	15.4
1985	16.1	18.1	16.8
1986	16.4	18.6	17.1
1987	16.6	17.6	16.9
1988	15.9	17.2	16.4
1989	14.8	15.5	15.1
1990	12.7	14.0	13.2
1991	14.2	15.6	14.7
1992	15.0	15.2	15.1
1993	15.6	15.8	15.7
1994	14.7	14.8	14.7
1995	12.1	12.2	12.2
1996	11.9	11.9	11.9
1997	10.4	10.3	10.3

1997), the estimates indicate very little difference between the unemployment rates for men and women (just under 10.5% in each case).

Long-term unemployment

Table 3 provides information on the trend in long-term unemployment (LTU). To some degree, this trend parallels the variations in overall unemployment. LTU reached very high levels in the mid-1980s (more than 150,000, or 67% of total unemployment in 1987), but decreased noticeably during the brief economic upturn later in that decade. However, it resumed its upward trend in the period up to 1994. Since then, however, total LTU has fallen significantly, from 128,000 in 1994 to just over 86,000 in 1997 (or from 61% to 54% when expressed in relation to total unemployment). Some, but not all, of the reduction in long-term unemployment in recent years can be attributed to greater numbers accommodated on government-funded employment creation schemes, especially in the period from 1993 to 1995, when the number of participants in these measures increased by about 15,000 (see next section).

Table 3 also contains some crude estimates of the relative outflow from unemployment over successive twelve-month periods. These indicators, given in the final column of the table, were derived by deducting the LTU stock total in year t from the total unemployment in year (t–1) and expressing this as a percentage of the latter figure. Because the derived balance represents the number from the original unemployed stock who left unemployment during the twelve-month span in question, it does not take into account persons who entered and left unemployment within the time span concerned. Nevertheless, an inspection of the relevant data reveals some interesting trends. The ratios in question, which are shown in the final column of the table, show that in 1996/1997, over half of those who were unemployed at the beginning of that period left that state (i.e. did not become LTU) over the subsequent twelve-month period. This compares with corresponding proportions of about 40% during the early 1990s and with ratios as low as one third during the first half of the 1980s.

Underemployment: Persons otherwise attached to the labour force

This section briefly considers the question of underemployment and the position of persons, who, while not fully employed or unemployed in a conventional sense, retain an attachment to the labour market. Three groups, all of which can be regarded as significant in terms of numbers in the Irish labour market, are considered. These are persons on short-time or part-time work, discouraged workers and participants in active labour market programmes (ALMPs).

Persons working short-time or part-time

Basically, this category covers persons in employment whose weekly working hours are significantly less than normal hours. In the context of the registered unemployed, one can distinguish two broad types: (a) those who work shorter hours on a systematic or regular basis, and (b) persons who likewise work shorter hours, but not according to a regular pattern. The latter may alternate between reduced working hours, full-time employment and possibly even total unemployment.

There are data available that provide an indication of the size of the first group. As part of the Irish unemployment compensation system, regular data on what are termed "systematic short-time workers" are compiled and published. These persons (who are not included in the unemployment register count) may, for example, be employed for three or four days per week and receive benefits for the remaining days. This type of arrangement, which is designed to cater for temporary downturns in the level of business activity, is usually organised on an enterprise basis. The number of persons involved is not large. The most recent total available, for January 1998, involves just over 4,500, and even in periods of economic difficulty (such as in the early 1990s), the total was only of the order of about 6,000, or less than 0.5% of the labour force.

The second group of persons referred to, those who do not adhere to any regular pattern of reduced working hours, is more difficult to quantify. It is known, however, that the un-

Table 3: Trends in long-term unemployment (LTU), 1983–1997

Year	Unemployed (1,000s)	LTU (1,000s)	LTU share (%)	Proportion leaving LTU (%)
1983	180.7	67.0	37.1	–
1984	204.2	96.0	47.0	46.9
1985	221.5	145.0	65.5	29.0
1986	226.4	148.0	65.4	33.2
1987	225.4	152.0	67.4	32.9
1988	217.3	142.2	65.4	36.9
1989	197.3	126.9	64.3	41.6
1990	174.5	109.4	62.7	44.6
1991	197.8	117.9	59.6	32.4
1992	206.7	116.5	56.4	41.1
1993	220.0	125.4	57.0	39.3
1994	211.1	128.3	60.8	41.7
1995	177.5	103.3	58.2	51.1
1996	178.9	103.3	57.7	41.8
1997	159.1	86.3	54.2	51.8

Note: The figures relate to mid-April.

Sources: Central Statistics Office, Annual Series of Labour Force Surveys.

employment register now contains a significant and increasing number of part-time and occasional workers who are allowed to sign the register and receive benefits for the days when they are not employed. No regular statistical series are available, but the total number is reckoned to be in the region of 25,000.

It is clear that there is a considerable overlap, both in conceptual and quantitative terms, between the two groups described and the wider category of "part-time" worker, as conventionally understood. One can therefore obtain a global and more comprehensive picture of the extent of the broad phenomena under discussion by briefly considering the estimates of part-time participation in the work force derived from Labour Force Survey estimates.

Table 4 provides information on the incidence of part-time working in Ireland from this source over the period from 1983 to 1997. Just over 12% of those in work in 1997 were engaged on a part-time basis (170,000 out of a total of 1.380 million) – a relatively low figure by European standards. The proportion was much higher in the case of women, at over 23%, but it was as low as 5.5% for men. However, the incidence of part-time work in Ireland has been growing. It was only 6.7% in 1983, increased slowly during the 1980s, but rose rapidly, from 8% to 12%, between 1990 and 1995. While the share of part-time work undertaken has not changed materially in recent years, the number of part-timers in employment has continued to rise – but in parallel with an equally rapid increase in the number of persons in full-time work.

It is important to understand that the great majority of persons who work part-time in Ireland do so by choice. Only just over 8% of women who were working part-time in 1997 were underemployed, that is, indicated that they wished to work full-time. The corresponding proportion for men was much higher, at more than 25%, but this must be seen against the fact that very few men are engaged on a part-time basis in the first place. In terms of time spent on the job, a part-time worker in Ireland works on average less than half of the hours of a full-time worker. Estimates from the 1997 Labour Force Survey indicate that the average usual working-week hours for a full-time worker amounted to 43.3, compared with 18.3 hours for persons engaged on a part-time basis.

Table 4: Proportion of persons working part-time, 1983–1997 (in %)

Year	Men	Women	Total
1983	2.7	15.3	6.7
1984	2.4	13.4	5.8
1985	2.3	14.7	6.2
1986	2.5	13.5	6.0
1987	3.0	15.4	7.0
1988	3.6	16.5	7.8
1989	3.0	16.1	7.4
1990	3.3	17.0	8.0
1991	3.5	17.4	8.3
1992	3.8	18.2	9.0
1993	4.8	21.1	10.8
1994	5.1	21.6	11.2
1995	5.4	22.9	12.0
1996	5.0	21.7	11.4
1997	5.4	23.1	12.3

Sources: Central Statistics Office, Annual Series of Labour Force Series.

In investigating the relevance of part-time work for underemployment, it is of interest to use the U6 indicator as published regularly by the U.S. Bureau of Labor Statistics in presenting data on unemployment rates. Basically, this statistic is designed to take account of the effects of part-time participation in the labour force and includes aggregates relating to involuntary part-time work and those seeking part-time work.[2]

Table 5 shows this indicator for Ireland for the period from 1983–1997, distinguishing males and females. For the most recent year indicated (1997), this rate indicates a somewhat higher rate of unemployment than that given by the conventional ILO-based rate. The divergence in that year was 0.7 percentage points, i.e. 11.0% as against 10.3% of the labour force. The difference was somewhat greater (just over 1 percentage point) between 1993 and 1995, but it was much smaller (of the order of 0.3 percentage points) during the 1980s, especially at the end of that decade. The degree of variation between the two indicators, even for recent years, is not unduly large when compared with other countries. Basically, the growing divergence over the years is a reflection of the rising incidence of part-time work.

The difference between the U6 rate and the conventional rate is consistently greater for males, largely because the additional component relating to involuntary part-time work engaged in by males (which is added to the numerator) is of some significance in absolute terms. For females, the differences between the

2 The U6 calculation involves applying a reduction (by a factor of a half) to the numbers seeking part-time work; however, the numerator also includes half of the numbers of those working part-time on an involuntary basis (i.e. they wish to obtain full-time work). The denominator for this rate is the total labour force, less half the part-time labour force. The rationale behind this formulation is that involuntary part-time workers should be counted as at least partially unemployed; similarly, unemployed persons seeking only part-time work should be given half the weight of unemployed persons seeking full-time jobs, because their employed counterparts work on average about half of a full work week.
A more detailed account of this and other related unemployment indicators is given in an article by Constance Sorrentino, "International Comparisons of Unemployment Indicators" in the March 1993 issue of the *BLS Monthly Labor Review*.

Table 5: U6 (part-time) unemployment indicators, 1983–1997 (in %)			
Year	Men	Women	Total
1983	13.8	14.3	13.9
1984	15.3	16.0	15.5
1985	16.5	18.1	17.0
1986	16.9	18.1	17.3
1987	17.2	17.5	17.3
1988	16.7	17.5	16.9
1989	15.4	15.6	15.5
1990	13.3	14.0	13.5
1991	14.9	15.7	15.1
1992	15.8	15.5	15.7
1993	16.5	16.7	16.6
1994	15.7	15.5	15.6
1995	13.2	12.8	13.0
1996	12.6	12.2	12.5
1997	11.1	10.8	11.0
Note: The basis of computation for the U6 indicator shown in Table 5 is given in footnote 2.			
Sources: Central Statistics Office, Annual Series of Labour Force Series.			

two indicators are much smaller, because the various adjustments made to the original standard rate tend to offset one another.

Discouraged workers

A further element of labour force attachment relates to "discouraged workers". This category of worker is defined in the Labour Force Survey as persons who are without work, who want a job, but who are not looking for work because they believe their search will be unsuccessful. Their responses to the survey indicate that they are discouraged from seeking a job either because they believe that they do not have the necessary education or skills, that they are too young or too old, or that no work is available, or because they have looked for employment but were unsuccessful.

Labour force estimates for 1996 indicate that there were about 11,000 discouraged workers in Ireland in that year, i.e. 0.7% of the total labour force.[3] The corresponding unemployment total at that time was just over 159,000, or 12.1% of the work force. The discouraged worker total tends to involve a somewhat greater number of women (about 6,000 in 1996). However, since the female labour force is smaller in size than the male labour force, discouraged workers account for a somewhat higher proportion of the total female work force: 1.0%, compared with 0.5% for men.

The number of discouraged workers in Ireland is thus relatively small and has not changed materially over the years. The number was about 13,000 in the late 1980s; it increased somewhat to nearly 16,000 in the early 1990s, before declining again in recent years. Because the workforce has been expanding continuously during this time, the relative importance of discouraged workers has been declining.

Participation in active labour market programmes (ALMPs)

The numbers of participants in ALMPs has increased substantially in virtually all EU countries in recent decades, to the point where it is necessary to take the level of participation in these measures into account when analysing the labour market situation, especially in regard to unemployment. However, in so doing, it is necessary to view such participation in "stock" or "point-in-time" terms in order to make valid comparisons with contemporaneous employment and unemployment totals, for these are compiled on this basis. Unfortunately, volume measures of ALMP activity generally tend to be expressed in terms of inflows or outflows of participants (for these data are easier to extract), and the compilation of stock figures, where it is possible, usually requires some degree of estimation.

Table 6 shows participant levels (both stocks and inflows) in ALMPs in Ireland in 1993 and 1996. As indicated in the note to the table, the stock data have been partially estimated and should be regarded as in-

3 This total does not include those not looking for work.

Table 6: Numbers of participants in active labour market programmes (in 1,000s)				
	1993		1996	
Programme	Stock	Inflow	Stock	Inflow
Special youth measures	6	7	6	10
Apprenticeships, etc.	17	8	10	9
Training for the unemployed	9	21	10	24
Training for the employed	7	42	7	38
Employment subsidies	10	9	25	22
Direct job creation	22	28	40	55
Total	71	115	98	158
Notes: Some of the stock figures shown in the above table have been estimated by the author on the basis of the relationship between stock and flow aggregates for comparable programmes. These figures should, therefore, be regarded as providing only approximate estimates. The inflow data are broadly comparable with corresponding figures published annually in the *OECD Employment Outlook*. The stock figures relate to end-year.				
Sources: Department of Enterprise, Trade and Employment, Dublin; J.J. Sexton (1995): "Measuring the Extent and Impact of Manpower Schemes". In: *Monitoring Flexible Employment Patterns: The Implications for Statistics*. EU Employment Observatory, SYSDEM Papers 11.				

dicating only general orders of magnitude. The estimated number of persons on ALMPs in Ireland at end-1996 was 98,000, of which 40,000 (just over 40%) were engaged in direct employment creation projects. Virtually all of the latter were involved in "Community Employment", a large programme which provides publicly funded part-time work with elements of training and other manpower supports. The next largest category was "employment subsidies" (25,000), a major element of which is the Back To Work Allowance (BTW) run by the Department of Social, Community and Family Affairs. This scheme involves the retention, on a decreasing basis, over three years of a proportion of unemployment benefit by previously long-term unemployed persons undergoing training. Some 17,000 persons were engaged in training activities (both on and off-the-job) at end-1996, and a similar number were accommodated on youth measures (including apprenticeships). The number of persons accommodated on ALMPs increased very substantially between 1993 and 1996 (from just over 70,000 to 98,000 in stock terms), mainly due to a significant expansion in employment subsidy projects and direct job creation.

A point of particular interest in relation to active labour market programmes relates to the direct or immediate effects that these can have on unemployment totals, that is, the extent to which unemployment would be higher in the absence of such measures.[4] Some of the activities involved, such as training for those already at work and apprenticeships, are not of particular relevance in this regard, for these measures are an intrinsic part of normal labour market activities. Even in the case of training measures for the unemployed, the position is far from clear-cut, for some degree of purely economic training for such clients would always be pursued in an economy, and it is not appropriate to consider that all persons on such measures would be otherwise unemployed. In any case, not all of the participants on these measures come from the ranks of the unemployed.

Turning to employment subsidies, as numerous studies in the economic literature indicate high levels of deadweight and displacement associated with these schemes, it is probable that only a minority proportion of the estimated number of participants would be unemployed in the absence of such support. However, the position is rather different regarding special youth measures and direct employment creation activities. As these measures tend to be targeted closely at disadvantaged groups with poor employment prospects, it is therefore likely that a significant majority of the participants in these programmes (estimated at some 46,000 in 1996) would otherwise be unemployed or outside the labour force.[5]

It is difficult, therefore, to form an overall judgement as to the direct global impact of the level of participation in ALMPs on the unemployment total. Nevertheless, taking all aspects into consideration, the level of participation in ALMPs in 1996 would suggest that the unemployment figure would be higher by approximately 45,000 in the absence of such measures. This is a substantial figure when one recalls that the 1996 unemployment total was 180,000. If unemployment were viewed in this wider context, the incidence of underemployment would be 14.8% of the labour force, compared with 11.9% when computed on a more conventional ILO basis.

Assessment and summary

The summary analysis given earlier in this report indicates how the labour market situation in Ireland has improved dramatically in recent years, after a long period characterised by poor levels of job creation, rising unemployment and high emigration. Employment has increased rapidly since 1993, and even though the unemployment rate has not been reduced to the same relative degree because of continuing labour force growth, substantial progress has been made in bringing about a decrease in the number of persons out of work. More significant, the seemingly intractable problem of long-term unemployment is now being alleviated. The more recent decreases in LTU achieved since 1995 must, to some degree, indicate an outflow to employment, as the capacity of publicly funded job-creation programmes designed to aid the long-term unemployed was not expanded during this period.

Short-time or part-time working are not particularly extensive in Ireland when compared with other EU countries, but they have been growing. As in other EU countries, the incidence of part-time work is much higher in the female labour force. However, the great majority of those involved work part-time by choice, so that the question of underemployment, i.e. involuntary part-time work, does not arise to any significant extent. The phenomenon of "discouragement" – those who have given up job-search for various reasons – is not substantial in Ireland, and the data available, although tentative, suggest that it has declined in recent years.

There is a high level of participation in active labour market programmes in Ireland.[6] The "stock" level of participation in 1996 was nearly 100,000, although not all of these persons would necessarily be

4 In a longer-term context, account should be taken of the positive employment impact of ALMPs in enhancing skills, employability, etc.

5 It is likely, however, in view of the significant improvement that has occurred in the Irish labour market in recent years, that greater numbers from this group would now find employment of their own accord in the normal labour market. It should be noted in this context that the post-programme placement rates associated with the measures in question have increased significantly since economic conditions began to improve in 1993.

6 The annual gross inflow to these programmes, when taken as a proportion of the total labour force, is nearly 11%, which is relatively high by international standards, especially in the wider OECD area.

unemployed in the absence of such measures. While this level of participation may have been justified in the light of previous labour market difficulties, the prospects for continued economic and employment growth raise questions as to whether the numbers accommodated on these measures should be maintained at their current high levels. While a significant measure of support will continue to be needed in order to assist the remaining long-term unemployed and others suffering exclusion from the labour market, one would expect that the levels of growth that are forecast for the Irish economy for the coming years will result in some further amelioration of both economic and social problems through the process of integration into the normal labour market.

Jerry Sexton

Italy

Introduction

In Italy, there are two basic sources of labour market data that may be used to derive information on unemployment trends: the first is the Labour Force Survey and the second is the Labour Ministry data based on registrations at employment offices for unemployment and related benefits. Since the introduction of collective redundancies (mid-1991), the Labour Ministry also produces a time series on laid-off workers placed in mobility lists.

The Labour Force Survey is considered the most reliable source of information on unemployment rates and other labour market variables, whereas data from placement offices are considered less useful as a measure of unemployment, because they are based on administrative records of people registering in order to claim unemployment and other social benefits and applying for vacancies on offer at such offices. Usually these statistics indicate higher levels of unemployment than Labour Force Surveys because some people register for reasons other than searching for a job.

The main drawbacks of the Labour Force Survey relate to the frequent changes in definitions and in survey methodologies that have provoked many discontinuities in the time series since the late 1970s. The latest change occurred in 1992, when the standardised Eurostat definition of unemployment and population of working age was introduced, together with a change in the questionnaire, in order to obtain additional information (Casavola & Sestito 1994; Bodo, Casavola & Gavosto 1996). In 1992, the definition of unemployment was restricted to those persons actively searching in the last 30 days and immediately available for work, whereas previously those persons with search activities in the last six months for the private sector and in the last two years for the pub-

Table 1: Standard unemployment rates, 1993–1997

		1993	of which: unemployed for more than 12 months	1997	of which: unemployed for more than 12 months
Total		10.2	59.7	12.3	68.2
By sex	Men	7.6	58.1	9.5	68.2
	Women	14.8	61.1	16.8	68.1
By territorial area	North	6.2	45.3	6.6	53.0
	Centre	8.7	59.0	10.2	67.7
	South	17.5	67.7	22.2	75.2
By age	15–24	30.4	58.8	33.5	65.2
	25–34	12.2	65.2*	15.5	71.5*
	35–54	4.3	n. a.	5.8	n. a.
	55–64	2.5	n. a.	4.2	n. a.
	65 and over	1.7	n. a.	2.1	n. a.
By educational level	Elementary school	7.6	57.9	10.7	65.9
	Lower secondary school	11.6	61.1	13.3	68.9
	Higher secondary school	12.0	44.9	13.7	69.6
	3-year college degree *(Laurea breve)*	11.8	n. a.	11.5	63.2
	University degree *(Laurea)*	5.1	53.4	7.5	64.7

* 25–29 years old.

Source: ISTAT: quarterly Labour Force Survey.

lic sector were also considered as unemployed. In addition, the population of working age was restricted to people at least 15 years old (previously 14 years). This change in definitions reduced the unemployment rate by about 3 percentage points.

Since the October 1992 revision, national LFS unemployment data are very similar to those presented by the OECD as "standardised unemployment rates", for the Eurostat definition of the unemployed follows the ILO/OECD guidelines.

Standard unemployment rates

National rates

Labour force data showed 2.8 million unemployed people actively searching for jobs in 1997 (according to the Eurostat definition), equivalent to 12.3% of the Italian labour force.

As shown in Table 1, unemployment rates display very marked territorial and gender/age disparities in Italy, which reflect greater segmentation of the labour market and larger disparities in the labour market protection of different components of the labour force than in other European countries (see Trends No. 28).

- In 1997, the gap between unemployment rates in northern and southern Italy was 15.6 percentage points. This gap has been widening since the late 1980s. Unemployment differentials are also high among bordering regions and provinces, as a result of a very low level of labour mobility.
- The gender gap in unemployment (7.3 percentage points, but with peaks of 13.1 percentage points in southern Italy) is the second highest in Europe (after Spain), and women account for 52% of total unemployment.
- The age gap is the highest in Europe (almost 29 percentage points between youth and adult unemployment rates in 1997), with unemployment heavily concentrated among young people. In 1997, 60% of the unemployed were under 30 years of age; the highest unemployment rate is found among young women in southern Italy (56.8%). The unemployment rate for adult males is, on the other hand, very low throughout Italy, although in southern Italy it is higher than in the rest of the country. Unlike in some other European countries, the unemployment rate of older people is very low in Italy, mainly due to generous retirement provisions and early retirement schemes.
- The low rate of unemployment of adults and the high unemployment rates for young people help to explain the low level of unemployment among low-skilled workers in Italy and the relatively high level of unemployment among highly educated people (Rossi 1997). Educational levels do not make much difference for youth unemployment: it is only after 35 years of age that it is possible to find the expected negative relation between educational level and unemployment. Since the 1980s, however, the increase in the unemployment rate of adults with low educational levels has been more rapid than that of educated adults (Reyneri 1997).
- Data on *unemployment trends* (Table 2) show a continuous increase in unemployment rates since the mid-1970s[1]. However, while in the period between the late 1970s and early 1990s the growth in unemployment was the product of a sharp increase in labour supply (due mainly to increases in female participation rates), which was not compensated by the growth in employment, in the 1990s it was mainly due to a sharp decline in employment. Participation rates actually declined, especially for young and older men, because of discouragement effects, and this restricted the rise

1 The break in the Labour Force series in October 1992, which is due to changes in definitions, prevents detailed comparison of the two periods.

Table 2: Long-term variation of some labour market indicators: 1977–1992 and 1993–1997

		North/Centre	South	Total
a) *Employment rate*				
1977–	Men	–0.9	–2.3	–1.5
1992	Women	6.0	1.4	4.2
	Total	2.7	–0.3	1.4
1993–	Men	–2.3	–3.8	–2.9
1997*	Women	0.8	–1.2	–0.8
	Total	–0.7	–2.6	–1.3
b) *Activity rate*				
1977–	Men	–0.5	2.3	0.4
1992	Women	7.2	5.7	6.5
	Total	3.4	4.1	3.5
1993–	Men	–1.9	–1.7	–1.8
1997*	Women	1.3	0.2	0.9
	Total	–0.3	–0.6	–0.2
c) *Unemployment rate*				
1977–	Men	0.7	8.3	3.5
1992	Women	1.2	12.5	4.8
	Total	1.3	10.3	4.4
1993–	Men	0.8	4.4	1.9
1997*	Women	1.1	5.2	4.7
	Total	1.0	4.7	2.1

* New series.

Source: ISTAT: quarterly Labour Force Survey.

in unemployment. It has been estimated (Cnel 1997) that the effects of discouragement during the 1993–94 recession led to an outflow of about 200,000 people from the labour force.

From 1993 to 1997, unemployment increased by 470,000 (+20%), affecting all components of unemployment. Contrary to what occurred in previous recessions, the number of workers laid off rose rapidly, and so did the number of the unemployed with previous employment (+22%) and adult unemployment (its share of total unemployment increased from 33.9% to 39.7%). First-time jobseekers, however, continue to represent the largest single group among the unemployed in 1997 (43.7%).

