

Mapping the economically inactive population

Introduction & literature

Unemployment rates receive much attention. Policies to get people into employment also often tend to focus on the unemployed. That may make sense, but it is important to consider that groups of inactive people have activation potential as well. However, while the unemployed constitutes a relatively well-studied group, this is less so for the inactive population.

An important exception is a 2014 study by the World Bank and the European Commission¹. It draws on EU-SILC data to identify clusters of both inactive and unemployed people in 6 EU Member States. First results of an on-going follow-up study by OECD, World Bank and the European Commission (in 12 other Member States) emphasises that “*short-hand*” groupings that are often highlighted in the policy debate, such as “youth” or “older workers” are in fact composed of multiple distinct sub-groups that face very different combinations of employment barriers and likely require different policy approaches (p. 4).²

Research questions and scope

Eurofound’s study builds on the above-mentioned work, but includes all 28 Member States and focuses exclusively on the inactive. Using cross-sectional EU-SILC data, it aims to:

1. provide a broad picture of social and living conditions of the inactive population –at the individual and household level– and discuss the impact for the inactive’s quality of live and for broader society;
2. better-understand the barriers to work for various sub-groups of inactive people, making carefully informed cross-national comparisons;
3. identify and understand changes in the characteristics and circumstances of the inactive populations over time³.

Over the summer of 2016, Eurofound has also gathered information from all 28 Member States, through its Network of Correspondents (NoC), on a wide range of issues related to the inactive population. By combining the EU-SILC analysis with these more qualitative contextual data, it allows for validation and better understanding of the results. Eurofound also asked its NoC about national data and analysis concerning the inactive population in the Member States. Eurofound’s EU-SILC analysis will be mirrored by and complemented with results from these resources for the Member States where they are available. The results will also be complemented by analysis of European Quality of Life Survey data, in particular about reported preferred working hours by people who currently are not involved in paid work.

Results

No results are yet available as the analysis will start late October 2016. However, a synthesis of results of the latent class analysis by WB, OECD and EC studies, suggests there will at least be three important groups of inactive people with high activation potential and need: middle-aged people with work experience, parents not involved in paid work, and disabled. They include people who may wish to return to the labour market after having taken time off after providing child or elderly care for a period. Barriers to employment include work related capabilities, incentives to look for or accept a ‘good’ job, and employment opportunities. Being able to make ends meet may reduce the desire for people to seek employment, even if this may be less so than one expects.⁴ Particular attention will go to childcare and health-related barriers. While the variables included in EU-SILC have limitations in

¹ Sundaram et al (2014) Portraits of labor market exclusion.

² Fernandez et al (2016) Faces of joblessness: characterising employment barriers to inform policy.

³ Using various years of cross-sectional data, not panel data – mainly due to expected sample size issues.

⁴ Eurofound (2014) Work preferences after 50.

http://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1403en.pdf

terms of analysis for all 28 Member States, the data will allow highlighting the inactive population's heterogeneous living conditions, including variables on housing, arrears and material deprivation. Results will inform policy-makers in better understanding the economically inactive population, thus facilitating better-informed employment and social policies.