



# Persons outside the labour force: How inactive are they really?

Delving into the potential labour force with ILO harmonized estimates<sup>1</sup>

People of working age (usually defined as everyone aged 15 and above) can be classified according to their labour force status into three mutually exclusive groups: the **employed** (they have a job), the **unemployed** (they are jobless, but available and looking for a job), and **persons outside the labour force** (they are jobless but not available and/or not looking for a job). All persons in employment and those in unemployment make up the **labour force**, which represents the current supply of labour for the production of goods and services in an economy. Thus, persons who are neither employed nor unemployed, that is, persons outside the labour force are not part of the workforce. They do not constitute the labour supply, at least not in principle. Traditionally and in general terms, persons in the labour force support persons outside the labour force, often seen as dependents. Thus, people's participation in the labour force is key for economic growth, which is why it is crucial to monitor and understand labour force participation trends and patterns.

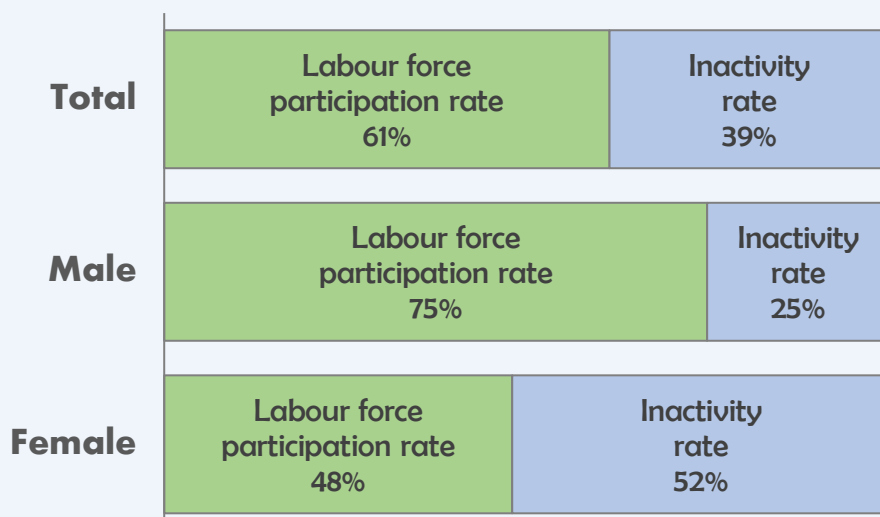
In fact, in 2018, 39 per cent of the world's working-age population was outside the labour force, meaning that well over a third of all working-age individuals around the world were not part of the labour supply to the economy.

What is more, over half of the world's working-age women were not in the labour force (52 per cent), while only a fourth of the world's working-age men were not in the labour force (25 per cent), reflecting a strong gender pattern in labour force participation linked to societal gender roles.

Typically, persons outside the labour force include full-time students, people engaged in household or family duties full

time, and retired individuals. But people may be outside the labour force for many other reasons as well. The degree of attachment to the labour market of persons outside the labour force is varied: some people outside the labour force may have no interest whatsoever in joining the labour force, whereas