The deterioration of unemployment was particularly acute in southern Italy, where the unemployment rate increased from 17.5% in 1993 to 22.2% in 1997. In northern and central Italy, on the other hand, unemployment rates have remained stable since 1996 at 6.6% and 10.2%, respectively due to the decline in the number of young jobseekers.

Long-term unemployment and labour market flows

Italy has the highest incidence of *long-term unemployment* of all the industrialised countries (accounting for 68.2% of total unemployment). Here again, territorial and gender/age disparities are evident. The long-term unemployed are concentrated in southern Italy, among women and first-time jobseekers. The incidence of long-term unemployment on total unemployment has risen from 59.7% in 1993 to 68.2% in 1997, evidence of the worsening conditions of the stock of the unemployed, despite the rapid improvement in economic conditions since the recovery of 1994. The share of long-term unemployment has been increasing even more quickly in relative terms for people with previous employment, first-time jobseekers still suffer the highest share of long-term unemployment (at 80% of the unemployed in this category).

International comparative data (OECD 1993) show that Italy has *one of the lowest rates of inflow into unemployment, but also one of the lowest rates of outflow.* Inflow into unemployment is much higher for young people (51% of total inflows in 1991, compared with only 11% of workers aged at least 45).

Recent ISTAT estimates based on LFS panel data (April 1993–April 1996) show that outflow rates from employment are about 5 percentage points lower than the EU average. The probability of leaving a dependent employment position is on average equivalent to 12% on a yearly interval and 5% on a quarterly period. One year after leaving a job,

Table 3: Probability of losing previous job by labour market condition, three months and a year after the first survey (in %)

	After 3 months				After 1 year			
	Other employment	Unemployment	Out of labour force	Total	Other employment	Unemployment	Out of labour force	Total
By sex								
Men	1.7	1.5	1.7	4.9	5.0	2.0	4.9	11.9
Women	1.1	1.4	2.9	5.4	4.7	2.4	5.6	12.7
By age								
15–24 years	3.6	4.0	3.4	10.9	9.8	5.9	7.5	23.2
25–29 years	1.9	2.2	1.0	5.1	6.4	2.5	2.2	11.1
30–39 years	1.3	1.6	1.3	4.3	5.2	2.1	2.1	9.4
40–49 years	0.7	0.9	0.9	2.5	2.6	1.5	2.6	6.8
50–54 years	0.1	0.4	2.4	2.9	1.9	2.1	13.4	17.4
55 years and more	0.7	0.9	7.3	8.9	1.5	1.5	23.5	26.5
By educational level								
University degree	1.0	0.8	–	1.8	3.7	1.3	2.9	8.0
Secondary school	1.5	1.2	1.3	4.0	4.9	1.9	3.2	10.0
Compulsory school	1.7	2.2	2.1	6.0	5.8	3.2	5.0	14.0
Without education	1.1	2.0	3.2	6.3	3.7	2.7	10.2	16.5
By territorial area								
North-West	1.2	0.9	2.0	4.1	4.4	1.7	5.6	11.8
North-East	2.0	1.9	1.8	5.7	7.0	2.3	6.0	15.4
Centre	1.3	1.1	1.8	4.2	4.3	2.1	5.3	11.7
South	1.6	3.7	2.2	7.5	4.4	4.9	4.5	13.8
Total	1.5	1.8	2.0	5.2	5.0	2.6	5.4	13.0

Source: ISTAT (1997, Table 3.12, p. 143).

40% have left the labour force and 42% have obtained another job. Women, the very young, older workers and low-skilled workers have higher probabilities of losing their jobs and record fewer direct passages to other jobs (Table 3). Women and older workers exhibit a higher probability of leaving the labour force than men (2.9% relative to 1.7%), but such outflows appear to be temporary ones. Other estimates by ISTAT (1997) based on flow data show that first-time jobseekers are still much less likely to find employment than unemployed persons with previous work experience (only 20% are employed after one year, compared with 40% of the adult unemployed) and that their expected unemployment duration is significantly higher (more than 2 years). In addition, more than half of the first-time jobseekers that exit from first-time unemployment after one year do so by leaving the labour force or by reducing their search intensity. Gender and education appear to be important discriminatory factors in the chances of young people finding permanent jobs: males have a higher probability of finding permanent jobs than females, and young people with university degrees are twice as likely to find permanent jobs than young people with only compulsory education. In addition, disadvantaged segments of the labour force are more likely to find fixed-term or precarious jobs (Table 4). Family background is also an important factor determining the probability to find a job: recent studies show that in Italy, upward social mobility is much less common than in other European countries (Checchi 1996).

Another important conclusion derived by recent analysis of longitudinal data from the LFS (Favro-Paris, Genari & Oneto 1996) is that the duration of unemployment spells, when corrected for distortions due to incorrect or incomplete answers (linked to imprecision and multiple-response effects in individuals' retrospective answers) and uncompleted spells is much shorter than the average duration derived from past spells: the average duration of corrected completed spells is 16.7 months versus the 26.5 months derived from past spells. Also, the duration of spells ending in employment (13 months) is much shorter than that of spells ending in outflows from the labour force (19 months on average).

Assessment: different definitions of unemployment

Italian researchers have long wondered why such high levels of unemployment, especially in the South and among the young, have not created problems of social conflict and unrest as in other European countries (see, for example, the recent French experience).

Recent studies based on detailed labour force data discuss this issue and have provided a clearer picture of the nature of Italian unemployment (Faini, Galli & Rossi 1996; Reyneri 1997; ISTAT 1997; Cnel 1997). They conclude that it is the concentration of unemployment among young people and women that reduces the social pressure of high unemployment rates in Italy. Almost 80% of the unemployed are living with their families as dependents (either children or spouses), while only 20% are heads of family. In addition, irregular work often provides a supplementary income to the unemployed, given the size of the black economy in Italy (see Trends No. 28)[2].

Labour Force Survey data show that a large share of the unemployed are not willing to accept jobs located in other areas (40% in 1997), and reservation wages appear to be at the level of current wages for blue-collars workers with a work-training contract. For young educated people, reservation wages appear to be higher in

2 For this same reason, in Italy, contrary to other European countries, unemployment is not strongly linked to poverty. Unemployment and poverty are strictly related only in the case of unemployed heads of family, although unemployment does undoubtedly raise the risk of poverty.

Table 4: Labour market conditions of young first-time jobseekers one year after the first survey (in %)

	Permanent employment	Temporary employment	Jobseekers	Potential jobseekers	Out of labour force
By sex					
Men	13.9	6.0	56.6	11.8	11.8
Women	11.4	8.9	55.8	14.2	9.7
By educational level					
University degree	20.1	9.4	52.4	11.6	6.4
Secondary school	14.2	7.4	54.9	12.6	10.9
Professional qualification	11.6	9.2	47.6	18.5	13.1
Middle school *(scuola media)*	11.0	6.6	58.3	12.6	11.5
Primary school	6.6	6.6	64.8	13.1	8.9
By territorial area					
North	26.0	12.4	38.9	10.6	12.1
Centre	18.8	9.7	46.8	14.4	10.2
South-West	5.1	3.9	64.9	16.0	10.1
South-East	9.5	6.9	58.7	12.1	12.8
Islands	6.9	5.0	68.4	9.9	9.8
By desired working time					
Only full-time	13.6	7.5	53.8	14.0	11.2
Only part-time	15.6	13.5	47.0	12.6	11.3
Either	9.8	5.6	65.1	9.8	9.6

Source: ISTAT (1997, Table 3.19, p. 157).

southern than in northern Italy. This has been explained with a "waiting unemployment" theory, according to which southern unemployed youth, especially the highly educated, wait for a good job in the public sector, instead of accepting less secure jobs in the private sector (Bodo & Sestito 1991). Waiting is possible thanks to family support and irregular jobs. These factors may also explain the low mobility rate of unemployed young people in the South.

Other information coming from the Labour Force Survey shows that a large share of the unemployed are looking only for full-time jobs (31.6%), and that search activities are usually limited to registering with the public placement services (47.5%); only 13% of the unemployed pursue more than three types of search activity. Placement services are not very effective in finding jobs, however, as they are mainly bureaucratic structures, and most unemployed find a job through family and friendship networks.

Considering the different preferences and attitudes observed among the unemployed, it is possible to estimate different unemployment rates that reflect the different degrees of strictness in the definition of unemployment (Table 5). Stricter definitions of unemployment, which consider only unemployed people particularly active in job-search or people that do not impose restrictions in accepting jobs, would reduce unemployment rates from 12.3% to 2.8% on average. Territorial differences would remain considerable, but the unemployment rate in southern Italy would decline from the high level of 21.9% to 6.4%. Northern and central Italy would experience full employment on this strict definition.

The large disparities in unemployment rates between the North and the South are linked to the low level of mobility of the Italian labour force due to widespread family welfare systems for secondary components of the labour force (young people and women) and to the possibility of earning an income in the irregular economy. Both aspects are related to institutional and regulatory patterns that foster low mobility: employment protection norms and the practice of central wage determination, together with factors such as the high costs of mobility in a situation where geographical differences in living costs are particularly high, a non-competitive housing market and a transportation system that is not well developed.

Table 5: Measures of unemployment rates and nonemployment, 1997 (in %)

	North/ Centre	South	Total
U rate (Eurostat definition)	7.6	22.2	12.3
Recomputed U (a)	7.4	21.9	12.0
1, Stricter definitions of *unemployment*			
– U without people with a reservation wage > 1.5 million ITL	5.5	13.0	7.9
– U without people who will not accept a job out of their town	4.9	13.4	7.6
– U without people who perform only one type of job-search activity	4.8	10.7	6.6
– U considering only people who will accept any kind of labour contract	2.5	8.8	4.5
– U considering only people who will accept any kind of working time	1.6	5.9	3.0
– U considering only people willing to work everywhere	1.1	6.4	2.8
2, Larger definitions of *unemployment*			
– U (b)	9.5	28.6	15.9
– U (c)	16.2	37.8	23.7
– U (d)	18.0	39.0	25.1

Source: ISTAT: quarterly Labour Force Survey, 1997.

The role of increased housing and living cost differentials in constraining geographical mobility is documented by Cannari et al. (1997), who estimate that, ceteris paribus, if the North-South housing price differential were the same as in the mid-1970s, South-North labour mobility would increase by 17%.

It is important also to underline that in the last three years, against the background of worsening conditions in the labour market, the number of unemployed people in southern Italy willing to move to other areas in order to find a job has been increasing (from 54.5% of the unemployed in southern Italy to 60.6%), and there has been a decrease in the number of those not willing to accept atypical forms of working contracts (from 64.4% to 58.6%).

Underemployment and nonemployment

A completely different picture emerges if we consider the grey area of nonemployment and underemployment which stands between employment-unemployment and non-participation in the labour market, due to discouragement or constraints on jobs that would be accepted. A summary measure of the extent of this area is given by the employment rate, which is very low in Italy: in 1997, only 47% of the working-age population was employed according to labour force data; this percentage was even lower for women (34%) and in southern Italy (33.9%). Discouragement, short-time work and hidden unemployment (especially in the agricultural and service sectors) are particularly relevant, while participation in active labour market programmes is less relevant, due to the low activation of such programmes in Italy, at least until recently. It is difficult to measure this

Table 6a: Hours of CIG and equivalent workers, 1993–1997 (monthly average on annual basis, in thousands)

Year	Ordinary hours	Extraordinary hours	Total	Equivalent workers
1993	20,025.125	21,406.305	41,431.430	243.985
1994	9,971.004	21,147.255	31,118.259	185.042
1995	4,824.947	17,263.778	22,088.725	132.702
1996	6,813.747	10,682.635	17,496.382	103.304
1997	5,686.124	9,117.242	14,803.366	87.720

Source: INPS.

Table 6b: People on early retirement schemes and with invalidity pensions by period of entry (dependent workers' providential fund)

Period of entry	Early retirement schemes	Invalidity schemes
Before 1970	56	533,645
1970–1974	116	656,063
1975–1979	175	477,011
1980–1984	109,574	311,373
1985–1989	189,944	97,955
1990–1995	87,946	126,345
1996	6,843	34,692
Total	394,654	2,237,084

Source: INPS.

Table 6c: People involved in some active labour market programmes, 1997, and expected employment from the "Treu package", 1998

	Workers involved in 1997	Estimation for 1998
a) Socially useful (or public utility) jobs	about 150,000	about 100,000
b) Youth entrepreneurship (Law 44/86)	29,818 (in 923 new firms)	n. a.
c) Honour loan *(prestito d'onore)*	173	about 6,000
d) Women entrepreneurship (Law 215/92)	Not applied yet	about 2,400 demands
e) Vocational training	319,500*	n. a.
Measures in "Treu package"		
f) Job stages *(borse lavoro)*		65,248
g) Territorial pacts		6,984
h) Area contracts		about 2,000

* 1996 ISFOL estimate.

Source: Ministry of Labour (1997).

area in more detail, due to lack of data and difficulties in comparing these with labour force statistics[3].

A first indication of the dimension of this area comes from the extended definition of unemployment that was used in Italy up to 1992 (Table 5). This definition includes people willing to work, but not intensively searching for a job. In this case, the unemployment rate rises to 15.9%, with almost 3.8 million unemployed. Women represent 58% of these persons, and a higher percentage than in the stricter definition of unemployment is composed of "other people searching for a job", who are mainly students and housewives willing to accept jobs only under specific conditions. If we add to this number those people out of the labour force, but willing to accept a job under certain conditions, the "underemployment" rate would reach 23.7%, with more than 6 million "underemployed" people. Finally, if we also include underemployed people on short-time compensation schemes (CIG) and people on early retirement schemes (assuming that the latter are not included in the inactives available for jobs under certain conditions), the non-employment rate would reach 25.1%. This measure may still be too low[4], because it does not consider other underemployed people, such as part-time workers and fixed-term workers willing to work full time and/or on permanent contracts (respectively, 37% and 49.5% in 1996).

Table 6 presents estimates of participants in labour market programmes that do not involve long-term employment contracts in the private sector (e. g. socially useful jobs in the public sector, measures to support self-employment and business start-ups, work experience, territorial pacts and area contracts) and estimates of people on short-time work, early retirement and invalidity benefits. The total number of participants in such measures amounted to about 700,000 in 1996. Short-time work (CIGS) and early retirement schemes were widely used during the

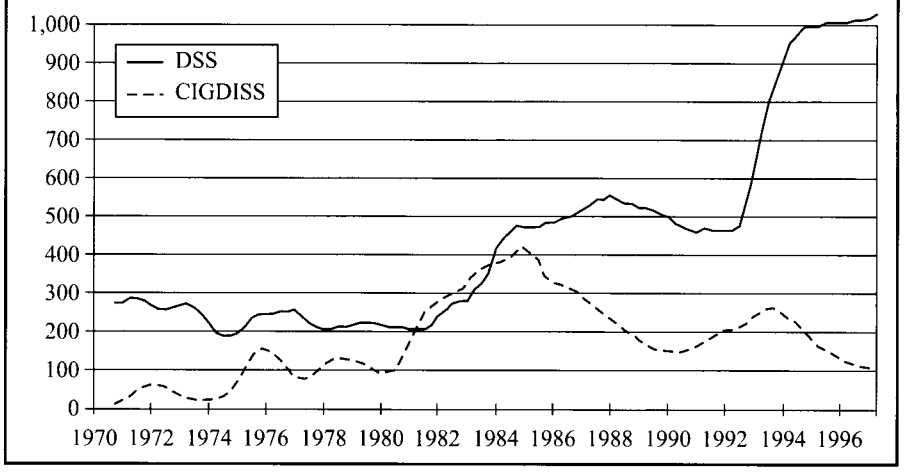
3 Available data are very scarce, especially data relating to participation in labour market programmes. Information on participants in labour market programmes comes from many administrative sources, which often are difficult to access and to compare. For example, data on people on short-time compensation programmes (CIG) or unemployment benefits must be estimated from information relating to total expenditure and hours/days, months subsidised. Only some active labour market programmes provide data on participants (e. g. socially useful jobs and work-training contracts), but these are discontinuous and difficult to access. There are very few data available on participants in training courses and other labour market programmes that are not the responsibility of the national authorities (Isfol 1996).

4 We are assuming that irregular employment is counted correctly by Labour Force Statistics as employment. There is a debate in Italy on the capacity of Labour Force Surveys to correctly detect any form of employment, and evidence is still blurred (Rossi 1997). A recent study by Censis (1996) argues that irregular workers are counted by Labour Force Surveys mainly as not in the labour force and, to a lesser extent, as unemployed.

1980s in order to limit the rise in open unemployment: a reduction of 532,000 units in industrial employment translated into an increase of "only" 253,000 unemployed with previous employment experience. On the other hand, in that period, the use of CIGS was equivalent to about 220,000 workers at zero hours (i.e. "unemployed") on average per year. An additional 32,000 workers have been involved on average in early retirement schemes each year; alongside France, Italy is the country that has used this measure most. Unlike in other countries, in Italy, early retirement schemes have been used in order to ease the social consequences of employment reduction in the industrial sector, without increasing the stock of the unemployed. Invalidity pensions were used with the same aim, especially in southern Italy: in the 1980–89 period, according to the State General Accounting Office, the number of persons officially recognised as disabled rose from 400,000 to 1 million. Recent surveys by the Ministry of the Budget show that about one third of disability pensions goes to noneligible persons.

In the 1990s, increasing budget constraints and a reform of collective redundancies have reduced the use of CIGS and early retirement schemes, while they have increased the use of mobility benefits, solidarity contracts (which were widely funded in 1993–94) and temporary work initiatives. In the 1991–97 period, "only" an annual average of 130,000 equivalent workers was involved in CIGS or in early retirement schemes. On the other hand, the number of workers laid off under mobility procedures has risen rapidly, reaching 210,000 workers by the end of 1996. Accordingly, the number of unemployed with previous employment has increased dramatically (Figure 1).

Figure 1: Unemployed with previous employment (DSS) and equivalent workers in CIG (GIGDISS) in industrial firms, 1970–1997 (quarterly annual averages)



Conclusions

We can conclude that, in Italy, unemployment only results in severe social disadvantage for a relatively limited number of the unemployed. But the extension of youth and female unemployment and of underemployment/nonemployment is a major problem in terms of the underutilisation of available human resources, and one which may affect the long-run growth capacity of the Italian economy, especially of southern Italy.

It is also important to underline the lack of an adequate database for the analysis of labour market flows and, particularly, for analysis of the grey area between participation and nonparticipation in the labour market and participation in labour market programmes.

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Luxembourg

Introduction

In this report, we attempt to gain additional insights into Luxembourg's unemployment situation by calculating alternative unemployment rates for the period between 1985 and 1996, so as to take account of varying degrees of labour market attachment. For this purpose, we will use national administrative data wherever possible.

Most of the data are taken from an article entitled "Public aid to employment and unemployment", published in an economic report for 1995 by Statec, the official statistical office.

Standard unemployment rates

Standardised rates and national rates

In this section, we discuss the standardised rates and the national unemployment rates. The *standardised rates* published by the OECD, Eurostat and the ILO are in broad agreement in the case of Luxembourg for the period between 1985 and 1996. The rates declined from 3.0% in 1985 to 1.5% in 1989/1991. After this period, they rose gradually to 3.3% in 1996. More details are given in Table 1.

The *national unemployment rates*, as calculated by Statec, are based on the number of non-filled job demands, as published by the public employment service (*Administration de l'emploi* – ADEM). These rates are generally lower than those of Eurostat and the OECD, which are based on labour force surveys. Generally, survey respondents are more likely to consider themselves to be "searching for a job" than is the case for persons registered in the offices of ADEM; this is especially true of "housewives", for example. Table 1 shows that the unemployment rates rose from 1.7% in 1985 to 3.3% in 1996. The lowest unemployment rate was reported in 1990.

Long-term unemployment

As Table 2 indicates, the proportion of long-term unemployed among jobseekers has grown from 10% in 1986 to 15% in 1996.

The 1993 report from the Ministry of Labour describes the long-term unemployed as a stock of unemployed for whom it is particularly difficult to find a job for several reasons: their health, their age and/or the social problems they face.

When we calculate the long-term unemployment rates for the period 1986–1996 (see Table 3), a constant rise from 0.2% to 0.5% emerges.

Flow characteristics

No data have been found concerning movements into or out of unemployment in Luxembourg.

Assessment

The development of both the standardised unemployment rates and the national rates shows a clear overall increase in unemployment since 1985. In both cases, the lowest point occurred around 1990. The main difference between the two rates lies in the fact that the national rates are generally much lower than the standardised ones.

We also calculated the long-term unemployment rates for the period 1985–1996. Although this rate is very low in comparison with other countries, it doubled over the 10-year period.

Broader unemployment rates including persons with different degrees of labour market attachment

Part-time unemployment

In what follows, we will initially measure the full-time unemployment rate[1] (taking into account only full-time workers/unemployed), and then measure another rate encompassing persons working part-time for economic reasons[2]. In contrast with the other data in this report, those in Table 4 are based on labour force surveys (Eurostat), because no national administrative data on part-time work could be obtained.

A comparison between the two rates reveals a maximum difference of 0.1 percentage points. This is due to the low number of part-time unemployed, which can be partially explained by the fact that the regime of part-time unemployment exists only in certain well-defined sectors. The system was introduced in 1975 in order to prevent lay-offs for economic reasons.

Discouraged workers

No information could be obtained concerning the characteristics of discouraged workers in Luxembourg.

Labour market policy measures

In Table 5, we examine participation trends in labour market policy meas-

1 Full-time unemployment rate: (full-time) unemployed, as a percentage of full-time workers plus (full-time) unemployed.

2 Rate allowing for persons working part-time for economic reasons: (full-time) unemployed plus half of the persons working part-time for economic reasons, as a percentage of full-time workers plus half of the persons working part-time voluntarily plus (full-time) nonworking jobseekers plus half of the persons working part-time for economic reasons.

Table 1: Standardised unemployment rates and national unemployment rates

Year	Standardised unemployment rate (%)	National unemployment rates		
		Jobseekers (DENS*)	National employment	Official unemployment rate (%)
1985	3.0	2,588	151,490	1.7
1986	2.7	2,290	153,360	1.5
1987	2.4	2,660	155,340	1.7
1988	1.9	2,483	157,270	1.5
1989	1.5	2,269	159,630	1.4
1990	1.6	2,060	161,870	1.3
1991	1.5	2,298	164,160	1.4
1992	2.0	2,734	164,470	1.6
1993	2.3	3,526	164,020	2.1
1994	3.5	4,643	165,320	2.7
1995	2.9	5,130	166,520	3.0
1996	3.3	5,680	167,930	3.3

* DENS = *demandes d'emploi non satisfaites*

Sources: For the standardised unemployment rates: OECD, ILO and Eurostat; for the national unemployment rates: Statec.

Table 2: Long-term unemployed as a share of unemployment

	Long-term unemployed	Unemployed	Share (in %)
1986 (January)	280	2,804	10.0
1987 (January)	296	2,844	10.4
1988 (January)	445	2,928	15.2
1989 (January)	551	2,510	22.0
1990 (January)	419	2,471	17.0
1991 (January)	560	2,531	22.1
1992 (January)	614	2,836	21.7
1993 (end of December)	760	4,294	17.7
1994 (mid-December)	686	5,076	13.5
1995 (mid-December)	824	5,383	15.3
1996 (30 November)	946	6,369	14.9

Source: Ministère du Travail et de l'Emploi.

Table 3: Long-term unemployment rate

Year	Long-term unemployed	Labour force	Share (in %)
1986	280	155,650	0.2
1987	296	158,000	0.2
1988	445	159,753	0.3
1989	551	161,899	0.3
1990	419	163,930	0.3
1991	560	166,458	0.3
1992	614	167,204	0.4
1993	760	167,546	0.5
1994	686	169,963	0.4
1995	824	171,650	0.5
1996	946	173,610	0.5

Source. Ministère du Travail et de l'Emploi.

ures. The following three measures were identified:

- The reconversion plans. Since the crisis in the steel industry, the government and the social partners have created instruments to combat the lay-offs. There are two possibilities: either workers are retrained in order to reconvert them to other sectors, or they are employed in jobs of public interest. This reconversion plan consists of two concrete programmes: the "anti-crisis division" (*division anticrise* – DAC) and the so-called "alternative model to partial unemployment".
- The temporary auxiliaries division (*division d'auxiliaires temporaires* – DAT): Workers younger than 30, without a job and temporarily employed (for a maximum period of two years) in the public administration or in institutions of public interest.
- Apprenticeships, as preparation for school-leavers for finding a job in the regular labour market.

The number of participants in labour market policy measures increased from 700 in 1986 to 1,400 in 1996, despite a reduction in the number of participants in the reconversion plan.

Early retirement, disability and social assistance schemes

Early exit schemes were introduced in 1978. There are two kinds of schemes. The first – and most important – is the so-called "early retirement adjustment". The system was created in order to "adjust" the structural labour market surpluses. It permits employees aged 57 or above – who fulfil certain conditions – to leave the labour market. The second scheme is called "early retirement for shift work". The system was created for workers who have worked for 20 years in shift work or at night. In contrast to the early retirement adjustment, no additional conditions are imposed. As is shown in Table 6, participant numbers have remained fairly stable, at around 1,400.

The number of persons receiving a disability pension increased constantly from 14,000 in 1985 to 21,000 in 1996. More details are provided in Table 6. A partial explanation for the growth in the number of persons with a disability pension lies in the replacement of the criterion of general disability by the criterion of occupational disability for manual workers in July 1987: the number of disability pensions for manual workers increased immediately from 1,600 to 2,400.

Table 4: Full-time unemployment rates and rates allowing for persons working part-time for economic reasons

	Employees (absolute)		Unemployed (absolute)		Full-time unemployment rate (in %)	Rate encompassing persons working part-time (in %)
	Full-time	Part-time	Full-time	Part-time		
1985	137,000	11,000	2,588	128	1.9	1.8
1986	139,000	10,000	2,290	47	1.6	1.6
1987	143,000	11,000	2,660	66	1.8	1.8
1988	142,000	10,000	2,483	12	1.7	1.7
1989	143,000	11,000	2,269	8	1.6	1.5
1990	146,000	11,000	2,060	42	1.4	1.4
1991	148,000	12,000	2,298	48	1.5	1.5
1992	153,000	11,000	2,734	167	1.8	1.7
1993	153,000	12,000	3,526	116	2.3	2.2
1994	151,000	13,000	4,643	23	3.0	2.9
1995	151,000	13,000	5,130	39	3.3	3.2
1996	152,000	13,000	5,680	113	3.6	3.5

Sources: Eurostat and Statec.

Table 5: Participants in labour market policy measures

	Reconversion plan	Temporary auxiliaries	Apprenticeships	Total
1985	633	127	243	1,003
1986	369	134	204	707
1987	440	132	246	818
1988	273	171	160	604
1989	129	200	147	476
1990	101	380	146	627
1991	91	371	195	657
1992	283	433	153	869
1993	650	432	163	1,245
1994	600	467	272	1,339
1995	171	558	353	1,082
1996	144	762	490	1,396

Source: Statec.

Table 6: Participants in early retirement schemes, persons receiving disability pensions and recipients of guaranteed minimum income

	Early retirement schemes	Disability pensions	Recipients of guaranteed minimum income
1985	1,567	13,722	–
1986	1,467	–	3,800
1987	1,235	–	4,800
1988	1,284	–	5,100
1989	1,738	–	5,900
1990	2,378	16,480	6,200
1991	1,450	16,708	6,300
1992	1,425	17,447	6,300
1993	1,459	18,258	7,700
1994	1,427	19,155	7,500
1995	1,421	19,989	7,600
1996	1,352	20,941	8,000

Sources: Statec (early retirement schemes) and Ministère de la Sécurité sociale (invalidity pensions and guaranteed minimum income).

The number of persons receiving a *guaranteed minimum income* has also grown constantly, rising from 4,000 to 8,000 over a period of ten years (see Table 6). The guaranteed minimum income is a mixture of social assistance and social aid, and is paid by the national solidarity fund or by the pension fund. About two-thirds of the beneficiaries receive payments from the national solidarity fund. Many of these beneficiaries are non-insured jobseekers, who are not necessarily included in the official category of unemployed jobseekers. Of course, not all of the persons receiving a guaranteed minimum income should be considered as hidden unemployed, for the category also includes a small number of people pursuing a professional activity. On the other hand, there are also overlaps with other categories mentioned in this report. For instance, it is possible that people receiving an invalidity pension also draw a guaranteed minimum income.

Assessment

When we add the groups discussed in this section to the original group of unemployed, we obtain the alternative underemployment rates given in Table 7.

The development of the alternative underemployment rate is profoundly different from the other ones (e.g. the national rate), because it exhibits no low point around 1990. On the contrary, between 1985 and 1992, the rate rose by four percentage points. This is due in particular to the high increases in the categories of social assistance and disability schemes (between 1985 and 1990) as well as of pre-retirement programmes (in 1989 and 1990).

Conclusion

An overview of the different rates discussed in this report is given in Table 8.

The national rates, along with the full-time unemployment rates and the rates encompassing persons working part-time for economic reasons, indicate a growth of unemployment by 1.7 percentage points between 1985 and 1996. All three of them also situate the lowest point in 1990.

Table 7: Alternative underemployment rates

Year	Alternative forms of underemployment						Employment	Alternative underemployment rate (in %)
	Jobseekers	Labour market policy measures	Early retirement schemes	Invalidity pensions	People receiving a guaranteed minimum income	Total		
1985	2,588	1,003	1,567	13,722	–	18,880	151,490	11.1
1986	2,290	707	1,467	–	3,800	–	153,360	–
1987	2,660	818	1,235	–	4,800	–	155,340	–
1988	2,483	604	1,284	–	5,100	–	157,270	–
1989	2,269	476	1,738	–	5,900	–	159,630	–
1990	2,060	627	2,378	16,480	6,200	27,745	161,870	14.6
1991	2,298	657	1,450	16,708	6,300	27,413	164,160	14.3
1992	2,734	869	1,425	17,447	6,300	28,775	164,470	14.9
1993	3,526	1,245	1,459	18,258	7,700	32,188	164,020	16.4
1994	4,643	1,339	1,427	19,155	7,500	34,064	165,320	17.1
1995	5,130	1,082	1,421	19,989	7,600	35,222	166,520	17.5
1996	5,680	1,396	1,352	20,941	8,000	37,369	167,930	18.2

Table 8: Six different measures of underemployment

Year	Standardised rate	National rate	Long-term unemployment rate	Full-time unemployment rate	Rate encompassing persons working part-time	Alternative underemployment rate
1985	3.0	1.7	–	1.9	1.8	11.1
1986	2.7	1.5	0.2	1.6	1.6	–
1987	2.4	1.7	0.2	1.8	1.8	–
1988	1.9	1.5	0.3	1.7	1.7	–
1989	1.5	1.4	0.3	1.6	1.5	–
1990	1.6	1.3	0.3	1.4	1.4	14.6
1991	1.5	1.4	0.3	1.5	1.5	14.3
1992	2.0	1.6	0.4	1.8	1.7	14.9
1993	2.3	2.1	0.5	2.3	2.2	16.4
1994	3.5	2.7	0.4	3.0	2.9	17.1
1995	2.9	3.0	0.5	3.3	3.2	17.5
1996	3.3	3.3	0.5	3.6	3.5	18.2

The standardised rates are initially higher than the national rates (1.3 points higher in 1985), but the differences fade away by 1996. This is because the standardised rates show an increase of unemployment of only 0.3 points in the period considered.

The rate with the highest growth between 1985 and 1996 is the alternative underemployment rate. This is especially due to the strong increases in participation in the disability and social assistance schemes (53% and 110%, respectively).

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Netherlands

Introduction

In the Netherlands, several unemployment figures are calculated and published on a regular basis by Statistics Netherlands – CBS, the Dutch national statistics office. They all have in common that they use a different definition of the labour force than that recommended by the ILO and adopted by the other EU Member States.

The importance of paid employment for a person is one of the central notions in the Dutch definition of the labour force. Hence, only people working or wanting to work for 12 hours or more are considered to belong to the active population. The limit in this respect (12 hours) was based on an analysis of the relationship between the actual working hours of respondents, on the one hand, and their answers to the question of what constitutes their main activity (work, student, pensioner, housekeeping, etc.), on the other hand.

The choice of this definition was made during the revision of the labour force survey that came into force in 1992. Previously, the definition had been extremely broad, encompassing anyone who worked, wanted to work or even should be looking for work according to law (in particular, recipients of unemployment benefits).

Of course, such changes are not without consequences for the unemployment figure. Introducing the 12-hour limit was estimated to have led to a statistical reduction of the employed labour force by approximately 11%: 695,000 persons in 1990. The estimated reduction of the unemployed labour force amounted to almost 40%: 130,000 persons in 1990. According to these calculations, the unemployment rate for 1990 fell by one percentage point as a result of these statistical changes (see Bierings et al. 1991 for a history of the Dutch labour force survey). In 1996, amongst the 3.8 million people who were not considered part of the labour force, 4% (171,000 persons) considered themselves "paid working" and 3% (118,000) "unemployed". The remainder predominantly stated "student" or "housewife" as their social status.

Until 1989, registered unemployment was taken to be the number of unemployed jobseekers registered at the Public Employment Service (PES). File pollution and the fact that entirely different figures on unemployment were circulating led the Ministry of Social Affairs and Employment to ask the CBS to calculate the figure of registered unemployment, combining their own data from the labour force survey and registration data from the public employment service. However, jobseekers were registered at the employment office as unemployed jobseekers if they were without work, but only if they were willing and able to work 20 hours or more per week. In 1994, the working-hour limit was also reduced to 12 hours per week for registration as unemployed at the employment service. On the new definition, unemployment in 1992 would have been 16% higher. This means that the registered unemployment rate increased by approximately 0.7 percentage points.

Dutch unemployment rates are discussed in more detail in the following section. A comparison is also made with the main figures on unemployment published by international bodies. Two approaches entailing a much broader concept of unemployment are described in the third section of this article. The concluding section evaluates the different unemployment figures in light of their utility for public policy-making.

Standard unemployment rates

Statistics Netherlands (CBS) compiles a number of figures on what is called the unutilised labour supply. Two of them are discussed in this section: registered unemployment and the unemployed labour force. Two others, "people wanting to work" and "recipients of unemployment benefits", will be discussed in the section on broad unemployment.

Subsequently, a comparison will be made between the Dutch figures on the unemployed labour force and the internationally standardised unemployed rates. All national data presented here have been made retrospectively comparable by the CBS.

National rates

The indicator used most commonly in the Netherlands is *registered unemployment.* It is composed at the request of the Minister of Social Affairs and Employment. This figure is calculated by combining data from the registers of the PES and from the labour force survey conducted by the CBS. The registered unemployed are people who are registered at the PES and immediately available for work (for details, see box). CBS publishes data on registered unemployment on a monthly basis.

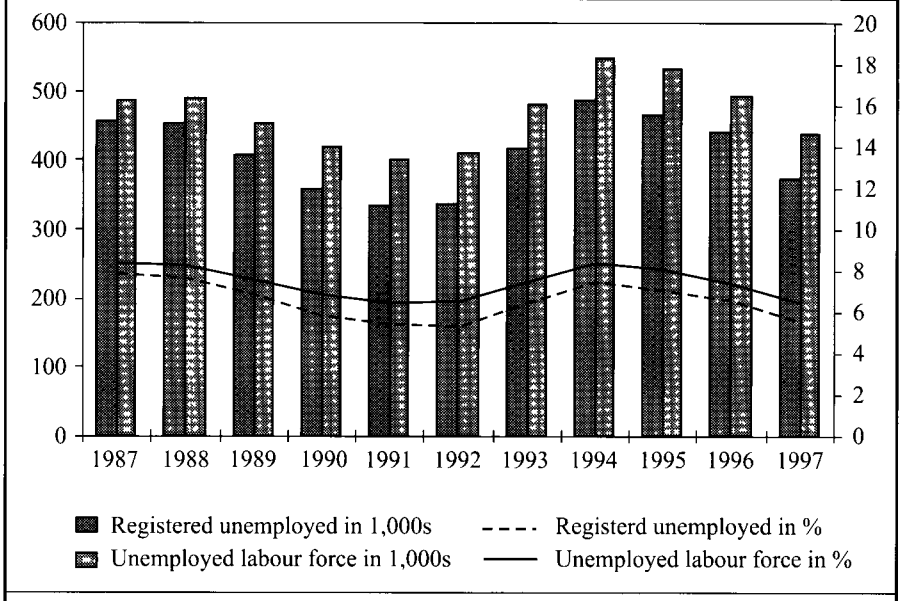
A broader definition, the *unemployed labour force,* encompasses all people of working age, available and actively looking for work and currently jobless. This figure is used by the Centraal Planbureau (CPB) for its economic analyses. These data are published annually.

Indicators of unemployment

Registered unemployment: people aged 16 up to and including 64 years of age, without a job or with a job of less than 12 hours per week, who are registered at the Public Employment Service (PES) and who are immediately available for work of at least 12 hours per week.

The unemployed labour force: people aged 15 up to and including 64 years of age, without a job or with a job of less than 12 hours per week, who are actively looking for work, and who are available for work for at least 12 hours per week. Registration at the PES is not relevant.

Figure 1: Unemployment 1987–1997, according to two national standards, absolute (x 1,000) and as % of the labour force



Sources: Data for 1987–1996: CBS: *Tijdreeksen Mens en Maatschappij*; Internet: http://statline.cbs.nl/; for 1997: supplied by CBS.

Figure 1 shows the development of unemployment according to the two above-mentioned indicators. According to both definitions, unemployment has clearly been declining in recent years. It should be noted, though, that the unemployed labour force is still higher than in 1991, although as a percentage of the total labour force it now equals the figure in that year. Also, in 1997, the increase in the number of employed was still far higher than the decrease in the number of unemployed.

As of 1995, the inflow into the working labour force has been higher than the outflow; more people found a job and fewer people stopped working. The inflow included many workers in flexible forms of employment: one out of four of 450,000 people in 1996. Amongst the outflow, 350,000 people in 1996, about one third became unemployed. Unfortunately, there are hardly any flow data on the unemployed labour force available for the Netherlands. However, in a recent, not yet published study, Den Butter and others conclude that between the early 1980s and 1995, each year more working people flowed into unemployment than the other way round.

The implications of choosing one of the two definitions for unemployment go further than Figure 1 suggests. The gap between the two definitions is not constant over time, and may differ considerably in terms of the employment situation of specific groups. For example, beginning this year, the public employment service announced that young unemployed were no longer a specific target group, because registered unemployment amongst youth – 6.2% – had reached the lowest point in ten years. Salverda (1998) of Groningen University pointed out that, according to the labour force data, the unemployment rate amongst this group still amounted to 10.1%. The reason for this large difference is that there are many people who do not register at the employment service, but who are without a job and seriously looking for a job, and this is especially common amongst young people.

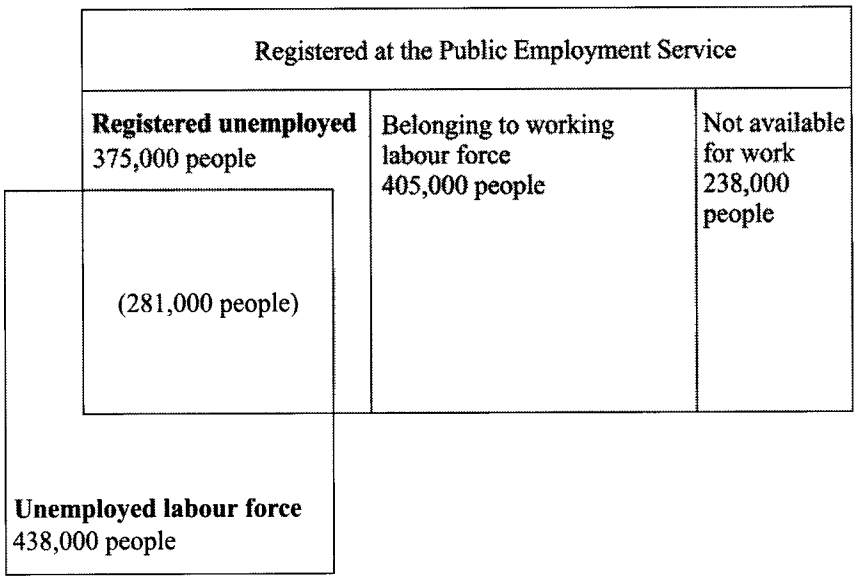
To clarify the differences between the two definitions, Figure 2 compares them with the population registered at the public employment service. Obviously, only a part of the unemployed labour force is registered at the employment service. In 1997, for instance, 36% of the unemployed labour force were not registered at the Public Employment Service. On the other hand, one quarter of the registered unemployed did not belong to the unemployed labour force. The latter relates to people who are not actively looking for work.

The registered unemployed, in turn, form only 37% of the population registered at the Public Employment Service. Forty percent are working, and 23% are not available to the labour market.

It should be noted that the target group for the activities of the PES is again defined in a different way: it includes all unemployed jobseekers (Hoffman 1997).

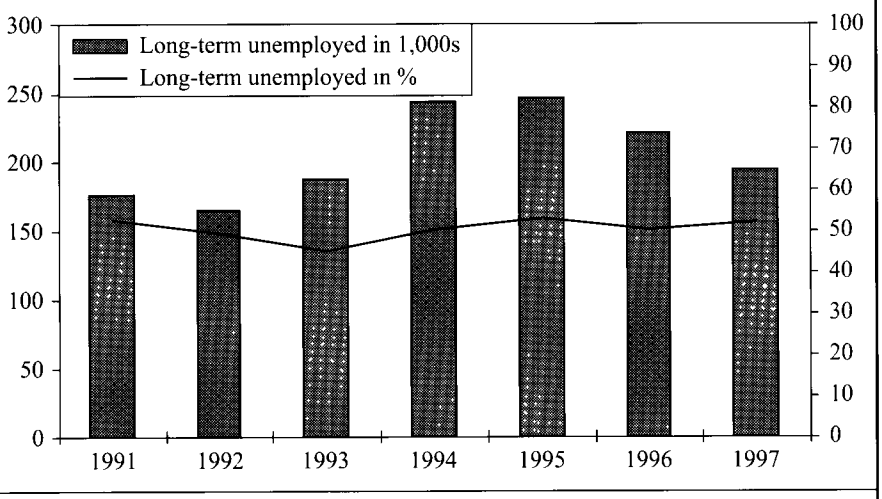
A final consideration concerns the number of long-term unemployed. Half of the registered unemployed are long-term unemployed. This percentage has changed little in recent years. Only in 1992 and 1993, when unemployment was rising, did it go down. The coming years will show whether the long-term unemployed are able to benefit from the economic recovery at the same rate as other unemployed. In absolute terms, their number has fallen: from 244,000 in 1994 to 195,000 in 1997.

Figure 2: Registration at PES, registered unemployment and unemployed labour force, 1997



Source: Data from CBS: *Sociaal-economische maandstatistiek*, 1998/2, p. 19 and p. 42.

Figure 3: Long-term (registered) unemployed (> 1 year), in absolute terms and as % of total registered unemployment, 1991–1997



Source: CBS: *Statistiek geregistreerde werkloosheid*, Persbericht, 17 February 1998.

Standardised rates

Since the last revision, the Dutch definition of the labour force has been narrower than the OECD/ILO definitions of 1982. However, it was felt at the time that comparability with other EC countries had increased, even if new differences in definitions had arisen. The design of the old Dutch labour force concept was such that it tended to measure jobs of only a few hours per week to a far greater extent than its counterparts elsewhere in Europe.

Dutch and Eurostat Labour Force Survey

Since the Dutch labour force excludes people who work or are looking for work of less than 12 hours per week, data on this group are imputed by the CBS for international purposes, in particular the Eurostat Labour Force Survey. However, this can only be done for the working labour force, since no data are available on people who are looking for a job of less than 12 hours per week. The result would seem to be, therefore, an increase of the working labour force and an accordingly lower unemployment rate. For 1996, the Eurostat unemployment rate for the Netherlands amounted to 6.4%, compared with 7.4% for the unemployed labour force in the Netherlands.

Comparison of the two figures is, however, further complicated by the fact that the data published by the CBS and Eurostat differ somewhat. Both the number of Dutch employed and unemployed published by Eurostat are lower than the figures published nationally. The reason for this is, that by international agreement, Eurostat data relate to surveys conducted in the spring. The CBS conducts the interviews for the LFS throughout the year. The calculation of the Eurostat figures on the Netherlands is based on data collected for the period January to May.

In the international definitions, there is no upper age limit for the labour force. For the Netherlands, this means that working people of this age are added to the labour force in international statistics. The effect of this – less than 1% of the labour force in 1996 – is negligible. No data are available in the Netherlands on unemployed of 65 years of age or older.

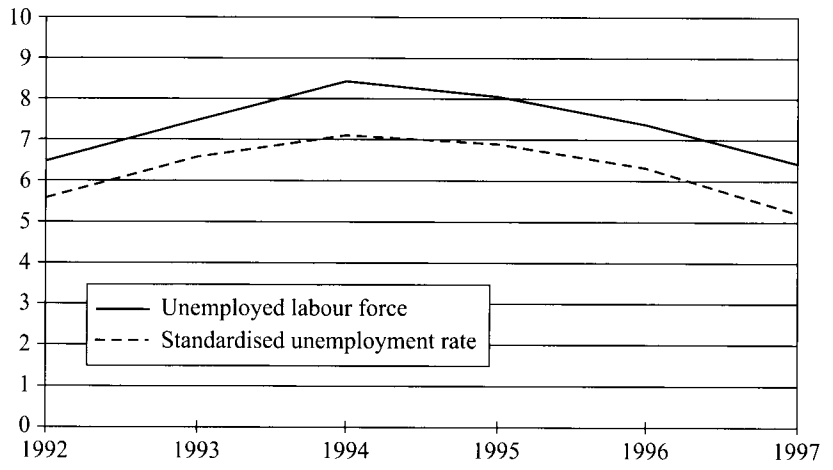
Standardised unemployment rate

Eurostat, the OECD and the ILO each publish several figures on unemployment in the Member States. The most harmonised figures, however, are the so-called standardised unemployment rates published in the OECD Employment Outlook and calculated by Eurostat. They are based on definitions adapted by the OECD and the ILO in 1982, also known as the ILO guidelines.

In Figure 4, this standardised rate is compared to the Dutch national rate of the unemployed labour force. As can be seen, the latter is consistently higher.

For the last three years, the Dutch standardised unemployment rate was lower than that of most other EU countries. Only Luxembourg, Austria and Norway had lower rates.

Figure 4: National and international – standardised – unemployment rates compared, 1992–1997 (in %)



Sources: Standardised unemployment rates: 1992–1996: *OECD Employment Outlook*, July 1997; for 1997: *OECD News Release*, 16 March 1998; Internet, http://www.oecd.org/.

Broad unemployment rates

So far, all definitions have focused on the labour force and people within this group who are unemployed according to the official definition(s). An entirely different way of looking at unemployment starts from the concept of unutilised labour supply. Two approaches to identifying the labour supply are presented in this section.

First, the total population of working age is examined with regard to the strength of their link to the labour market. The group of people who say in the labour force survey interview that they want to work is examined more closely. This approach, in essence, identifies the discouraged workers and other unemployed who would like to work but who have withdrawn from search activities for various reasons.

The second approach, taken by the OECD, is even broader, counting all recipients of social benefits of working age and taking this as a basis for the calculation of a broad unemployment rate. Participants in subsidised employment are also considered unemployed in this approach. They are counted as workers in the labour force survey.

People wanting to work

People who want to work, according to the labour force survey, are people who would like a paid job, irrespective of whether they are looking for a job, whether they are registered and whether they are immediately available. As can be seen from Table 1, in 1996, this group was more than twice as large as the official unemployed labour force.

More than one fifth of this group wants to work but cannot start at short notice, and therefore is excluded from the unemployed labour force.

Of the people that can start at short notice, only 57% had looked for work during the last four weeks and thus qualified for inclusion in the unemployed labour force. Two thirds of those who had not looked for work during the last 4 weeks also had not looked for work during the last 6 months. Almost half of them did not because they did not expect to be successful. This last group, 114,000 people in 1996, is officially called

Table 1: Persons 15–64 years of age and their link to the labour market (in 1,000s)

	1992	1993	1994	1995	1996
Working > 12 hours per week (working labour force)	5,885	5,925	5,920	6,063	6,187
Wants paid work of > 12 hours per week	974	1,070	1,179	1,137	1,117
Can start at short notice	703	810	919	894	865
Looked for work during last 4 weeks (unemployed labour force)	411	481	547	533	494
Did not look for work during last 4 weeks	292	329	372	361	371
Looked for work during last 6 months	103	107	124	123	124
Did not look during last 6 months either	189	223	248	237	247
Because of little results (discouraged workers)	87	102	114	108	114
Other reasons	102	120	134	130	133
Can not start at short notice	272	260	259	243	252
Wants paid work, but is unable to work because of disability	68	76	68	78	91
Does not want paid work for > 12 hours per week	3,190	3,104	3,048	2,952	2,855
Pensioner/early retirement	231	245	259	267	279
Total	10,349	10,420	10,473	10,498	10,529
Broad unemployment rate I	14.2	15.3	16.6	15.8	15.3
Broad unemployment rate II	17.0	18.2	19.5	18.8	18.4
Broad unemployment rate III	17.8	19.0	20.3	19.6	19.4

Notes: Broad unemployment includes: I = wanting to work, II = wanting to work + pensioners, III = wanting to work + pensioners + disabled.
Source: Enquête beroepsbevolking 1996 (Labour Force Survey 1996), Sdu/uitgeverij, Den Haag, 1997.

"discouraged workers". For the others, the reasons why they were not looking for work or not able to start at short notice are unknown.

When all of the people wanting to work 12 or more hours per week are considered unemployed, this broad unemployment rate amounts to 15% for 1996. If pensioners are also included, it increases to 18%; adding those who are unable to work, the unemployment rate rises by another percentage point.

In 1993 and 1994, all categories within the group of people wanting to work increased in comparison to the year before, except the group that could not start at short notice. In 1995, the number of people in all categories decreased, probably as a result of the recovery taking place. In 1996, the unemployed labour force again decreased substantially. There was a modest increase in the other categories, but much smaller than before. This may be a sign that the impact of the recovery is meeting its limits already for groups with no strong link to the labour market.

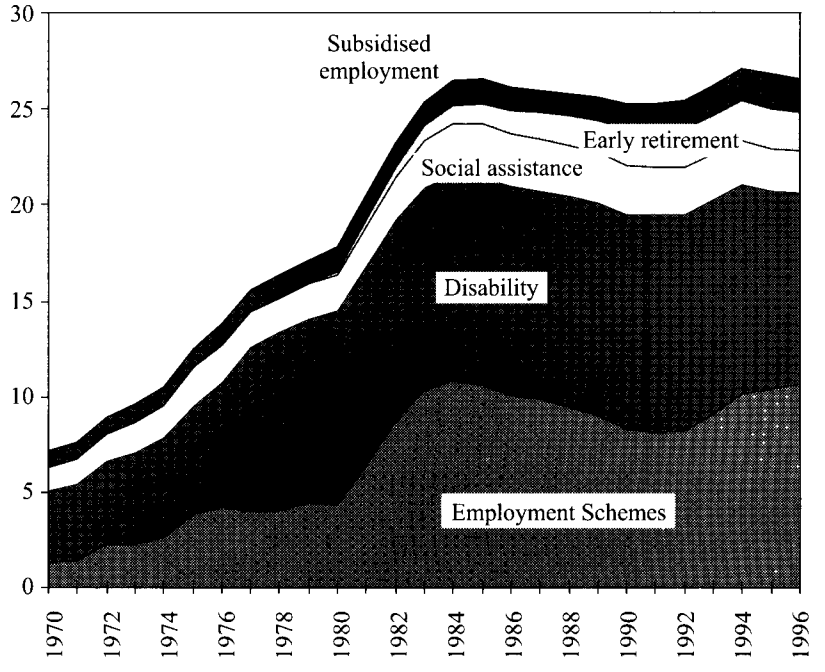
Table 1 also shows that the number of pensioners and people wanting to work but unable to do so has been increasing since 1992. These developments are studied more closely in the following section.

Recipients of benefits and subsidised employment

The second approach was developed by the OECD in the Economic Surveys for the Netherlands. According to the definition put forward by the OECD, broad unemployment in the Netherlands rose dramatically from 7% in 1970 to 27% in 1985. It then declined to 24% in 1990, rose again to 27% in 1994 and has stayed more or less at that point since.

In Figure 5, the development of broad unemployment as a percentage of the (broad) labour force is shown. All data are expressed in full-time equivalents. This is important, because overlaps exist between different benefits, the receipt of benefits and work, etc. The five categories distinguished in the figure are discussed below.

Figure 5: Broad unemployment rate according to the OECD definition (in %)



Source: Data provided by OECD.

Unemployment benefits

The strongest increase between 1970 and 1985 took place in the number of people receiving unemployment benefits. This number increased far more than, for example, the number of registered unemployed. One of the reasons for this is that certain beneficiaries of unemployment benefits are not registered at the employment service. Half of the benefit recipients not registered at the employment service consist of people older than 57.5 years of age who are not obliged to register and people with a temporary exemption from the obligation to register because they are undergoing training. In addition, people who do not qualify for benefits are less likely to register at the employment service, e.g. school-leavers or people with a partner who works, who fail to qualify for the means-tested unemployment assistance.

Unemployment benefits recipients also outnumber the unemployed labour force. This is in part because people have to want to work, be available for work and actively look for work in order to be considered unemployed under the latter definition.

Social assistance

Most of the people in receipt of social assistance who are not included under unemployment benefits are lone parents with young children. They are unemployed, but exempted from the obligation to look for work. In the Netherlands, the children's age up to which lone parents are exempted was recently brought down to 5 years, after which time lone parents are obliged to start looking for work.

Disability benefits

Typical for the Netherlands is the large number of people in receipt of disability benefits. The number of disabled persons is even higher than the number of people receiving unemployment benefits.

Reducing this number has been one of the priorities of the Dutch

government. Redefining disability and a re-examination of beneficiaries led to a substantial decrease in the number of claimants between 1993 and 1995, from 921,000 to 860,000. Since then, the effects of this large-scale operation have been largely exhausted.

Towards the end of 1996, when the large-scale re-examination process was nearing its end, some three-quarters of the disabled were judged to be 100% disabled. A vast majority of these people – almost 70% – are 45 years of age or older. For the partially disabled, reintegration activities have been intensified.

Subsidised employment

In 1969, the Sheltered Employment Act (WSW), which offers subsidised employment for disabled people came into force. In size, this is still the main form of subsidised employment with almost 90,000 participants.

Nonetheless, since 1990, several new regulations have been introduced to allow the extremely difficult-to-place unemployed to gain work experience and thus to reduce their distance to the labour market. The Youth Employment Guarantee Act (JWG) and the labour pools are included in Figure 5 (see Trends No. 28).

More recently, the so-called *Melkert jobs* named after the Minister who introduced them, were added to this regulation. They are not included in the OECD figures, probably because they were introduced in 1995 and 1996, and data were not yet available. Data on the number of participants must be provided by the municipalities, which are the executive bodies for these measures, and the data take some time to be collected. Table 2 shows their increase in 1997.

Table 2: Number of participants in the Melkert 1 and 2 regulations, 1995–1997 (in 1,000s)

	1995	1996	1997
Melkert 1	2	6	20
Melkert 2	1	4	8

Source: 1995: Folkerts (1997). 1996–1997: data provided by the Ministry of Social Affairs and Employment.

Table 3: Development of the number of beneficiaries of early retirement regulations (in 1,000s)

	1988	1989	1990	1991	1992	1993	1994	1995	1996
VUT	104	118	127	138	146	146	153	152	149
Pre-pension	*n. a.	n. a.	n. a.	n. a.	26	28	23	23	23

*No data available on pre-pension schemes before 1992.
Source: Statistics Netherlands (CBS).

The OECD data for recent years thus somewhat underestimate the importance of subsidised employment. In addition, all persons in subsidised employment are included in the working population in the Netherlands. The OECD report mistakenly assumes that this is not the case for disabled people under WSW regulations. The effect on the broad unemployment rate is, however, negligible.

Early retirement

The last category under broad unemployment are people on early retirement benefits *(VUT-uitkering)* and pre-pension schemes (military and police staff in the public sector, some specific regulations in the private sector). The OECD data again somewhat underestimate this phenomenon, because only the early retirement benefits are taken into account. Pre-pension schemes are, however, less important than early retirement benefits, as can be seen in Table 3.

Conclusion

"Nobody knows how many people are really unemployed in the Netherlands", complained a journalist of the Rotterdam Daily Newspaper in January. This is not entirely true. A wealth of figures is available, the problem is that no generally accepted definition of unemployment exists. Any definition will only make sense if the purpose of the definition(s) is first agreed upon. But even then, at some point, political choices will need to be made.

If the objective of the definition is to represent the (under)utilisation of labour as a *production factor,* a broad definition of employment is desirable. One aspect of the OECD approach could be questioned, though: the inclusion of 100% disabled people in this definition. It can be argued that, at least in theory, many of them might be able to work if proper functions, retraining, work places and working conditions adapted to their needs were or had been realised. Yet the social, economic and political reality that very few can actually be reintegrated into the labour market must also be recognised. Whereas the inflow into disability benefit schemes has decreased since the new regulations have been applied, the number of disabled finding a job has remained more or less the same (Den Butter & Kock 1997). In other words, they do not really seem to constitute a potential labour supply.

A broad unemployment definition also brings to the fore the risk of social exclusion and marginalisation, and the possible division of society associated with structural exclusion from the labour market. It reminds policymakers of the potential unemployment in subsidised labour schemes. Given the fact that their outflow into regular jobs seems to be marginal, this is by no means a trivial issue.

Data starting from the number of people wanting to work give insight into labour as a *market phenomenon.* They draw attention to the problem of groups that are in danger of not profiting from the economic recovery, such as discouraged workers.

A third aim could be to start from labour as a *social phenomenon,* that is, the importance of work for a person. The Dutch definition of the unemployed – and the employed – labour force aims to do exactly this. It disregards, however, the problem of, for example, discouraged workers for whom work may still be important, but who do not act in a way that corresponds to the definition.

An analysis of these three objectives prompted the CBS to publish several indicators of what they call the unutilised labour supply on a regular basis (Bierings et al. 1991). The figure most often quoted and used to measure the state of the labour market is registered unemployment. Yet as we have seen, this figure only provides a limited indication of the problem of unemployment.

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Austria

Introduction

Labour market analysis in Austria is based primarily on the official unemployment and employment statistics. Since Austria's accession to the EU (1995), two different concepts have been used to measure unemployment and employment. This article begins by comparing the concepts and discussing their relevance. We then proceed to attempt a classification of involuntary nonemployment and underemployment trends that can be determined from other sources than the official unemployment statistics.

Standard unemployment rates

In Austria, the national unemployment rate is calculated on the basis of the administrative statistics provided by the Labour Market Service (AMS) and the umbrella organisation of the social insurance funds *(Hauptverband der österreichischen Sozialversicherungsträger)*. The international comparative rate is calculated on the basis of household surveys *(Mikrozensus)*. The substantial difference between the two rates, amounting to around three percentage points, can be traced back to differences in definitions and different modes of data collection and calculation.

National unemployment rate

The Austrian national unemployment rate is calculated as the number of unemployed persons as a propor-

tion of the dependent labour force. All those registered with the AMS are counted as *unemployed*, irrespective of whether they are currently available to the labour market and are actively looking for work. Registrations cover all those drawing benefits (some 90% of registrations) and those persons registered as unemployed and neither in employment nor in training, even though they are not in receipt of benefit. Excluded from the definition of unemployed are those looking for a training opportunity, participants in training and those who do not register because they are not entitled to benefit (for example, women seeking re-entry to the labour market, unemployed youth and students who have dropped out of college). The *dependent labour force*, the denominator used in calculating the national unemployment rate, consists of dependent employees (according to the social insurance funds) plus the registered unemployed. The time series shows a rise in the unemployment rate during the 1990s from 5.8% (1991) to 7.1% (1997).

In addition to the current unemployment rate, an additional indicator is calculated by the authorities, which shows the proportion of the labour force affected by at least one day of unemployment during the course of the year. In 1996, this unemployment incidence indicator amounted to 21.6% (1995: 20.9%).

The extent of outflows from unemployment and the duration of unemployment spells provide information on the dynamics of labour market turnover, which is shown to be considerable. This turnover occurs even within the stock of the long-term unemployed, as is revealed by outflows from this group, which contradicts the standard picture of highly ossified, entrenched unemployment. Some of these outflows are, however, due to interruptions to a spell of unemployment, due to sickness, for instance. In 1996, this applied to as many as 70,000 outflows. On average, the number of outflows is around three times as great as the average stock of unemployment. To a considerable extent, this high degree of mobility on the unemployment register reflects the comparatively high incidence of seasonal unemployment in Austria.

Table 1: National labour market statistics

	1991	1993	1995	1997
Unemployment rate	5.8%	6.8%	6.6%	7.1%
Dependent labour force (annual average stock)	3,182,381	3,277,175	3,283,902	3,288,917
Dependent employees (annual average stock)	2,997,352	3,054,910	3,068,186	3,055,569
Unemployment (annual average stock)	185,029	222,265	215,716	233,348
Inflows into unemployment	548,780	646,996	665,950	687,656
Outflows out of unemployment	556,833	640,170	696,895	721,616
Persons affected by unemployment	606,240	680,681	686,981	720,000*

*Estimate as of November 1997, taken from: Arbeitsmarktprognose fur 1998.

Sources: AMS; Hauptverband der osterreichischen Sozialversicherungstrager.

International standardised unemployment rates

Since joining the EU in 1995, Austria has been obliged to observe the international standards for the calculation of unemployment rates. As early as 1994, evaluation of the *Mikrozensus* was changed from the "maintenance concept" to the "labour force concept". According to the maintenance concept, employees were defined as those with a standard weekly working time of at least 12 hours; the unemployed were those registered with the employment office (now the AMS). According to the labour force concept, the *unemployed* are those persons who are not in employment, are actively seeking work (not necessarily through the AMS) and are available to the labour market within two weeks. *Employees* are defined as persons performing at least one hour of paid employment per week. This means that the concept of employment was extended to encompass those in more marginal employment in terms of working hours. In addition, the self-employed are now included in the labour force for the purpose of calculating the unemployment rate.

Yet discrepancies still remain between the unemployment rates published by Eurostat and by the Austrian statistical office (ÖSTAT). This is due to differences in calculation procedures: ÖSTAT takes the average from four quarterly figures from the microcensus as the basis for calculation, whereas Eurostat extrapolates from the four quarterly figures the values for the remaining months, in order to calculate the annual average.

Apart from deviations resulting from technical matters and psychological reasons related to the surveys, the differences in the national and international unemployment rates are due to the following definitional differences (Table 3). A plus-sign (+) or a minus-sign (–) indicates,

Table 2: International standardised unemployment rates

	1995	1996	1997
Labour force	3,902,500	3,870,100	n. d.
Employment	3,758,800	3,709,800	n. d.
Unemployment	143,500	160,400	n. d.
Unemployment rate	3.9%	4.1%	4.4%*

Note: 1995 and 1996: data based on the average of microcensus data from 4 quarters.
*Extrapolation by the AMS because microcensus data were not available.

Source: Microcensus.

Table 3: Differences in the definitions of the variables used to calculate unemployment rates				
	National calculation (AMS)		International calculation *(Mikrozensus)*	
Employment	– dependent employees according to the social insurance funds	+	– dependent employees including those in marginal employment (more than 1 hour per week)	–
	– those on military/civilian service included	–	– self-employed included	–
			– those on military/civilian service included only if previously employed	+
Unemployment	– only those registered with the AMS	–	– non-registered unemployed included	+
	– includes those not actively looking for work or immediately available	+	– those registered but not actively looking for work or immediately available excluded	–
	– training-seekers and participants in training not included	–	– understatement in survey for psychological reasons	–
Labour force	3,277,800 (potential labour force)		3,709,800 (labour force)	
Unemployment	230,500		160,400	
Unemployment rate 1996	7.0%		4.1%	
Source: Bartunek (1996).				

respectively, whether an increase or a reduction in the unemployment rate is brought about, compared with the other concept.

It emerges that the unemployment rate calculated according to international standards significantly "reduces" the incidence of unemployment compared to the situation according to national criteria. If those working for just one hour per week are no longer counted as unemployed, this clearly fails to do justice to the nature of unemployment as a social problem.

Long-term unemployment

According to national definitions, the long-term unemployed are those whose spell of unemployment has exceeded 180 days. An increase in the duration of unemployment spells has been recorded in recent years, and this has been an important factor contributing to the rise in unemployment. In terms of the duration of unemployment, a significant polarisation between those experiencing short spells and the long-term unemployed can be observed. In 1996, the long-term unemployed (8th decile barrier: 190 days) accounted for 3.4 percentage points of the unemployment rate of 7.2%.

In Austria, persons who have been unemployed for a year or longer are considered to be in entrenched unemployment. In recent years, it has become apparent that age is a central risk factor for drifting into long-term unemployment.

Underemployment rates

Involuntary nonemployment or underemployment, as central components of unemployment, are not adequately covered by the two concepts for calculating the unemployment rate described above; this is due to the definitions that they employ.

Participants in active labour market policy measures

Participants in labour market policy training measures are not included in the national unemployment statistics, but are listed separately. These participants are registered with the AMS and have been placed in training measures in order to improve their chances of integration and to overcome skill deficits. In the course of the 1990s, there has been a substantial expansion of the annual average stock of training participants. The figure for 1997 amounted to 22,211. Flow data on participation in training measures are only available on the basis of the number of participants, which, due to multiple countings, cannot be equated with the number of persons.

The situation is different, however, in the case of unemployed persons in publicly subsidised employment measures. In contrast to training participants, such people are in a

Table 4: Long-term unemployment				
	1991	1993	1995	1997
	LTU as a proportion of unemployment			
180 days and over	28.3%	30.1%	30.0%	30.4%
365 days and over	15.2%	17.0%	17.5%	16.2%
	LTU outflows as a proportion of outflows			
180 days and over	14.6%	15.4%	15.8%	18.7%
365 days and over	4.2%	4.8%	5.6%	6.0%
	Average unemployment duration of outflows			
Duration	112 days	119 days	124 days	130 days

regular employment relationship, and therefore do not need to be considered in the analysis of hidden unemployment.

Part-time and marginal employment

The underemployment of part-time and marginal employees must be considered a special case of hidden unemployment. There has been a continuous increase in part-time and marginal employment as a share of total dependent employment, amounting to 15.3% in 1997[1]. Of these, 1.44 percentage points (43,357 persons) were accounted for by marginal employment (up to 11 hours per week). If, instead, the maximum income that can be earned before social insurance payments must be paid is used to define marginal employment (as the umbrella organisation of the Austrian social insurance funds does), marginal employment rises to 102,000.

The data currently available for Austria do not permit an answer to the question of the extent to which part-time employees consist of underemployed persons. As of 1998, data on this issue will be collated explicitly by the *Mikrozensus* survey.

Hidden unemployment

Those *looking for a training opportunity* are not counted as unemployed in the national unemployment rate, but are indicated separately in the statistics. One indicator of the shortfall of training opportunities is the number of young people looking for training at the end of the year. The annual average figure is usually slightly higher, as peak registrations occur in July and August. Data for recent years indicate a marked rise in the number of registered training-seekers. Since 1994, the decline in the supply of training opportunities (i.e. the demand for apprentices) has been more pronounced than the decline in the supply of apprentices. This led to a significant increase in the number of registered training-seekers at the end of the year. Moreover, given that a substantial proportion of young people looking for an apprenticeship are not registered with the AMS, this figure clearly understates the extent of the problem.

The number of people who are no longer considered to constitute part of the labour supply on the basis of transfer payments linked to unemployment has increased markedly in recent years; this group of the underemployed includes early retirees, unemployed persons on parental leave, and recipients of special emergency aid, special assistance and advance pension payments.

In 1997, on annual average figures, 36,236 recipients of the parental leave allowance *(Karenzgeld)* were not in an ongoing employment relation (parental leave without an employment contract), that is, were de facto unemployed. This group consists of women made redundant prior to entering the parental leave period or who have resigned from their employment relation. Despite this, they are not considered in calculations of the unemployment rate, either in national or international definitions.

Women (and less frequently, men) who are unable to take up employment at the end of a parental leave period due to a lack of child-care facilities are entitled to special emergency aid. In this case, too, they are not included in the national unemployment statistics. The average stock of such cases amounted to 9,292 in 1996. This figure is understated in the microcensus because they are not available for work in the short term. 1996 saw a marked decline in the number of recipients of special emergency aid compared with the first half of the 1990s; this is because entitlement now requires proof of the fact that child-care facilities are not available in the place of residence. Local authorities are reluctant to accept this, and incompatibility between working times and the opening hours of facilities is not recognised as sufficient cause.

The restrictions in recognising disability pensions are broadly in line with the current labour market situation. It is not possible, however, to quantify the incidence of hidden unemployment among recipients of disability pensions (see Finder et al. 1997).

Participation rates among the elderly in Austria are among the lowest in the world. Recent years have seen a marked increase in unemployment among the elderly. Yet in the absence of opportunities for early exit from the labour force, the extent of registered unemployment amongst the elderly would be far more serious. Examples of such opportunities include early retirement for those with many years' contribution to the social insurance funds, partial retirement, and early retirement for those with reduced work capacity and for the elderly long-term unemployed. Such cases are no longer covered by labour market statistics. In 1997, 205,985 people were drawing, on annual average figures, an early old-age pension, 21,014 of them for reasons linked to unemployment. This figure increased significantly during the 1990s, not least due to increased ease of access via the introduction of new pension models.

Other instruments of transition to early retirement (special assistance, available only until the end of 1998, and pension advances) also mean that the problem of unemployment amongst the elderly is not fully reflected in labour market statistics. In 1996, an average of 9,057 persons received special assistance, and an advance payment of pension entitlement was granted in 13,583 cases. Whereas entitlement to special assistance – which originally was introduced to cushion unemployment among the elderly in old industrial regions – can only be claimed until the end of 1998, recipients of the pension advance more than doubled between 1991 and 1997.

1 March 1997 *Microzensus*, according to the labour force concept: Standard weekly working hours = 1–35.

Discouraged workers

Discouraged unemployed workers constitute an additional group of the underemployed. An attempt was made to identify the scale of the group of discouraged workers in the microcensus survey by inserting a supplementary question to be answered by those responding negatively to the question of whether or not they were actively looking for work: Would the respondent accept employment or look for work in other conditions than those actually prevailing (e.g. labour market situation, children, etc.)? Although this does not precisely equate to discouraged workers, the group of interest here, this survey provides the only data available permitting an estimation of the order of magnitude of this group. The experience of earlier years has shown, however, that this figure seriously understates the actual dimensions involved. Numerous experiments linked to the survey have repeatedly confirmed the problem that, for psychological reasons, the survey responses understate the size of this phenomenon; this means that a proportion of those respondents reporting that they were not looking for work for personal or family reasons (March 1997: 412,776) would need to be included.

In the basis of the March 1997 microcensus, 19,533 persons were calculated to not be looking for work (status: inactive) and gave the labour market situation as the reason ("no suitable work available"). This was 38% more than in the 1995 survey.

Table 5: Dimensions of hidden unemployment

	Annual average stock data			
	1991	1993	1995	1997[1]
Training-seekers	3,091	3,975	4,244	5,855
Participants in training	12,982	13,461	15,525	22,211
Those on parental leave without maintaining an employment contract	12,171	27,715[2]	32,604	36,236[5]
Recipients of special emergency aid	14,392	14,224	16,752	9,292[1,3]
Special assistance	10,404	11,156	14,249	9,057[1]
Pension advance	6,659	9,212	11,973	13,583[1]
Early retirement for reasons of unemployment	15,010	16,854[4]	19,684	21,014
Involuntary underemployment of part-time workers	to be surveyed as of 1998			
Total	74,709	96,597	115,031	117,248

Note:

1 Depending on availability, the data refer to 1996 or 1997. Given that the aim is to gain an impression of orders or magnitude, they are considered together here; the 1996 data are indicated by means of a "1".

2 Introduction of the second year of parental leave in 1992.

3 A change has since been made: local authorities have been called upon to assume a share of the financing; proof of the unavailability of child-care facilities – which is stringently examined – is a condition of entitlement.

4 As of December 1993. The umbrella organisation of the Austrian social insurance funds did not calculate annual average stock data for 1993 because of the introduction of two new pension forms in that year (part-time pension and early old-age pension due to reduced work capacity).

5 Since then, the duration of parental leave entitlement has been reduced from two to one and a half years, unless the additional six months is taken by the second parent.

Table 6: Discouraged workers

Discouraged workers according to the microcensus

	Absolute		As a % of inactives	
	1995	1997	1995	1997
Inactives not looking for work	2,652,060	2,733,196	100	100
Of which: due to the labour market situation because "no suitable work available"	14,120	19,533	0.53	0.71

Source: Microcensus 1995, 1997.

Other groups reducing pressure on the labour market

In addition to hidden unemployment and unemployment, a number of other groups of non-employees, whose status must be seen as easing pressure on the labour market, needs to be considered.

For instance, in international comparative terms, youth unemployment in Austria appears to be relatively low. There is evidence, however, that youth unemployment trends tell us relatively little about the labour market opportunities for young people. Rather, it is movements in the participation rates of young people that need to be considered in order to arrive at an adequate assessment of their labour market situation. This proves to be highly cyclically sensitive, a movement that is superimposed on the long-term secular trend towards declining participation rates as a consequence of the increasing time spent in education (see Biffl 1995). In periods characterised by a worsening labour market situation, participation rates among young people decline, generally to a greater extent than among other groups of the population. According to the March 1997 microcensus, the order of magnitude corresponds broadly to the 49,623 schoolchildren and students who reported that they would in fact prefer to be in employment.

Those taking parental leave while maintaining their employment relationship (almost exclusively women) continue to be registered as employed and are counted as such in the statis-

tics. The opportunity to extend parental leave to two years implies de facto an easing of pressure on the labour market. At any one time, one parent is normally entitled to a parental leave allowance for the first 18 months of a child's life. This can be extended to two years if the other parent takes advantage of the remaining parental leave entitlement. On annual average figures, 75,082 employees were taking parental leave in 1997 (according to data from the social insurance institutions).

Those in early retirement also serve to ease the pressure on the labour market by freeing up employment opportunities or, even if the jobs were irrevocably lost, at least avoiding a rise in official unemployment. 205,985 people were in early retirement in 1997 (annual average). Subtracting the 21,014 early retirees for reasons of unemployment, which in the previous subsection were counted as hidden unemployment, the reduction in the burden on the labour market amounts to 184,971.

Table 7 provides an overview of the unemployment-reducing effects, and includes those exclusively performing housework who reported in the microcensus that they were not looking for work but would in fact like to be employed. In 1997, 118,932 such persons were unable to work for various reasons, and thus, at the very least, served to reduce labour supply.

Some double counting must be expected in the figures, because of overlapping in the specification of the above-mentioned groups. In particular, those on parental leave while still maintaining their employment relation may well also be included in the category of housework-performers who would like to be in employment. For this reason, it is not admissible to sum the totals given.

Table 7: Other groups easing pressure on the labour market

	1991	1993	1995	1997[1]
Recipients of parental leave while maintaining their employment relation	40,574	84,019[2]	82,951	75,082[4]
Early retirees (excl. early retirement for reasons of unemployment)	100,382	98,438[3]	136,155	184,971
Schoolchildren and students who would prefer to be employed (microcensus)	no data available	no data available	78,311	49,623
Those exclusively performing housework who would like to be employed (microcensus)	no data available	no data available	124,076	118,932

1 Depending on availability, the data refer to 1996 or 1997. Given that the aim is to gain an impression of orders of magnitude, they are considered together here; the 1996 data are indicated by means of a "1".

2 Introduction of the second year of parental leave in 1992.

3 As of December 1993. The umbrella organisation of the Austrian social insurance funds did not calculate annual average stock data for 1993 because of the introduction of two new pension forms in that year (part-time pension and early old-age pension due to reduced work capacity).

4 Since then, the duration of parental leave entitlement has been reduced from two to one and a half years, unless the additional six months is taken by the second parent.

Table 8: Unemployment rates allowing for underemployment and hidden unemployment

	1991	1993	1995	1997
National unemployment rate (1)	5.8%	6.8%	6.6%	7.1%
Unemployment rate allowing for hidden unemployment (2)	8.0%	9.5%	9.7%	10.3%
(3) Including discouraged workers	n. d.	n. d.	10.1%	10.8%
Difference in percentage points (2)–(1)	2.2	2.7	3.1	3.2

Source: AMS; own calculations.

Assessment

Our analysis of the various aspects of unemployment has shown that there are a number of areas of hidden unemployment and underemployment in addition to the unemployment recorded in the official statistics.

If hidden unemployment and underemployment (but not the "other groups" reducing pressure on the labour market) were included in the calculations, at the orders of magnitude given in the tables, the extended unemployment rate would be significantly higher than the official rate. In 1997, for instance, the extended unemployment rate would be 10.3%, instead of the official 7.1%. Comparing the figures over time, it emerges that the gap between the official rate and the extended unemployment rate has tended to widen.

In evaluating the above findings, it needs to be taken into account that the extended unemployment rate is based on official statistical data. Forms of hidden unemployment or underemployment that are not covered by the statistics, or that are explicitly recorded as a separate category, are not contained in the presentation. The tightening of the conditions of entitlement to a number of transfer benefits has, for example, led to a decline in the number of benefit recipients (for instance, recipients of special assistance and special emergency aid), which leads one to suppose that those affected will end up in subsidiary transfer systems, especially minimum social assistance. No statistical data are available on these specific groups, however. Against the background of these restrictions, the extended unemployment rate given must be seen as a minimum figure for the extent of actual underemployment.

These deficiencies in statistical coverage point to the need to extend

the scope of the official statistics, in particular, the catalogue of questions in labour force surveys, in order to obtain information on specific groups of hidden unemployed and discouraged workers.

Indeed, given the marked degree to which the figures understate the real magnitude of unemployment, changes in the international standards that are used to measure the unemployment rate must also be considered.

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Portugal

Introduction

In Portugal, as in other European countries, it is difficult to determine the extent of underemployment by statistical means. The inadequacy of the statistical coverage is due, amongst other things, to problems of statistical conceptualisation, but also to social conceptions that fail to recognise the phenomenon as such. Indeed, underemployment and unemployment have tended to be seen as residual categories separate from the main labour market dynamics, and for this reason, they are underrepresented in the statistics. Yet despite the problems of interpreting the available statistics on the phenomenon of underemployment, it is possible to provide an approximate measurement.

Standardised unemployment rate

Specifics of the Portuguese case

The interpretation of unemployment trends in Portugal is conditioned by a number of nationally specific characteristics, some of which are mentioned below.

Firstly, the *employment rate* moves in parallel to the rate of GDP growth. In a recessionary phase, the employment rate declines somewhat, for many people withdraw from the labour force. This means that the decline in employment in Portugal leads to a far less pronounced increase in unemployment than is the case in any other European country. At the same time, this also means that the traditional statistics significantly underestimate effective unemployment.

Secondly, Portugal has experienced an increase in atypical forms of employment in terms of working hours (a rise in part-time employment), type of employment (an increase in the number of workers employed on their own account rather than as employees) and contract type (fixed-term contracts).

In qualitative terms, the employment system continues to be distinguished by its traditional structural characteristics: low level of education and training, a production structure dominated by very small and small enterprises, and a sectoral structure characterised by highly labour-intensive sectors paying low wages.

National rates

Portugal has experienced a slow but steady decline in the unemployment rate over the last one and a half years. This trend confirms the anticyclical nature of unemployment, which has consistently increased in recessionary phases (1974/75, 1983/84, 1992/93) and declined in expansionary cyclical phases (1985–1991 and currently).

Table 1: Unemployment rate by gender and age category (INE/OECD)

Year	INE									OECD
	Total			10–14	15–24	25–44	45–54	55–64	> 65 years	Total
	M + F	M	F							
1985	10.4	7.2	14.7	29.3	23.5	8.7	4.3	2.7	0.6	8.7
1986	10.2	7.3	14.2	27.5	22.1	8.5	4.5	3.1	0.7	8.4
1987	8.5	6.0	12.0	22.8	19.6	7.4	3.9	3.0	1.0	6.9
1988	7.2	5.0	10.4	19.3	15.3	6.1	3.2	2.5	0.9	5.5
1989	6.0	3.8	8.8	17.0	13.2	5.4	2.8	2.6	0.3	4.9
1990	5.5	3.6	7.8		11.9	4.5		2.1		4.6
1991	4.8	3.1	6.9		10.4	4.2		2.0		4.0
1992	4.1	3.5	4.9							4.2
1993	5.5	4.7	6.5							5.7
1994	6.8	6.0	7.8							7.0
1995	7.2	6.4	8.0		16.1	6.8	4.9	4.2	0.3	7.3
1996	7.3	6.5	8.2		16.7	6.6	5.3	4.8	0.3	7.3
1997	6.7	6.1	7.5		14.8	6.3	5.0	5.2	0.5	
					14–24	25–34	35–44	45–54	> 55 years	
1992					10.0	4.6	2.7	1.9	1.6	
1993					12.7	6.3	3.8	3.2	2.7	
1994					14.7	8.2	5.2	4.3	3.2	

Notes:

For 1990 and 1991 the age categories are as follows: "24 or under", "25–49"," 50 and over". For 1992 to 1994 the age-groups were changed once more, requiring a separate presentation.

The INE defines unemployment as follows: "those aged 14 years who, during the reference period (one week prior to the survey), performed no more than one hour of paid employment and did not perform any other work, and are available to the extent that they are able to perform a paid or unpaid activity, and who, during the 30 days prior to the survey, took steps to find paid or unpaid employment."

Sources: INE (1998); OECD: Economic Outlook.

According to the data provided by the National Statistics Office (*Instituto Nacional de Estatistica* – INE), which are based on the labour force survey[1], the turnaround in the unemployment trend occurred in 1996; the current rate is 6.7% (see Table 1). However, most analyses have drawn attention to the understatement of effective unemployment resulting from the introduction of the ILO concept by the statistical office. And indeed, according to the same source, but using the concept of the "unemployment rate in a broad sense", also proposed by the ILO, inactives available for work and discouraged workers represented almost 45% of the number of registered unemployed persons in 1997 (see Table 5).

This interpretation is confirmed by an analysis of registered unemployment[2]. Registered unemployment initially declined from 355,300 in 1985 to 296,600 in 1991, only to rise to 422,300 at the end of 1997 (see Table 2). Although it is not permissible to compare data derived from surveys with data based on administrative registrations, many analysts have claimed that the prevailing difference between the two figures constitutes an important indication of the understatement of unemployment. This inference is all the more realistic, given that many unemployed people do not bother to register because the limited coverage of the unemployment insurance system (around 40%) and because other means of job search are more important than recourse to the public employment service.

Analysis of the flows of labour between the categories of employed, unemployed and inactive, which are summarised in Table 3, seems to indicate a trend to the disadvantage of low-skilled workers, who appear to be progressively excluded from employment and forced into unemployment in the course of the intensification of economic restructuring processes. Inflows into the "employed" category consist mainly of unemployed persons seeking their first job and of those previously inactive, although there has been a significant rise in the number of those looking for new employment.

Detailed analysis of inflows and outflows reveals the existence of a hard core of long-term unemployed for whom the likelihood of being able to return to work is steadily decreasing, with new labour market entrants – often young people with generally better qualifications – making it difficult to absorb the unemployed completely, even though the balance unemployed/inactive declined from 1996 to 1997. The labour market dynamics observed seem to suggest that the employability of older persons and the low-skilled tends to decline sharply.

Standardised rates

See the preceding subsection.

Long-term unemployment

Table 4 presents the data on long-term unemployment, as published by

1 INE: Official statistical office that bases its concepts on ILO definitions. It is important to note that the concepts and the survey were changed in 1992, leading to a break in the statistics that needs to be taken into account when interpreting trends. A number of indicators have been introduced in the wake of Community-wide harmonisation in order to cover labour market statuses in the "grey area" between employment and inactivity.

2 The organisation responsible is the Institute of Employment and Vocational Training (*Instituto do Emprego e Formação Profissional* – IEFP), which also runs the employment offices in which jobseekers must register.

Table 2: Registered unemployment (IEFP)

Year	Labour force (in 1,000s)	Unemployed (in 1,000s)	(in %)
1985	4,562.6	355.3	7.8
1986	4,559.7	370.7	8.1
1987	4,585.6	323.1	7.0
1988	4,620.6	305.2	6.6
1989	4,680.1	309.8	6.6
1990	4,756.2	301.0	6.3
1991	4,864.7	296.6	6.1
1992	4,527.6	312.5	6.9
1993	4,503.5	339.0	7.5
1994	4,563.7	385.0	8.4
1995	4,550.6	419.4	9.2
1996	4,582.8	454.0	9.9
1997	4,644.9	422.3	9.1

Note: The IEFP defines unemployment as follows: "those out of work, immediately available for employment and registered as a jobseeker at an employment office". The jobseekers are divided into those looking for their first job and those looking for renewed employment.

Source: IEFP.

Table 3: Flows into and out of labour market status categories (net flows)

	1993/92	1994/93	1995/94	1996/95	1997/96
Employed/unemployed*	-97.8	-17.7	0.8	29.6	25.0
Employed/inactive**	54.6	26.0	39.3	39.3	53.4
Unemployed/inactive***	39.9	56.2	60.5	51.6	37.8

* Employed persons who had been unemployed a year previously minus unemployed persons who had been employed a year previously.

** Employed persons who had been inactive a year previously minus inactives who had been employed a year previously.

*** Unemployed persons who had been inactive a year previously minus inactives who had been unemployed a year previously.

Source: INE (1998).

the statistical office and the public employment service for the period 1985 to 1997. The figures reveal two contradictory trends: on the one hand, following a decline between 1985 and 1992, and a renewed increase between 1993 and 1995, it is revealed that long-term unemployment has fallen since 1996 in absolute terms; on the other hand, this does not seem to square with the fact that the relative incidence of long-term unemployment has remained stable (43.6% in 1997, according to the statistical office, and 50%, according to the public employment service).

Closer analysis shows that long-term unemployment is higher amongst women than amongst men; the same is true of unemployment amongst the elderly. It also emerges that very long periods of unemployment (over two years) are becoming increasingly important in terms of both volume and relative weight (42.3% of long-term unemployment in 1996).

Assessment

Despite the moderate level of recorded unemployment, the Portuguese labour market is characterised by the

Table 4: Long-term unemployment (> 1 year) (INE/IEFP)

Year	Labour force	Unemployed (in 1,000s)		Long-term unemployed					
				in 1,000s		Long-term unemployed as a proportion of the labour force (%)		Long-term unemployed as a proportion of total unemployment (%)	
	A	B1–INE	B2–IEFP	C1–INE	C2–IEFP	C1/A	C2/A	C1/B1	C2/B2
1985	4,562.6	492.6	355.3	108.4	n. a.	2.4	n. a.	22.0	n. a.
1986	4,559.7	464.9	370.7	193.0	n. a.	4.2	n. a.	41.5	n. a.
1987	4,585.6	391.2	323.1	173.8	150.0	3.8	3.3	44.4	46.4
1988	4,620.6	331.7	305.2	117.5	187.9	2.5	4.1	35.4	61.6
1989	4,680.1	280.8	309.8	95.8	194.1	2.0	4.1	34.1	62.7
1990	4,756.2	260.2	301.0	76.5	181.4	1.6	3.8	29.4	60.3
1991	4,864.7	233.9	296.6	68.0	161.7	1.4	3.3	29.1	54.5
1992	4,527.6	186.9	314.6	48.5	165.0	1.1	3.6	25.9	52.4
1993	4,503.6	248.4	339.0	72.8	144.6	1.6	3.2	29.3	42.7
1994	4,563.7	312.2	385.1	102.1	177.1	2.2	3.9	32.7	46.0
1995	4,550.6	325.4	419.4	128.0	207.4	2.8	4.6	39.3	49.5
1996	4,582.8	332.3	454.0	139.4	224.0	3.0	4.9	42.0	49.3
1997	4,644.9	313.1	422.3	136.6	211.0	2.9	4.5	43.6	50.0

B1, C1: INE-Data.
B2, C2: IEFP-Data.

Sources: INE (1998) and IEFP.

persistence of factors that exacerbate the phenomenon of unemployment. If employment trends are observed in parallel to unemployment trends, it appears that qualitative dislocations, probably associated with the process of economic restructuring, are increasingly gaining in importance. The major recent intensification of the process of job creation/destruction and the mismatch between the supply of and demand for labour, which is particularly evident in the case of young people, are some of the factors explaining this development.

Indicators of such a mismatch, such as the number of people available for work, the number of discouraged workers and the increases in the number of self-employed and of atypical employment contracts, together with the growing number of unemployed graduates, point to the existence of a negative dynamic in both qualitative and quantitative terms. Here, too, it is among the long-term unemployed that such trends give greatest cause for alarm, whereby this trend can only be expected to get worse. The low level of education/training and the advanced age of the long-term unemployed make a decisive contribution to the consolidation of underemployment in Portugal.

Table 5: Indicators of "unemployment in the broader sense" (INE)

Groups	Total (in 1,000s)				
	4th quarter 1993	4th quarter 1994	4th quarter 1995	4th quarter 1996	4th quarter 1997
1 Employment according to ILO concept	513.4	585.7	563.2	579.1	667.7
2 Unemployment according to ILO concept	279.5	327.7	334.4	330.2	305.2
3 Inactives looking for work for more than 4 weeks and available	73.0	75.3	80.5	86.5	76.1
4 Inactives who reported that they want to work but have not looked for work and are available	55.2	46.2	42.3	40.0	44.2
5 Discouraged workers*	34.3	27.6	21.8	22.4	21.1
6 Those working less than 15 hours per week and who have looked for work during the last four weeks	5.8	4.9	7.3	5.2	6.4
7 Visible underemployment**	51.2	53.6	64.4	68.9	72.1

* Inactives who are available for work but who have not looked for work for one or more of the following reasons: inappropriate age, inadequate skills, not knowing how to search for a job, job search hopeless.

** Employees whose normal working hours are below standard working hours and who reported wanting to work more hours.

Source: INE (1998).

Underemployment rates

The specific characteristics of the population of working age mentioned above certainly explain to a significant degree the "unemployment in a broad sense" identified in Portugal, which is merely another name for underemployment. These indicators show that many people withdraw from the labour market, either because they are discouraged or for other reasons; this reduces registered unemployment by around 45%.

Active labour market policy measures

Although treating and interpreting such figures is a particularly sensitive issue, it is possible to identify other underemployment trends. The number of participants in training programmes for adult unemployed and workers at risk increased between 1991 and 1994, then declined in 1995, only to rise again substantially in 1996 (see Table 6). The increase at the start of the 1990s is explained by the economic recession at the time, whereas the rise in 1996 seems to be linked to a deterioration in the conditions for recruitment.

Between 1985 and 1994, there was a continuous decline in the number of people benefiting from measures for the young and disadvantaged unemployed; since 1995, however, the figures have increased once more. Expressed in percentage terms (see Table 6), it is clear that, at the end of the period, this target group was least well covered by active labour market policy measures.

Over the observation period, the number of people benefiting from job-creation measures has varied, but the decline observed at the end of cycle points to a deceleration of employment creation and thus promotes underemployment.

Part-time work

One of the dimensions relevant to an evaluation of underemployment is visible underemployment, whereby this statistical concept indicates the insufficiency of the employment volume in terms of the criteria of working hours. Since 1993, there has been a continuous increase in the number of employees working less than standard working hours and reporting that they wished to work more hours (see Table 5).

These figures confirm the trend towards a relative increase in part-time work, which has risen consistently from 7% in 1992 to 12% in 1997, according to figures from the statistical office. Numerous surveys have shown, however, that part-time work in Portugal is involuntary for a great majority of workers; they ac-

Table 6: Number of persons involved in labour market policy measures (in 1,000s)

Year	Unemployment (according to IEFP)	Training measures for the adult unemployed and workers at risk		Measures for young and disadvantaged unemployed people		Incentives for job creation	
	A	B	B/A	C	C/A	D	D/A
1985	355.3	n. a.	n. a.	14.4	4.1%	13.5	3.8%
1991	296.6	4.0	1.3%	76.1	5.7%	34.3	1.6%
1992	314.6	9.1	2.9%	70.4	2.4%	17.7	5.6%
1993	339.0	9.1	2.7%	69.9	0.6%	17.2	5.1%
1994	385.1	20.9	5.4%	51.0	3.2%	30.6	7.9%
1995	419.4	8.8	2.1%	57.0	3.6%	36.0	8.6%
1996	454.0	14.5	3.2%	n. a.	n. a.	17.3	3.8%
1997	422.3	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.

cept such employment only because they cannot find a full-time job.

Clearly, this is one form of the phenomenon of underutilisation of available human resources, one that is associated with low wages and, in many cases, probably with multiple jobs.

Hidden unemployment (early retirement, disability, etc.)

Hidden unemployment can be measured using two indicators: firstly, with the help of the number of early retirees, a phenomenon associated with labour market adjustment, within the context of which it constitutes a preferred mechanism of external flexibility; secondly, with the number of people receiving a "pension" for reason of invalidity under various social security schemes. Early retirement affected around 15,000 workers in 1992, 17,000 in 1993, 20,800 in 1994, 16,000 in 1995 and 20,000 in 1996. Around 392,000 people were drawing a disability pension in 1995.

Even if this trend, associated with fiscal constraints, is declining, the figures do point to an unusually large number of "pensioners". This would seem to confirm the view that such measures are in great demand because those affected have great difficulty in finding employment. In addition, the low level of pension entitlements induces the search for employment relations that, while precarious, can be used to top up transfer incomes.

Discouraged workers

The figures given in Table 5 indicate that the number of discouraged workers declined between 1993 and 1997 and has now stabilised at around 20,000. Although this category consisted largely of female and elderly workers, young discouraged workers accounted for 25% of the total in 1997, a fact that must give cause for concern.

Assessment

The analysis of active labour market policy measures indicates that those in a vulnerable position on the labour market face increasing difficulties in integration, even in phases of economic growth. Linked to the structural characteristics of the active population in Portugal, this phenomenon suggests that underemployment may be associated with entrenched problems of employability.

In addition, the number of early retirees and of those drawing various "disability pensions" suggests that significant sections of the population are involuntarily excluded from participating in the labour market. Moreover, the number of discouraged workers reinforces the impression that structural and cultural constraints that exacerbate the problems of labour market entry continue to exist.

Conclusions

Despite the statistical difficulties involved, the analysis of the Portuguese situation indicates the existence of a high level of underemployment. The indicators of "unemployment in the broader sense" (see Table 5) reveal an effective unemployment level in Portugal that is broadly in line with the rates typical of EU countries. This is particularly true once the specific characteristics of Portugal are taken into account. The analysis of registered unemployment confirms this view. In particular, the progressive increase in long-term unemployment indicates that there are structural blockages (for example a low level of education and training) to economic recovery, whereby productivity and GDP growth are more closely linked than are employment and growth.

The analysis of possible indicators of underemployment reveals, in terms of active policies, the persistence of employability problems and, in terms of passive policies, the importance of hidden unemployment (early retirees and disability pensions). All in all, there is little doubt about the significance of the phenomenon of underemployment in Portugal.

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Finland

Introduction

Finland publishes two rigorously defined measures of unemployment, which are complementary in nature. One comes from the monthly Labour Force Survey by Statistics Finland. The survey is based upon the ILO guidelines, and this measure makes up the official national unemployment figure. The other comes from the administrative register by the Ministry of Labour and counts the number of unemployed jobseekers in the local offices of the public employment service (PES) at the end of each month. Although they define unemployment in different ways, the LFS-based and the administrative measures tend to give broadly similar results. Although currently the number of unemployed is about 10% higher according to the administrative register, the trends revealed tend to be broadly similar.

The Labour Force Survey also provides plenty of supplementary information on various types of hidden unemployment. The administrative register, in turn, contains useful information on the number of people in active labour market policy measures and also provides an excellent source of data on unemployment dynamics – on stocks and flows of unemployment as well as on the length and recurrence of unemployment spells.

Conventional unemployment rates

Comparison of different measures

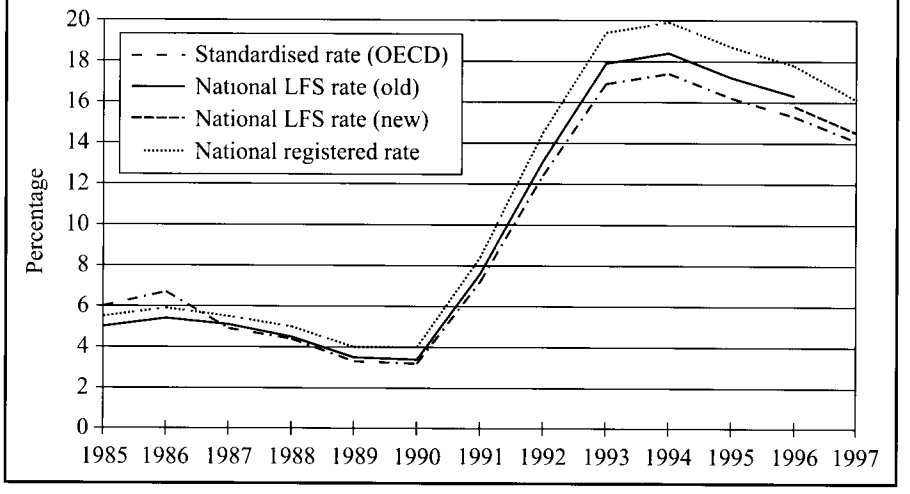
Overall developments in conventional unemployment rates since 1985 for Finland are shown in Figure 1. Apart from the two national rates, it also includes the OECD standardised unemployment rate, which from 1987 onwards falls slightly below the national rates. In the late 1980s, the average unemployment rate was around 4–5%. However, there was a dramatic surge in unemployment in the early 1990s, accompanying a fall in total output of some 12%. The unemployment rate peaked at 17–19% in 1994, but following the economic upswing, has decreased by 3–4 percentage points. At the end of 1997, the seasonally adjusted national unemployment rate (LFS) was 13%.

The labour force survey of Statistics Finland was revised at the beginning of 1997, both technically and in terms of information content. The primary aim was to meet the ILO recommendations more closely and to adjust to the forthcoming EU practice. In the revised LFS, full-time students can be counted as unemployed if the relevant criteria are met. Moreover, those temporarily laid-off are counted as employed in the new survey, whereas they were previously regarded as unemployed. The effects of the LFS revision on the time series was estimated with the help of a smaller parallel study conducted in 1996. The revision caused a drop of one half of a percentage point in the unemployment rate in 1996.

One major exception to the ILO recommendations on job search activity remains in the LFS, however. In addition to those who report having actively looked for work in the preceding four weeks, the job search criterion is also satisfied for those who have a client contact with the PES office within six months. The limit was cut to three months as of May 1997 and to one month in May 1998.

The administrative measure of registered unemployment is based on the records at the PES offices, where those claiming unemployment benefits are obliged to register. The PES ceased to be responsible for paying benefits in 1985, but it does continue to assess the availability of claimants for work. The intervals at which unemployed jobseekers are obliged to contact the PES were lengthened in the early 1990s. The intervals are different for various client groups and regions and can be even longer than six months in some cases. In 1997, the aim was set to shorten the interval to three months for the young and long-term unemployed. The jobseekers are obliged to inform the unemployment benefit funds if

Figure 1: Conventional unemployment rates according to three alternative measures, 1985–1997



they commence employment of any type. Because this notice is not automatically transmitted to the PES, there is some delay in updating the register.

Beside the updating delay, there are several other reasons for the differences between the LFS and registered unemployment rates. These relate to the survey period, the treatment of marginal working and the non-response in the LFS. The various effects largely offset each other, however. Although the two unemployment figures do not differ significantly, the intersection of the two sets was no greater than two thirds, on average, in 1988–1995. The rest was evenly divided between those unemployed according to the register and those classified as such in the LFS. In 1997, the joint coverage was lower than earlier, at some 56% in the last quarter of the year. The shift was probably due to the tightening of the job search criterion applied in the LFS. The minor difference between the standardised and national LFS rates is partly due to the difference in the definition of the labour force; those in military service are included as employed in the OECD statistics.

Dynamics of unemployment

Unemployment rates are based on stocks of unemployment. To provide a more dynamic picture of unemployment, Figures 2 and 3 take into account the annual flows into registered unemployment and the average durations of both ongoing and terminated spells of unemployment. In the late 1980s, when the average registered unemployment rate was slightly more than 5%, the annual inflow of people into the unemployment pool was about 10% of the labour force. In 1991–97, when the average registered unemployment rate was more than 16%, the corresponding inflow rate increased to almost 15%. Thus, the inflow rate increased one and a half times and the unemployment rate tripled, compared with the earlier period. This implies that most of the rise in unemployment is attributable to an increase in the recurrence of unemployment spells and, in particular, to the lengthening of unemployment periods.

Changes in the recurrence of unemployment spells can be illustrated by considering the number of people becoming unemployed, alongside the number of new unemployment spells. We see from Figure 2 that, in the late 1980s, the annual inflow rate into new spells was one and a half times the inflow rate of new people. In the early 1990s, the corresponding ratio was about two, and nearly three in 1997. Moreover, the inflow of new people declined as early as 1993, simultaneously with the cyclical upturn.

Increases in the average length of unemployment spells were even more striking. The average length of ongoing spells of unemployment rose continuously from 15 weeks in 1990 to 51 weeks in 1997. In the case of terminated spells of unemployment, the rise was from 12 weeks in 1990 to a peak of 25 weeks in 1994 and 1995. Thereafter, along with the brisk economic upswing, the average length was slightly shorter.

The relatively large volume of active labour market policy measures has certainly affected the length and recurrence of unemployment spells. The role of active measures in terminating spells of unemployment has remained fairly stable, however, hovering between 20% and 25% of total terminated spells.

Figure 2: Annual flows into registered unemployment, as percentage of the labour force, 1986–1997

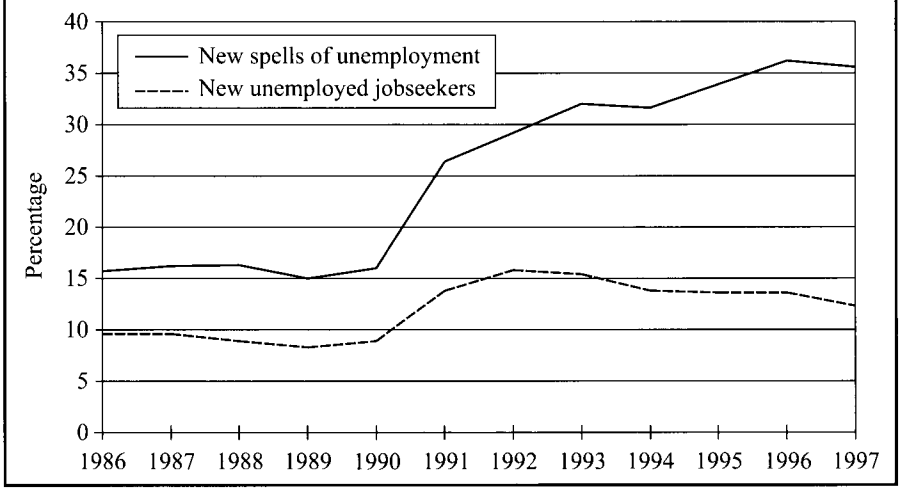
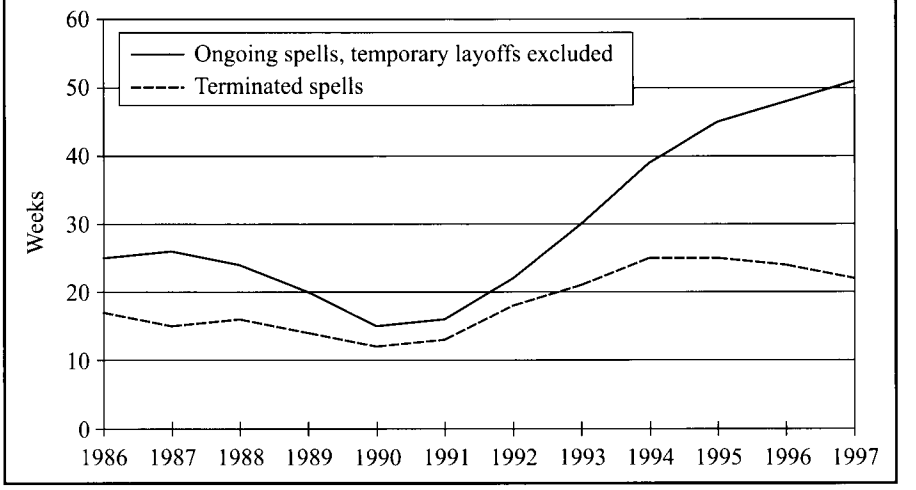


Figure 3: Average length of unemployment spells, weeks, 1986–1997



Long-term unemployment

The sharp rise in unemployment coincided with a more uneven distribution of the unemployment burden. The proportion of long-term unemployed (12 months or longer in continuous unemployment) in total unemployment used to be relatively low in Finland, averaging some 10% during the 1980s. Indeed, there was a temporary drop in long-term unemployment in the late 1980s. At this time, the economy was booming and, more important, active labour market policies were giving a high priority to the long-term unemployed. Such selective policy measures contributed to the fall in the proportion of the long-term unemployed in total unemployment to 3% in 1990 and 1991. Since then, long-term unemployment has been rising sharply, and during the last three years (1995–1997), it has amounted to 30% of all unemployed jobseekers.

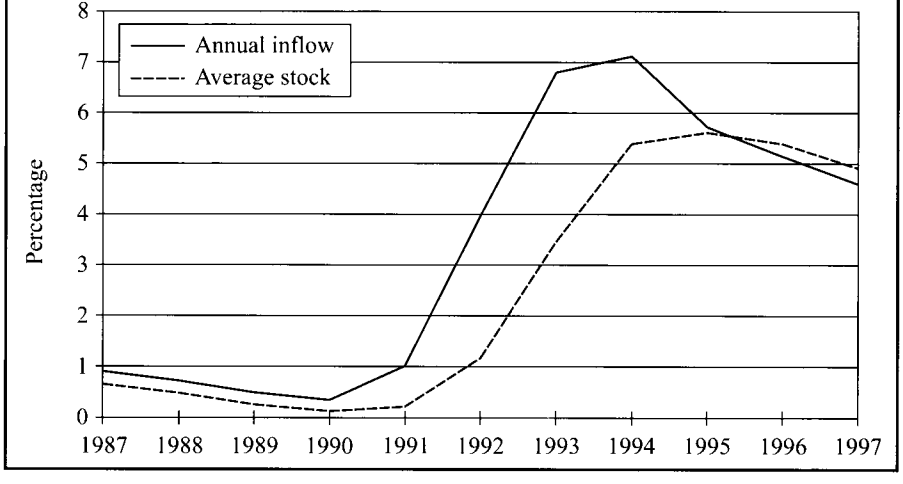
Along with the economic recovery, the flow into long-term unemployment slowed down in 1994 (Figure 4). The relative outflow has continued to fall, however; this is related to the trend towards longer and longer spells of unemployment with a lower probability of termination. Together, these trends have meant that the stock of long-term unemployment has become stuck at about 5% of the labour force in recent years.

The absolute number of long-term unemployed has declined slowly since 1995. At the end of 1997, the figure was 124,000 people, slightly less than half of them having been continuously unemployed for over two years. Owing to active labour market policy measures, there is some turnover in the pool. In 1997, the total number of people experiencing long-term unemployment was double the average stock. Unfortunately, those leaving long-term unemployment are very unlikely to obtain gainful employment in the normal labour market.

Broader indicators of underemployment

In addition to conventionally measured unemployment, there are various groups whose attachment to the labour market is affected by the lack of job opportunities. To estimate the extent of "full" unemployment, the conventional notion is often supplemented with broader indicators, including the number of people in active labour market policy measures and in early retirement schemes for labour market-related reasons, those in involuntary short-time work, and those available for work but not actively seeking a job. The various types of underemployment call for very different strategies to respond to the slack in the labour market. For instance, the aim of the active labour market programmes is to improve the skills and hence the employability of the unemployed in the future, and to maintain their labour market attachment despite the lack of job opportunities on the labour market. In this sense, ALMP is a more active and forward-looking adjustment pattern compared to the approach relying on permanent withdrawals from the labour market (e.g. early retirement schemes). Despite the complexity involved, the various elements can be cumulated in order to calculate a broad underemployment indicator that provides a more versatile picture of labour market developments. Yet the distinctions are far from clear-cut, and a careful interpretation of the broader indicator is required.

Figure 4: Long-term unemployed and annual inflow into long-term unemployment, as percentage of the labour force, 1987–1997



Extent of active labour market policy programmes

Traditionally, labour market policies in Finland have been designed to sustain income and employment through active measures rather than through passive income support measures. Before the dramatic rise of unemployment, the labour market policy activity rate was quite high. In the early 1990s, there was a doubling of ALMP measures, and in recent years, about 5% of the labour force have been in active programmes, on average. Despite this focus on active measures, high unemployment led to a substantial decrease in the LMP activity rate.

Most of the measures have taken the form of subsidised employment, although the share of labour market training has been increased. Most of the increase in the early 1990s occurred in youth education; to tackle youth unemployment, great efforts have been made to upgrade the labour market skills of young people.

The category "Other" includes those in practical training with labour market support and the substitutes for those on job rotation leave. Due to data problems, those engaged in employment-related investment projects are omitted. These numbers are quite low, however, amounting to about 2,000 people in 1997.

Involuntary short-time work

Involuntary short-time work captures two particular forms of underemployment: those working on part-time schedules because of a lack of full-time job opportunities and those who had a formal attachment to their job but were temporarily not at work for at least part of the survey week because of shortened working week, lack of work (among the self-employed) or, since 1996, temporary layoffs.

Even though part-time jobs continue to account for a relatively modest proportion of total employment in Finland (11% in 1997), involuntary part-time work increased substantially during the depression of the early 1990s. In Spring 1996, 112,00 people were in involuntary short-time work, about two-thirds of them women.

The overall development of involuntary short-time work is depicted in Table 2, which shows that the total number has fluctuated between 47,000 and 112,000 people, or around 2–5% of total employment.

Early retirement for labour market-related reasons

An unemployment pension scheme was introduced in 1972 to facilitate the early retirement of the long-term unemployed approaching normal retirement age. This was linked to the way in which industrial restructuring has taken place since the late 1970s. New entrants have taken most of the jobs in the expanding service sectors, while the manufacturing sector has contracted via departures from the labour market. For the purpose of promoting structural change in the agricultural sector, farmers have also been encouraged to withdraw from economic activity. Special pensions – farm closure and change-of-generation pensions – were introduced in 1974, and the qualifying conditions were relaxed in 1987. As a proportion of the farming population, take-up has been high and of comparable magnitude to overall claims for the unemployment pension. In the wake of EU membership, the farmers' special pensions were replaced by farmers' early retirement aid, in conformity with Community regulations.

Table 1: Participants in active labour market policy programmes, annual averages (in 1,000s), 1985–1997 (selected years)

Year	Wage-related measures	Labour market training	Other	Total	Total, % of labour force
1985	36	16	–	52	2
1989	34	16	–	50	2
1991	40	17	–	57	2
1993	57	27	–	84	3
1996	65	42	12	119	5
1997	63	47	12	122	5

The implementation of the early disability pension in 1986 in the private sector and in 1989 in the public sector broadened the qualifying conditions of disability pensions to include social and labour market-related reasons. The choice between the unemployment pension and early disability pension schemes has also been affected by the economic incentives among large employers. Large firms themselves are responsible for financing the disability pensions paid to their former workers, whereas for the other firms a uniform payroll tax is levied to cover the employers' share of unemployment pensions. As of 1989, the economic disparity between the two schemes was reduced through a shift to a partial experience rating in the financing of unemployment pensions.

Owing to the large number of unemployment pensioners, the eligibility was tightened in the late 1980s by gradually increasing the qualifying age limit from 55 to 60 years, a process completed by 1990. In the 1990s the qualifying conditions were further tightened in both the unemployment pension and early disability pension schemes.

The number of people under 65 years of age on the three early retirement schemes is shown in Table 3. The total number increased from an average of 64,000 in 1985 to a maximum of 132,000 in 1994, and slowly declined thereafter. In 1996 the recipients accounted for 7% and 40% of the population in the age groups of 55–59 years and 60–64 years, respectively.

Discouraged workers and other forms of hidden unemployment

Hidden or disguised unemployment comprises all nonemployed persons who were available for work and could take up work within two weeks, but were not actively seeking work, either because they expected not to be able to find work (discouraged workers) or because they were engaged in other activities, such as studying, childcare or household duties.

Table 2: Involuntary short-time work (in 1,000s) by type, 1985–1996 (selected years)

Year	Part-time	Other	Total	Total, % of employment
1985	58	14	70	3
1989	41	8	48	2
1991	50	40	83	3
1993	72	40	102	4
1996	98	18	112	4
1997	90	1	98	4

Note: Due to some overlapping in the two categories, the total number is less than the sum of the individual items.

We see from Table 4 that hidden unemployment doubled from about 50,000 in the late 1980s to 100,000 in the early 1990s. However, the relative contribution of the discouraged worker effect remained low and even decreased during the period.

Overall developments in broad underemployment

To illustrate recent underemployment developments, Figure 5 displays the sum of various forms of underemployment as a proportion of the population of working age (15–64 years). This indicator was 11% in 1985–1990 and jumped up sharply at the beginning of the depression in 1991. The underemployment rate peaked at 26% in 1994 and decreased slowly thereafter as the economy recovered. The relative contribution of conventional unemployment exhibits a counter-cyclical variation. In the mid-1980s, conventional unemployment accounted for about one-third of broad underemployment. The relative contribution was at its lowest in the boom years of 1989–1990 (25%), and reached a maximum in the trough of 1994 (52%). In 1997, conventional unemployment accounted for 44% of broad underemployment. The relative contributions of the four remaining factors were fairly uniform, each accounting for 13–15% of broad underemployment.

Table 3: The number of people (in 1,000s) under 65 years of age on unemployment pension, farmers' special pensions and early disability pension, 1985–1996 (selected years)

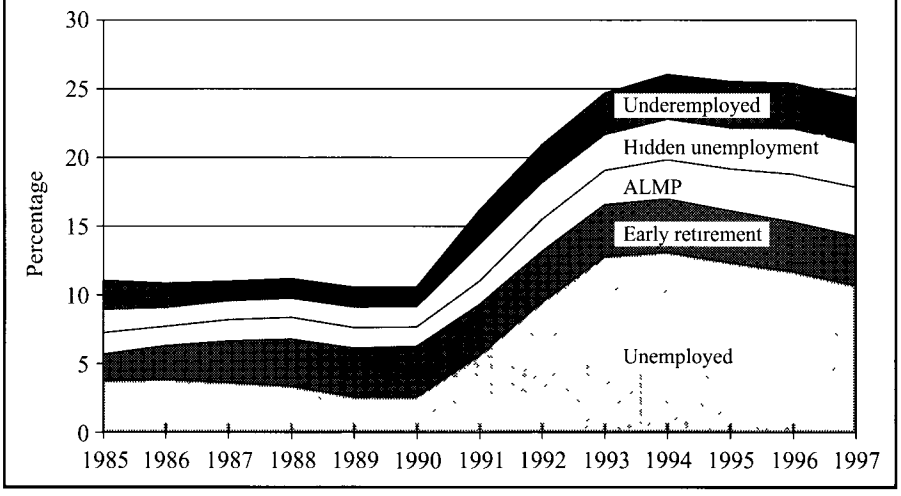
Year	Unemployment pension	Farmers' pensions	Early disability pension	Total
1985	50	14	–	64
1989	65	26	28	118
1991	52	26	47	125
1993	43	28	58	129
1996	40	23	60	123

Source: Statistics by the Central Pension Security Institute and the Social Insurance Institution.

Table 4: Hidden unemployment by type (in 1,000s), 1985–1997 (selected years)

Year	Discouraged	Other	Total
1985	17	40	57
1989	20	30	50
1991	34	57	91
1993	31	58	89
1996	29	85	114
1997	25	85	110

Figure 5: Broad underemployment by components, as a percentage of the population aged 15–64



Conclusions

The various measures of conventional unemployment indicate similar unemployment trends and produce figures not very different from each other. Conventional unemployment rates showed a rise in the unemployment rate from around 5% in the late 1980s to a peak of 17–20% in 1994. With the economic recovery, the conventional unemployment rate has recently declined by around 3 percentage points. In the early 1990s, most of the rise in unemployment was attributable to an increase in the recurrence of unemployment spells, and, in particular, to the lengthening of unemployment periods. The flow into long-term unemployment has slowed down since 1994, but the relative outflow has continued to fall as the pool of the long-term unemployed has become more and more difficult to employ after longer and longer spells of unemployment. Consequently, the stock of long-term unemployment has stayed at around 5% of the labour force in recent years.

Our measure of the broad underemployment rate (measured as a percentage of the population aged 15–64) increased from around 11% in the late 1980s to a peak of 26% in 1994. The relative contribution of conventional unemployment to underemployment has fluctuated counter-cyclically. However, there is no clear trend in the relative shares of open and hidden underemployment. One might be tempted to conclude that in Finland open unemployment has been widely tolerated in the context of a greater maintenance of traditional notions of employment.

Tuire Santamäki-Vuori

Sweden

Introduction

Before 1991, when the employment rate (employment as a proportion of the working-age population) was high, the problem of underemployment as a whole was not a major issue on the Swedish labour market. However, one particular aspect of underemployment that was seen as problematic even then concerned the incidence of part-time employees – especially women – who wanted to work more than they presently did. Another frequently discussed problem regarded the consequences of the possibility (abolished in 1991) of granting a disability pension to people aged 60 or more solely for labour market reasons. Since 1991, when unemployment started to increase drastically, the problem of underemployment has become more serious and more general. This development runs parallel with an increasing incidence of long registration spells at the public employment service offices and of recurrent spells of unemployment.

Standard unemployment rates

National unemployment rates

The Labour Force Surveys (*Arbetskraftsundersökningarna* – AKU) from Statistics Sweden, a monthly survey based on a nation-wide sample, are the most commonly used source of labour market statistics. Another data source especially for unemployment-related data is the monthly statistics from the National Labour Market Board, which covers all individuals registered at the PES (Public Employment Service).[1]

Figure 1 presents unemployment statistics from the Labour Force Survey. The very low unemployment rates in the late 1980s reflect a more or less overheated labour market. This situation changed very rapidly in the early 1990s, when the unemployment rate soared from 1.6% in 1990 to 8.2% in 1993. Since 1993, the average annual unemployment rate has amounted to at least 8%, except in 1995, when an economic upturn caused a minor and temporary decrease in the average unemployment rate. During the autumn of 1997 and the winter of 1998, the monthly unemployment rate decreased to around 7%, to a large extent due to the contemporaneous massive concentration of resources on education (*Kunskapslyftet*, "the National Competence Boost"), which is primarily directed towards the unemployed. The number of unutilised hours of labour supply stemming from "regular" unemployment was 2.4 million in 1989, growing rapidly to 13.1 million in 1994, at which level it has since remained. A minor decrease occurred in 1995, resulting from the economic upturn of 1994–1995.

In the 1980s, female and male unemployment rates were very similar, but during the early 1990s, the unemployment rate for men was higher than for women. In recent years, this gender-based difference in rates has decreased. The main reason for this development is that sectors such as manufacturing and construction, i.e. sectors with predominantly male employment, were severely affected at the beginning of the recession, while cuts in the public sector, where many women work, occurred later. The difference in unemployment rates between the sexes is expected to decrease further.

The size of unemployment can be decomposed as the product of the inflow to unemployment and the duration of unemployment spells. Table 1 presents a breakdown of unemployment by inflow (per week, as a percentage of the labour force) and by duration (completed, in weeks).[2] The completed duration denotes how long it takes, on average, to complete an unemployment spell, irrespective of whether the unemployment spell ends through the individual getting a job or leaving the labour force. Since 1991, both inflow and duration have increased markedly. Although elderly unemployed (55–64 years) have longer unemployment spells, it is among the prime-aged categories (25–54 years) that unemployment duration has increased the most since the late 1980s.

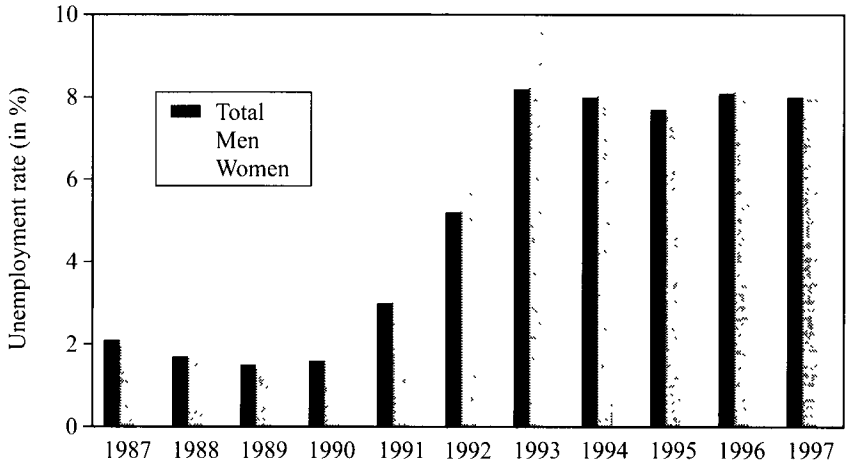
Standardised rates (ILO)

The unemployment rate according to the definition by the ILO is higher than that according to the Swedish Labour Force Survey. The main reason for this is that the Labour Force Survey definition of "being unemployed" excludes full-time students who are looking for work, while this category is defined as being unemployed according to the ILO definition. In the Labour Force Survey, this category is included among the so-called latent jobseekers (see below). During the 1980s and earlier, the impact of this discrepancy on the unemployment differentials was only of minor importance, but during the 1990s, the effect has become much greater. Since 1993, the unemployment rate according to the ILO defi-

1 Olofsson (1993) and Sandstrom (1993) compare the unemployment measures in these two different data sources.

2 Table 1 is calculated as *average unemployment rate = inflow x average completed durations*. The calculations are performed on data on the average unemployment level during the year and the inflow to unemployment. However, this method is only approximate, since the relation *average unemployment rate = inflow x average completed durations* is only valid in a flow equilibrium, i.e. when inflow to unemployment = outflow from unemployment.

Figure 1: Unemployment rate (16–64 years), 1987–1997 (in %)



Note: The figures referring to 1992 and earlier are revised to render them comparable with the changes in definitions and in methodology implemented in the Labour Force Surveys in 1993 (see Statistics Sweden 1996 for an overview of the major changes).

Source: Labour Force Surveys, Statistics Sweden.

nition has been around 1.5 to 2 percentage points higher than the Labour Force Survey definition.

Long-term unemployment and long-term registration periods at the PES

Despite the high unemployment rates since 1993, the incidence of long-term unemployment (defined as uninterrupted unemployment spells exceeding one year)[3] in Sweden is not very high compared with many other Member States. In 1997, the long-term unemployment rate so defined was 2.3% (representing around 30% of the unemployed).[4] However, rather than looking merely at the incidence of long, uninterrupted unemployment spells, it is also important to consider the incidence of long registration periods at the PES (see e.g. Calmfors 1995; Ackum Agell et al. 1995; Lundgren 1996; National Labour Market Board 1997), and recurrent unemployment spells (see e.g. Ackum Agell et al. 1995). Many individuals who are registered as unemployed at the PES go back and forth between spells of unemployment and periods of labour market programme participation (see below for the extent of active labour market programmes during the 1990s). The number of individuals with registration periods at the PES lasting between two and three years has stabilised at around 75,000–80,000 since 1995. What is even more ominous is that the number of individuals with registration periods exceeding three years has steadily increased since 1993, and amounted to 150,000 in 1997.

Table 1: Unemployment rate, inflow (percentage of labour force) and average completed duration (weeks)

	16–64 years			25–54 years	55–64 years
	Unemployment	Inflow	Duration	Duration	Duration
1987–1988	1.8	0.12	14.5	16.9	46.4
1989–1990	1.5	0.10	13.8	15.4	39.0
1991–1992	3.7	0.18	20.6	23.7	40.2
1993–1994	8.1	0.28	29.5	27.4	48.3

Source: Bjorklund et al. (1996, part of table on p. 299). The calculations are based on data from the Labour Force Surveys, Statistics Sweden.

Assessment

Since 1993, the unemployment rate according to the Labour Force Surveys has been oscillating around 7–9%, a very high figure compared to earlier years. The share of unemployed individuals with uninterrupted unemployment spells exceeding one year was around 30% in 1997. However, just looking at long-term unemployment defined in this way understates the problem, for the number of individuals with long registration periods at the PES, sandwiching periods of unemployment and labour market programme participation, is high and increasing. A high incidence of recurrent unemployment spells is also a problem that is not reflected in the long-term unemployment rate.

Underemployment rates allowing for labour market attachment among the non-unemployed

Active labour market programmes

People who participate in most types of the active labour market programmes that were introduced during the 1990s are classified as outside the labour force, according to the definition used by the Labour Force Surveys. In former recessions, people who participated in programmes, with the exception of employment training and employability institutes, were included in the labour force definition. The share of programme participants not included in the labour force has grown steadily, as a result of the extension of such measures. In 1997, around 85% of the participants in labour market pro-

3 In the Labour Force Surveys, long-term unemployment is defined as unemployment spells exceeding six months.

4 There are some measurement problems concerning the long-term unemployed in the Labour Force Surveys. The above figure is likely to include some individuals who have interrupted their unemployment spells by participating in labour market programmes. Statistics Sweden is currently investigating this problem.

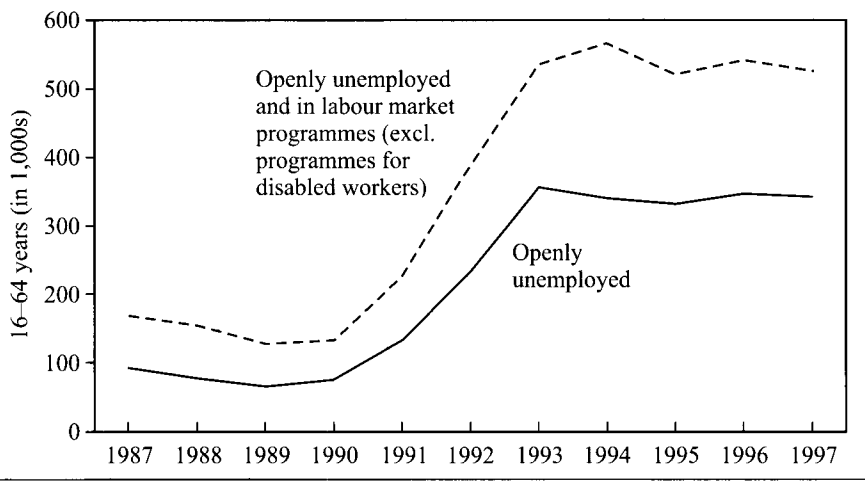
grammes were not included in the Labour Force Survey definition of "labour force". Broadening the definition of the labour force to include these participants, around 4.5% of the labour force participated in such programmes in 1997 (excluding programmes for disabled workers). Thus, in 1997, around 12.5% of the labour force were either unemployed or in labour market programmes. Apart from a temporary increase in 1994, the number of programme participants was rather stable between 1993 and 1997 (see Figure 2). The total number of individuals openly unemployed and in labour market programmes was around 525,000–540,000 during this period (except in 1994, when the total number exceeded 560,000).

Short-time work

In contrast to other forms of underemployment, the extent of short-time work, i.e. the number of individuals not fully employed, who (during the reference weeks when the Labour Force Survey was carried out) stated that they would have liked to work more and would have been able to do so, was not insignificant during the years of economic boom in the late 1980s (see Figure 3). Moreover, during the early 1990s, the problem of short-time work worsened rapidly. Since 1994, the level of short-time work has stabilised; a slight decrease can possibly be discerned in recent years. During most of the years in the period 1987–1997, the share of women in short-time work has been more than twice as high as that of men.

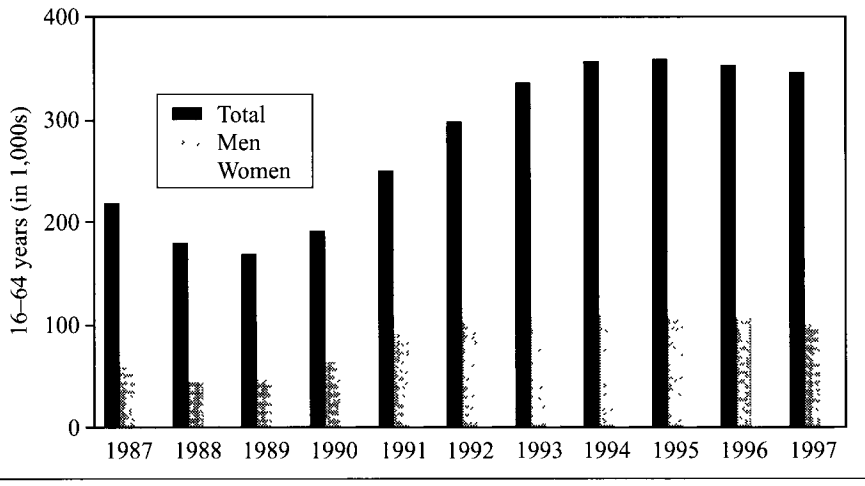
The number of unutilised hours of labour supply stemming from short-time work was 1.8 million in 1989, growing rapidly to 4.6 million in 1994, and remaining at that level since then. In contrast to other forms of underemployment and to regular unemployment, this type of underemployment did not decrease during the economic upturn in 1994–1995.

Figure 2: Number of persons openly unemployed and in labour market programmes



Sources: Labour Force Surveys. Statistics Sweden and the National Labour Market Board.

Figure 3: Not fully employed persons (16–64 years) who would have liked to have worked more and would have been able to accept a corresponding job, 1987–1997



Sources: Labour Force Surveys, Statistics Sweden.

Hidden unemployment (early retirement, disability, etc.)

In an international context, the labour force participation rate in Sweden among the elderly has been very high – even during the recession in the 1990s. Hence, the problem with underemployment among the elderly is not as serious as in some other countries. Individuals aged 60–64[5] or more have the possibility to gradually withdraw from the labour force by combining part-time work with an early old-age pension or partial pension (three-quarter, half or quarter, with a corresponding reduction in pay). However, the number of individuals on both early old-age pensions and partial pensions has decreased since the middle of the 1990s, partly due to stricter rules. Between 1970 and 1991, it was possible for individuals aged 60 who had exhausted their eligibility for unemployment compensation to be disability pensioned for labour market reasons only. (This type of pension could also be partial.) As the maximum period for unemployment com-

5 The regular retirement age is 65 years. See Edebalk et al. (1998) for a description of the Swedish social insurance system.

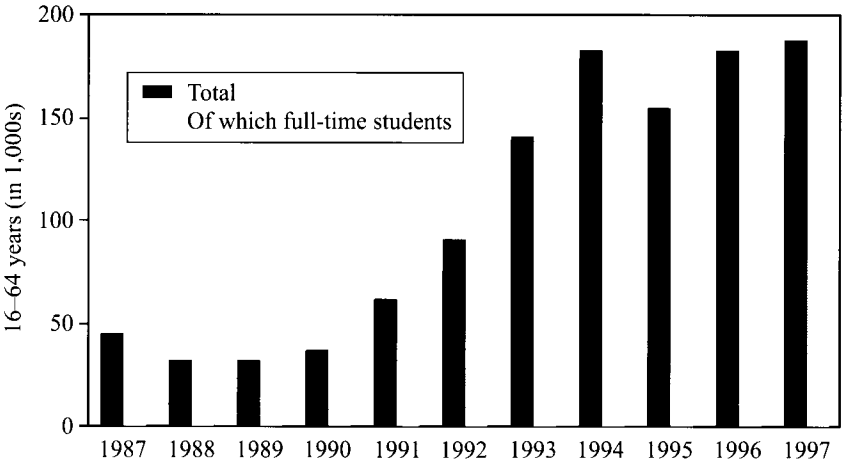
pensation is one year and nine months for people aged 55 or more, those aged 58 years and three months who became unemployed could in practice "retire". This combination of payments from two income transfer systems was called "58.3 pensions". The granting of these "unemployment" pensions was discontinued as of 1991, and the granting of disability pensions for combined medical and labour market reasons was abolished in 1997.

Among the occupationally disabled, too, the labour force participation rate in Sweden is relatively high in an international context. The main disability programmes are work with a wage subsidy and (two types of) sheltered workshops (a conglomerate of sheltered work shops, *Samhall*, and sheltered jobs in the public sector, *offentligt skyddat arbete*). To this can be added employability institutes *(Arbetsmarknadsinstitut)*, centres for vocational rehabilitation and qualifying vocational rehabilitation (on average, 7,000 participants in 1997). The most extensive measure is work with a wage subsidy; on average, 46,000 individuals had such jobs in 1997. The corresponding figure for individuals working in the two types of sheltered jobs was 33,000. In contrast to other labour market programmes, the number of participants in these measures has not increased markedly since the late 1980s.

Discouraged workers

Discouraged workers – or latent jobseekers – are defined in the Labour Force Survey as individuals who are not included in the labour force but who state that they had wanted to and been able to work during the reference week when the survey was carried out. As mentioned above, contrary to the ILO definition of unemployment, the Labour Force Survey definition does not include full-time students who wanted to and had been able to work during the reference week; this category is included among the "latent jobseekers" instead. As can be seen in Figure 4, the share of full-time students among the discouraged workers rapidly increased after 1991. In 1997, the share of full-time students was as high as 55%. In contrast to the case with short-time work, among discouraged workers the share of women is approximately equal to the share of men. The economic upturn in 1994 and 1995 led to a minor decrease of the average number of discouraged workers in 1995. The number of unutilised hours of labour supply stemming from discouraged workers was 0.7 million in 1989, growing rapidly to 6.1 million in 1994, where it has since remained (except for a minor decrease in 1995).

Figure 4: Discouraged workers (16–64 years), 1987–1997



Sources. Labour Force Surveys, Statistics Sweden.

Assessment

In addition to the specific problems of underemployment (e.g. short-time work and the granting of disability pensions for labour market reasons only) that were discussed already, during the low unemployment years of the late 1980s, the incidence of underemployment – seen from various angles – increased rapidly between 1991 and 1994. A particularly striking case is the number of discouraged workers, which increased by a factor of almost six between 1997 and 1989. Within this category, the number of full-time students stating that they were available for and wanted to work is almost 15 times higher in 1997 than in 1989. Countervailing developments include the granting of various types of early retirement and disability pensions and labour market programmes for the disabled. These measures have not become much more extensive during the recession.

Conclusion

Since around 1993, the level of unemployment and underemployment seems to have stabilised at a higher level. The number of participants in active labour market programmes has reached unprecedented levels and would, if all of them were included in the labour force and counted as unemployed, add another 4–5 percentage points to the unemployment rate. If the number of full-time students who state that they want to and are able to work were added, the unemployment rate would increase by an additional 1.5–2 percentage units, yielding a "total unemployment rate" of 14–15%. Even then, underemployment in the form of short-time work, etc., would not be included in this figure. However, the massive increase in the number of labour market programme participants does not apply to programmes for the disabled. Neither did early old-age pensions and disability pensions, etc., which increased during the recession; indeed there was a decline,

partly due to stricter rules. There are (weak) indications that certain types of underemployment, e.g. short-time work, seems to be less responsive to changes in economic demand, compared to, for example, the discouraged worker phenomenon.[6]

Anna Thoursie

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6 A word on part-time unemployment benefit eligibility is called for in this context. In Sweden, until the end of 1995, it was possible to hold a permanent part-time position and to collect part-time unemployment benefit "indefinitely". In 1995, the restriction that a person who held a permanent part-time job at the end of the first unemployment benefit period would not be eligible for another period was introduced. The connection between the changes in regulations and the responses given by the interviewees in the Labour Force Surveys is not clear-cut, but the timing of this tightening of the rules could be (at least in part) an explanatory factor as to why this type of underemployment does not seem to have been as responsive to the economic upturn in 1994–1995.

United Kingdom

Introduction

The UK has moved from having an unemployment rate well above the EU average, to one which is several percentage points below the average, using comparable measures; official Eurostat data for December 1997 show the UK with an unemployment rate of 6.6% compared with an EU-wide rate of 10.5%. This apparently good performance of the UK labour market in recent years has attracted considerable debate. There is, in particular:

- a debate about the causes of the recent fall, and the extent to which it reflects genuine improvement in labour market performance (due, for example, to the effects of labour market reforms and deregulation during the 1980s and early 1990s, and to increasing labour market "flexibility");
- a debate about whether the trend represents a "real" fall in labour market slack in the UK, rather than reflecting statistical changes in the way in which unemployment has been measured, or changes in eligibility for unemployment-related benefits, or the impact of policy changes such that people previously categorised as "unemployed" now appear in the statistics as "economically inactive"; and
- a debate about the extent to which lower unemployment has been achieved at the expense of other, more detrimental changes. These include growing levels of income inequality over the last decade in the UK, and the increasing concentration of unemployment (despite falling unemployment, the concentration of unemployment in "workless households" – see, for example, Employment Policy Institute 1997 – has continued to grow, and remains higher than in many other EU member states).

There is much recent literature, although no clear consensus, on these questions (see Robinson 1997 for a useful summary). In this article, we present aggregate data throwing some light on these issues, looking in particular at how the recent unemployment picture varies when we take account of a range of alternative measures of labour market slack or underemployment.

Standard unemployment rates

There are two standard official counts of unemployment in the UK: the "claimant count" based on administrative sources and published on a monthly basis; and the Labour Force Survey estimate based on the ILO definition of unemployment and currently published quarterly[1].

1 The Office for National Statistics has recently announced plans to publish monthly unemployment estimates derived from the LFS, using a three-month rolling average (Laux 1998).

National rate – the claimant count

Stocks

Unemployment as defined by the claimant count is the number of people claiming unemployment-related benefits, while unemployment rates express the number of unemployed claimants as a percentage of the estimated workforce[2].

During the recession of the early 1980s, claimant unemployment rose rapidly, and then fell dramatically in the late 1980s with macroeconomic expansion, before being hit by a second recession in the early 1990s. Since 1993, unemployment has fallen fast, and is now at its lowest level since 1980. Claimant count data (Figure 1) show unemployment at 5% in December 1997, a fall of 22% on the previous year.

The claimant count has the advantages that it is quickly available and at low cost as a by-product of the administrative process. Also, as a 100% count, it can provide information on very small areas. The main disadvantage is that its coverage changes when adjustments to the rules and procedures for benefit payments are made[3]. Government statisticians have identified nine significant discontinuities[4] in the coverage of the claimant count over the period 1979–1994 (Fenwick & Denman 1995). These discontinuities are of three broad types:

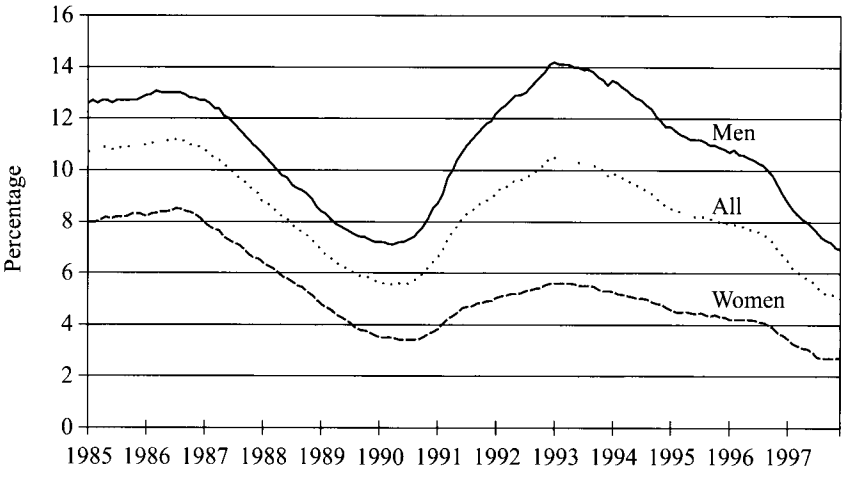
- changes in the rules (entitlement to benefits, etc.) that affect the status of individuals in the monthly count without changing their labour market status;
- administrative changes necessitating changes in the method of compiling the figures (for example, the move from a count of people registering at Jobcentres to a count of people claiming unemployment-related benefits in 1982);
- purely statistical changes (for example, delaying the compilation of the figures for a further two weeks from March 1986 in order to reduce previous over-recording).

The nine discontinuities (three of type A, two of type B, three of type C, and one which involved elements of type A and type C) have, with one exception, reduced the claimant count, and the estimated net effect of these changes over the period was to reduce the unemployment figure according to this measure by nearly half a million (494,000).

In addition, two further administrative changes since 1994 have affected the claimant count.

First, in April 1995, Sickness Benefit and Invalidity Benefit were replaced by Incapacity Benefit (IB), restricted to people satisfying a new medical test of capacity for work.

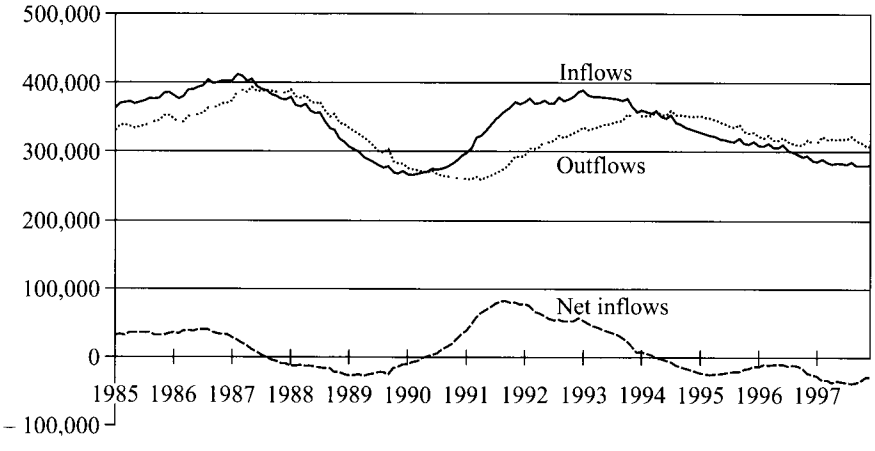
Figure 1: UK unemployment rates, claimant count (in %)



Note: Data are from the seasonally adjusted claimant count; adjusted for discontinuities so as to be consistent with current definitions.

Source: Office for National Statistics (NOMIS) © Crown Copyright.

Figure 2: UK unemployed flows – 12-month moving averages*



* Each observation in the chart is an average of the 12 previously monthly observations.

Note: Data are not seasonally adjusted.

Source. Office for National Statistics (NOMIS) © Crown Copyright.

2 The workforce estimates used in the denominator for official claimant count unemployment rates are normally mid-year estimates, revised annually.

3 In the consistent, seasonally adjusted count shown in Figure 1, these changes are taken into account so that comparisons can be made over time.

4 The number and significance of these changes to the count have, however, been the subject of some controversy and debate in the UK, with, for example, the Unemployment Unit claiming that there had been some 31 changes to the count between 1979 and 1995, affecting the continuity of the data. All of these changes, however, with the exception of the nine listed here, are regarded by official statisticians as irrelevant to, or having a negligible influence on the claimant count.

The net effect was expected to be a reduction in the rate of increase in people recorded as economically inactive due to long-term sickness or disability (a trend discussed further below), and an increase in the numbers of claimant unemployed. In practice, however, early estimates do not suggest that there has been a sustained increase in the net inflow from incapacity and related benefits to claimant unemployment (Edgeley & Sweeney 1998).

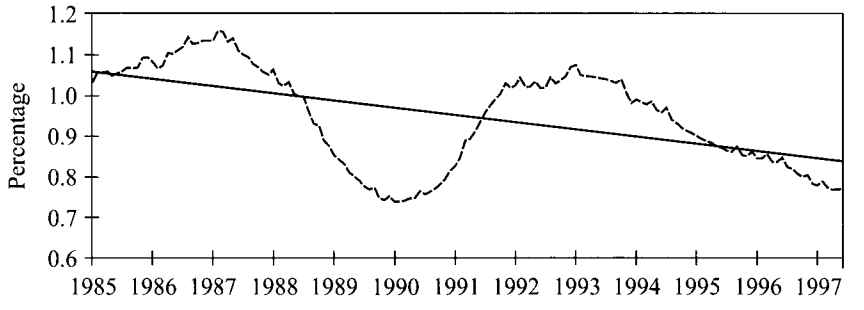
Second, in October 1996, Unemployment Benefit and unemployment-related Income Support were replaced by a single Jobseeker's Allowance (JSA), available on a contributory basis for six months only (and thereafter means-tested). JSA involved several changes to eligibility rules, some of which have affected the numbers included in the count without any corresponding change in their labour market status. Initial estimates are that JSA removed over 100,000 claimants from the count between October 1996 and April 1997 (ONS 1998). The rapid fall in the claimant count during this period is clearly shown in Figure 1. JSA is also believed to have had a (smaller) impact on the number of ILO-defined unemployed.

Flows

Figure 2 shows monthly inflows to and outflows from the stock of claimant unemployed in the UK (expressed as moving averages).

The clear cyclical pattern in net flows reflects that shown in the overall unemployment stock (Figure 1), but the familiar lags are clearly seen, with movements in outflows preceding those in inflows as cyclical indicators. Thus, in a recession, it is typically outflows from unemployment that start to fall as firms cut back on recruitment, before inflows increase as jobs are lost. This can be seen in the late 1980s, when the level of outflows fell over the period 1988 to 1991, but it was not until 1990 that inflows (and the overall level of claimant unemployment) began to increase.

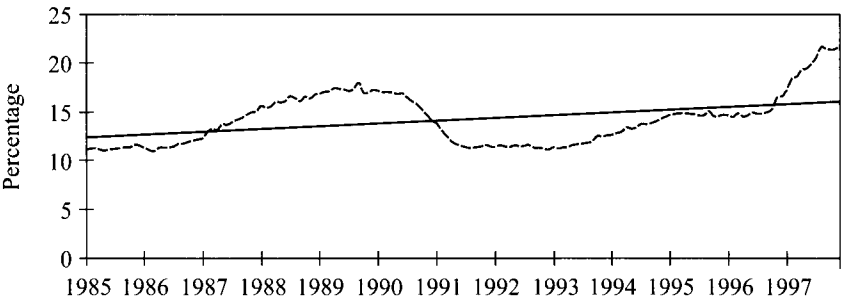
Figure 3: UK inflows (12-month moving averages) as a proportion of working-age population



Note: Data are not seasonally adjusted.

Source: Office for National Statistics (NOMIS) © Crown Copyright; Labour Force Survey (working age population estimates).

Figure 4: UK outflows (12-month moving averages) as a proportion of unemployed stock



Note: Data are not seasonally adjusted.

Source: Office for National Statistics (NOMIS) © Crown Copyright.

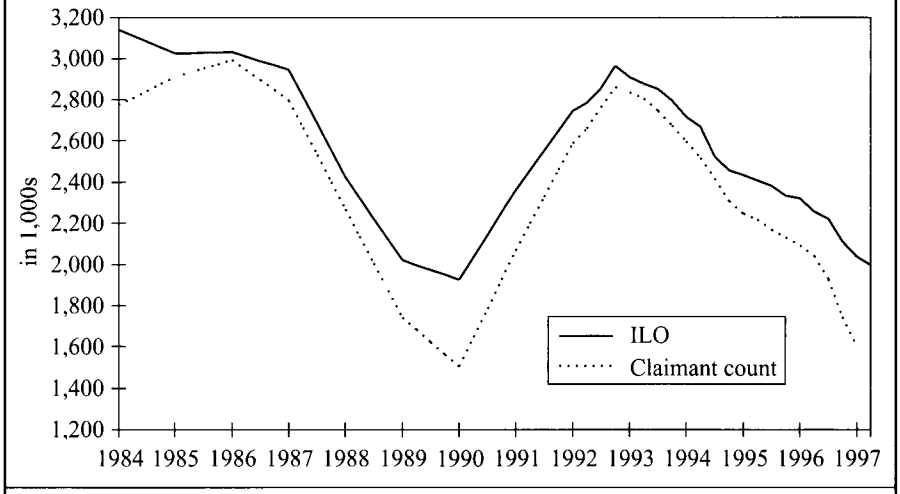
Figure 3 expresses the inflow to claimant unemployment as a percentage of the working-age population (indicating the average chance of a person becoming [claimant] unemployed in a given month); Figure 4 expresses the outflow from claimant unemployment as a percentage of the unemployed stock (the average chance of a person leaving unemployment during the month). Both flows are strongly cyclical, but there is some evidence, since the mid-1980s, of a downward trend in inflow rates and an upward trend in outflow rates. Given the changes to the claimant count discussed above, however, it is not clear that these trends reflect genuine changes in labour market flows, rather than changes in the way that people are recorded as claimant unemployed. To establish real labour market changes, we need to examine trends in unemployment according to the international standard ILO definition, to which we turn in the following section.

Standardised rates (ILO)

The ILO definition[6] includes people who have not undertaken paid work in the survey reference week, who have looked for work in the previous four weeks, and who are available to start work within two weeks. Generally speaking, the ILO measure records more women as unemployed than the claimant measure, whilst for men the difference is less pronounced and in the other direction (i.e. more claimant unemployed than ILO-unemployed). The ILO measure has exceeded the claimant count measure (adjusted for discontinuities) since the

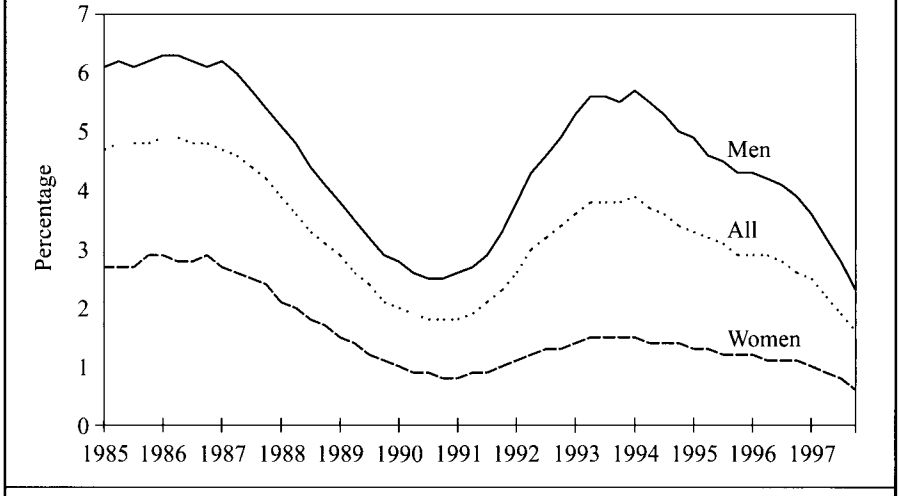
6 Operationalised in the UK Labour Force Survey, a sample survey of around 120,000 people aged 16 and over, conducted on an annual basis until 1991, and quarterly thereafter.

Figure 5: Comparison of trends in the claimant count and ILO measures of unemployment



Source: LFS Historical Supplement: Office for National Statistics (1997).

Figure 6: UK long-term unemployment rates (claimant count)



Note: Data are not seasonally adjusted.

Source: Office for National Statistics (NOMIS), © Crown Copyrigth.

mid-1980s (Figure 5), and the gap between the two is pro-cyclical. This gap has increased particularly sharply in the last two years, however, largely because of the introduction of JSA (discussed above). Thus, the Summer 1997 LFS showed 2,131,054 ILO-unemployed, whilst the claimant count for August 1997 was 1,495,400. This gap (over 600,000) is the largest ever, and ILO-defined unemployment continues to fall at half the pace of the claimant count.

There are several reasons why the two measures consistently differ, the main one being that the ILO definition includes unemployed people not claiming unemployment-related benefits. Many are women who are not entitled to benefits because their partner is working or claiming. Others are people who are unemployed but choose not to claim benefits for a number of reasons, e.g. students looking for part-time work. There are also differences in the other direction, however, since not all claimants are ILO-unemployed. Benefit eligibility corresponds closely to the ILO definition in requiring active job search and availability for work, but people can work part-time and claim benefit up to a certain earnings threshold.

Because of the overlap between the two measures, the gap between the two is not equivalent to the number of unemployed people not in the claimant count. Looking at the so-called "missing million" (the 1,029,000 people unemployed on the ILO measure but either not claiming or not eligible for benefits), the status of almost 1 in 3 of these people is unknown (Employment Policy Institute 1997). Of the remainder, some are receiving non-unemployment-related benefits (e.g. lone parents and the sick or disabled), while others include full-time students looking for jobs and the jobless partners of people in work.

Long-term unemployment

Claimant count long-term unemployment

Data from the claimant count show that long-term unemployment (12 months or more) stood at 1.6% of the economically active workforce in December 1997. Figure 6 shows trends in long-term unemployment from the claimant count; comparing this with trends in the overall claimant unemployment rate (Figure 1), it can be seen that the long-term unemployment rate moves generally in the same cyclical fashion as the overall unemployment rate. The UK is exceptional among EU member states in that female unemployment rates and female long-term unemployment rates (on claimant or ILO definitions) are generally lower than corresponding male rates.

ILO long-term unemployment

Long-term unemployment as measured by the ILO definition dropped sharply between Summer 1996 and Summer 1997 from 871,000 to 690,000, a fall of 20%. The proportion of long-term unemployed fell from 38% to 33% of all LFS unemployed (Convery 1997). The latest available long-term unemployment rate from the Summer 1997 LFS stood at 2.4%.

The close relationship between unemployment and long-term unemployment rates found in the claimant count data is also present in LFS data

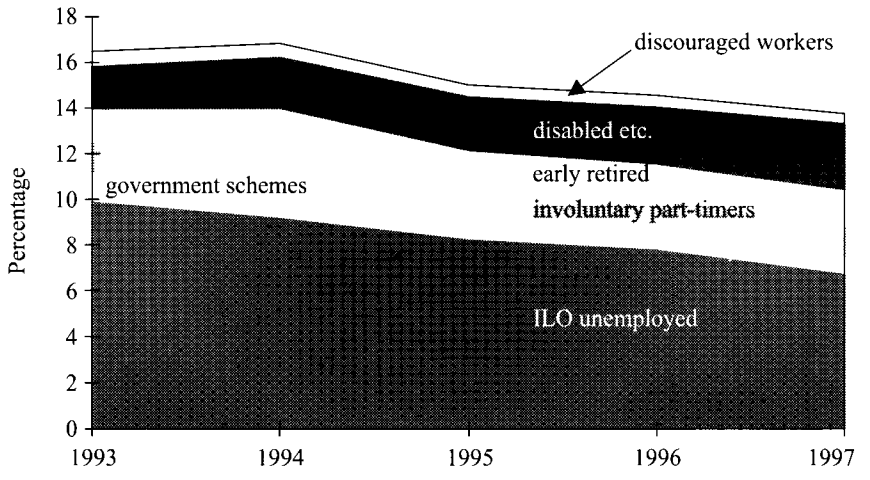
(although, as with unemployment, ILO long-term unemployment rates are generally higher than under the claimant count definition). Figure 7 shows this relationship clearly, and there does not appear (Robinson 1997) to be a significant lag between movements in unemployment and long-term unemployment; when unemployment falls in an upturn (1986–90 and 1993–97), so does long-term unemployment. It also seems, however, that at the start of a recession (1990–91), long-term unemployment increases more slowly than total unemployment, and the ratio of long-term unemployment to unemployment falls as the inflow to short-term unemployment rises strongly. Thereafter, however, the ratio increases, as the short-term unemployed become long-term unemployed. Similarly, in the first year of an upturn (1993–94), it is short-term unemployment which benefits first, and the ratio of long-term unemployment to overall unemployment increases.

Figure 7: Unemployment rates and long-term unemployment rates (Great Britain*)

* Note that the data in this figure refer to Great Britain only (i.e. Northern Ireland is excluded).

Source: Labour Force Survey.

Figure 8: Recent trends in broad measures of labour market attachment



Source: Labour Force Survey.

Broader measures of labour market attachment

In this section, we look at how the picture of trends in labour market slack is influenced when we take account of groups of people not classed as unemployed, even under the ILO definition, but who might, on some perspectives, be seen as unemployed, or underemployed. Some of these groups appear in the standard definitions as employees (e.g. some people on active labour market measures or people who are working part-time but would prefer full-time work), whilst others ("discouraged workers" or some groups of disabled or early retired people) appear as economically inactive.

It is not legitimate to take the overall nonemployment rate as the main indicator of the underutilisation of labour resources, because it is clear (under ILO definitions) that most inactivity is voluntary, and it would be inappropriate, for example, to include adults in full-time education in a measure of underemployment. There are, nevertheless, intermediate categories of inactivity, e.g. discouraged workers or long-term sick and disabled people[8], who would, under the right circumstances (benefit traps and job-search requirements in benefit eligibility rules, as well as child-care constraints and employer discrimination are likely to be relevant here), both wish to work and search for work. There is, therefore, benefit in exploring the size of and trends in these various groups and their degree of labour market attachment. This is of particular current relevance in the UK, for key aims of the Labour Government's "Welfare to Work" strategy are to increase labour market attachment and to reduce benefit dependence among these groups (single parents and the disabled feature prominently in this strategy).

We illustrate below some alternative measures of underemployment

8 Much of the growth in inactivity, among men in particular, is due to sickness or disability in the UK, associated as much with changes in the benefit regime as with changes in underlying labour market conditions or "real" changes in the incidence of sickness/disability.

or labour market attachment in the UK. In particular, we identify, in addition to those who meet the ILO definition of unemployment, five further categories of possible "underemployment". Trends in "broader unemployment rates"[9] including these categories are shown in Figure 8[10].

Participants in active labour market measures

This category includes participants in government training and employment schemes, such as Youth Training and Training for Work. In official statistics, most of these people are identified separately or are counted as employees. Clearly, however, in the absence of the active measures, a significant proportion of scheme participants would be unemployed, and on this perspective, at least part of this group can legitimately be incorporated in a measure of underemployment. The size of this group has fallen in recent years, in line with the reduction of overall unemployment (in Spring 1993, the LFS recorded 364,000 participants in active measures, but this had fallen to 226,000 by Spring 1997).

"Involuntary" part-time workers

A further category of underemployment (following Schmid 1997) consists of people who are working part-time because they could not get a full-time position ("involuntary part-time workers"). UK data show that between Winter 1992/3 and Winter 1995/6, there was an increase of 7% in the number of part-timers who could not find full-time work (Laux 1997). Subsequently, however, there has been a slight fall in these numbers, and the Summer 1997 LFS identified 811,000 involuntary part-time workers, a figure still considerably higher than at the beginning of the 1990s (the Spring 1990 total was 351,000). The Unemployment Unit estimates that giving these involuntary part-timers the hours they want is the equivalent of creating 488,000 full-time jobs (Convery 1997). Such estimates are, however, somewhat arbitrary, and in calculating the degree of "underemployment" represented by involuntary part-time work (Figure 8), we have simply halved the total of involuntary part-time workers (i.e. the assumption is that, on average, these people would like to double their working hours)[11].

Early retirement

Another possible component of a broader measure of underemployment, again following Schmid (1997), is the group of people of working age who have retired early. The LFS enables us to identify people who say they are economically inactive because they have retired, and in our measure of early retirement in Figure 8, we include retired men aged 64 or younger, and retired women aged 59 or younger (based on conventional UK retirement ages). Over the period considered (1993–1997), there was continued growth in this category from 433,000 in 1993 to 474,000 in 1997.

Disabled people wishing or able to work

Although unemployment rates among disabled people (on any of the definitions of "disability" currently in use) are consistently higher (typically twice as high) than those of non-disabled people, economic inactivity rates among these groups are extremely high (the Spring 1997 LFS shows that 65% of working-age disabled people are economically inactive; see Jenkins 1997). These rates have tended to grow over time, and this is currently a major issue for labour market policy in the UK. In part, this reflects the nature of the benefits system, and the growth in disability-related benefits expenditure in the UK has also been rapid[12]. Whilst it is clear that significant numbers of disabled people are unable to work and would not wish to work[13], the LFS shows that there are also many who have some degree of labour market attachment. Our crude estimate of the size of this group, therefore, is based on disabled people who meet one, but not both of the main criteria (active job search or availability for work) for ILO unemployment, i.e. people who are "inactive" under the ILO definition, but who either wish to work (but are not seeking work) or who are seeking work (but are not fully available to work according to the ILO definition) . The size of this group has continued to increase strongly in recent years, from 568,000 to 887,000 people over the period 1993–1997.

Discouraged workers

The definition of underemployment can also be broadened to include "discouraged workers", defined as those neither in employment nor ILO-unemployed, who say they would like a job, and whose main reason for not seeking work is that they believe there are no jobs available. The LFS shows the number of discouraged workers in Spring 1997 as 123,997, a fall of 35% since Spring 1993. The size of this group normally moves counter-cyclically, rising in a recession and falling in an upturn, as individuals' perceptions of

9 Note that some of these categories (i.e. discouraged workers, early retired and disabled, etc.) are normally classed as economically "inactive". In calculating "broader unemployment rates", therefore, these groups are included in both the denominator and the numerator. The "ILO unemployment rates" shown in Figure 8 are, therefore, lower than the conventionally-defined ILO rate.

10 Note that, due to data discontinuity and definitional changes, it is only possible to construct a consistent series of these alternative measures for the UK as a whole, for the period since 1993.

11 Work is underway (since the Spring 1996 LFS) to improve the measurement of this type of underemployment. However, these data are not yet available and are still being validated by ONS (Laux 1997).

12 Thus, for example, the numbers of men aged 35–64 on Invalidity Benefit increased by over 70%, from 550,000 in 1984 to 950,000 in 1995 (Bell et al. 1997).

13 It is difficult to estimate reliably the size of this group, since "inability" to work itself reflects factors such as the inaccessibility of workplaces and the transport system for disabled people, as well as discrimination by employers.

job availability, or the likelihood of their being able to find a job, are clearly influenced by the overall tightness of the labour market.

Conclusion

We have seen that on either of the main measures of unemployment (claimant count and ILO) there has been a significant and rapid fall in UK unemployment in recent years. Whilst there remains a debate about the extent of, and reasons for this fall, several points are clear on the basis of existing evidence.

First, recent unemployment trends partly reflect the timing of the economic cycle; the UK entered recession in the early 1990s, earlier than most EU member states, and recovery also began correspondingly earlier, and was given enhanced impetus by an effective currency devaluation in late 1992, when the UK left the European Monetary System (Robinson 1997).

Second, UK unemployment has responded more quickly to the most recent economic upturn than was the case in previous economic cycles (Barrell & Morgan 1996). Whilst some commentators argue that this reflects the impact of labour market reforms and growing labour market flexibility, others (e.g. Robinson 1997) argue that their effect is overstated, and that on most indicators there is little evidence of increasingly flexible employment patterns, job insecurity, etc., although even these authors accept some impact of the reforms in collective industrial relations on the rate of productivity growth.

Third, and most relevant to this article, whilst falling unemployment since 1993 has been partly a response to short-term employment growth, it has also reflected falling labour market participation (Barrell and Morgan 1996). The "steady state" or equilibrium sustainable unemployment level does appear to have fallen in recent years in the UK; Barrell and Riley (1997) argue that it has fallen from 7.2% to 5.2% since 1990, but they also note that much of the fall has been matched by a rise in steady state inactivity, and there has not been a significant change in the sustainable level of employment.

We have seen that when we broaden the analysis to include groups among the "economically inactive" who have some degree of labour market attachment, as well as some of those in employment, but who are "underemployed" or employed only through participation in a government scheme, the recent fall in labour market slack in the UK is rather less dramatic. The data summarised in Figure 8 show that whilst ILO-unemployment fell by 31% (from 2.9 to 2.0 million) over 1993–97, the numbers of those included in all 6 broader measures of labour market attachment (including the ILO-unemployed) fell by only 14% (from 5.3 to 4.6 million). More specifically, falling numbers of ILO-unemployed, scheme participants and discouraged workers, were partly offset by increases in involuntary part-time workers, early retirements and (especially) disabled people wanting to work, but officially recorded as "inactive".

Finally, it is worth stressing that further measures of unemployment, focusing on its concentration in disadvantaged households, have featured prominently in the UK debate, and they also produce a less positive picture of recent trends than that derived from traditional unemployment data. LFS estimates (Employment Policy Institute 1997) show that two indicators of "workless households" (one measuring the number of individuals living in households where no adult has a job, and the other measuring the number of such households) have been on a secular upward trend since the mid-1970s, exhibiting much less cyclical fluctuation than the ILO unemployment figures. In particular, both measures grew strongly even during the recent economic recovery, and have only begun to fall slightly since mid-1996, some three years after ILO-unemployment started to fall rapidly. The importance of workless households and their association with social exclusion and growing income inequality, and the value of alternative broader measures of unemployment and underemployment, are increasingly recognised in the policy debate in the UK, and such measures are now being taken into account in official Government contributions to that debate (see, for example, HM Treasury 1997; Bell et al. 1997).

Nigel Meager & Ceri Evans

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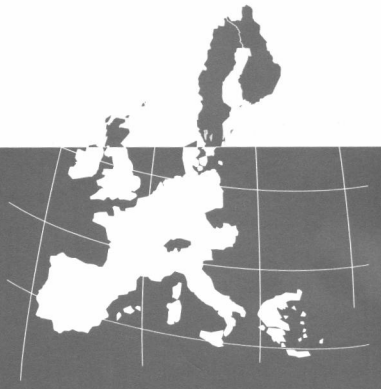
European Employment Observatory



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The European employment strategy adopted by the European Council in Essen in December 1994 imposed new demands on the Observatory. In particular, it is expected to contribute effectively to the task of monitoring the progress of labour market reforms that are in line with the common strategic goals. Following the changes introduced in 1996 to cope with these new challenges and tasks, the Observatory now consists of two networks MISEP (Mutual Information System on Employment Policies) and SYSDEM (System of Documentation, Evaluation and Monitoring of Employment Policies) and a new RESEARCH advisory group.

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