**World's labour force participation rate and inactivity rate by sex (2018)**

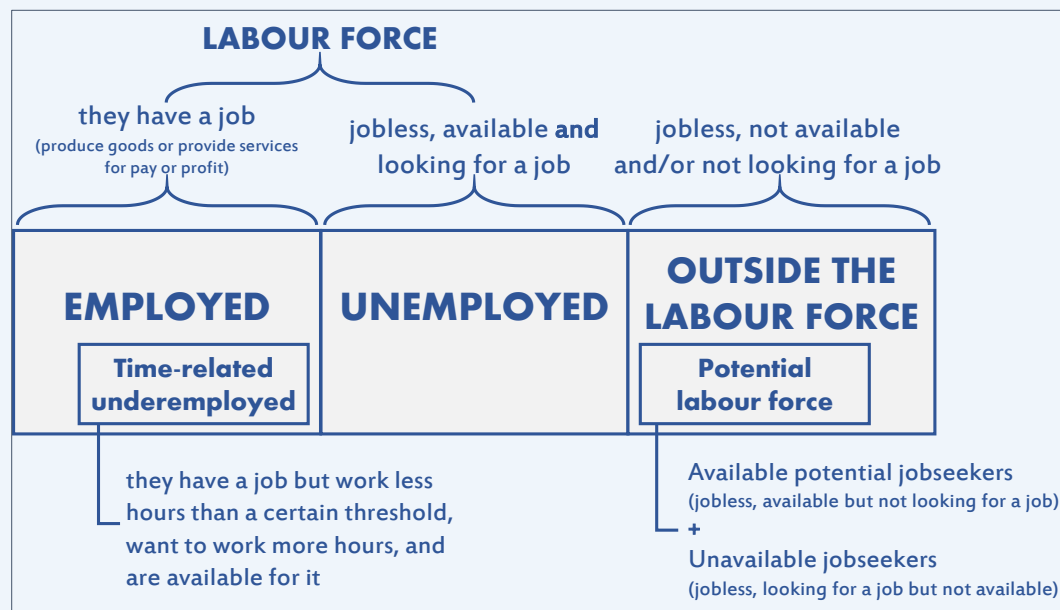


Source: ILOSTAT, ILO modelled estimates, November 2018.

<sup>1</sup> This brief was prepared by Rosina Gammarano, from the ILO Department of Statistics' Data Production and Analysis Unit.

others may have a very strong attachment to the labour market even though they are currently not in the labour force. Persons outside the labour force with the clearest and strongest attachment to the

### Labour force status of the working-age population



labour market are those who are available to take up a job if a job opportunity comes up even though they are not actively looking for employment (also known as the **available potential jobseekers**), and those who are looking for employment even though they are not currently available for it (also known as the **unavailable jobseekers**). The

available potential jobseekers and the unavailable jobseekers together make up the **potential labour force**. In other words, the potential labour force is a subgroup of persons outside the labour force with a labour market attachment, either because they are available for a job or because they are looking for one (but not the two simultaneously, otherwise they would be considered unemployed instead of outside the labour force).

We must keep in mind that the categorization by labour force status refers solely to one form of work: employment (work done for pay or profit). People may be engaged in other forms of work, such as volunteer work, unpaid trainee work or own-use production work, although they are not in employment or in addition to being in employment.

Persons outside the labour force are often considered inactive; in fact, they were even called “the economically inactive population” until the adoption of the new terminology in 2013. However, this may be far from true in many cases. Persons outside the labour force may be involved in own-use production work, volunteer work, or unpaid trainee work, which are all productive activities. They may also have ties to the labour force although they are outside of it, notably when they are in the potential labour force. Unfortunately, we do not have enough data to study the involvement of persons outside the labour force in own-use production, volunteer or unpaid trainee work. But we do have data on the potential labour force, its prevalence among persons outside the labour force, and its key characteristics, which is what this brief sets out to explore.

Given the importance of labour force participation for economies and societies, and since patterns of labour force participation are closely linked to demographic and social changes, this brief starts by analysing shifting world demographics and increasing inactivity rates. It then examines the labour market attachment of persons outside the labour force by focusing on the potential labour force, assessing the extent to which persons outside the labour force are really “outside” the labour force. Finally, it delves into the characteristics of the potential labour force, uncovering the hardships of job searching.

## Shifting world demographics and increasing inactivity rates

The world's population is ageing, and it is doing so faster than ever before. Rising life expectancy and declining fertility rates are resulting in a widespread increase of the population's median age. Although the ageing population trend started in high-income countries, it is now the reality of the vast majority of countries in the world, including middle- and low-income countries. This demographic shift brings major challenges to economies and societies around the world.

Even though the ageing of the population is a global phenomenon, there are considerable differences across regions in the population age structure. The population pyramids presented in the next page show the age structure of the global and regional populations. We observe that Africa has a youthful and expanding population, and so do the Arab States, although to a lesser extent. The population of the Americas and Asia and the Pacific is still expanding but at a slow pace: the share of the population aged under 15 is larger than that of any other age band, but people aged 65 or above represent a considerable share of the population. The ageing population process is well underway in Europe and Central Asia, and the region's population seems almost stationary, growing at very low rates.

Just as the world's population is ageing, so is its labour force. In fact, according to ILO estimates, the median age of a person in the labour force was 33.8 years old in 1990, and by 2018 it had increased to 38.8.

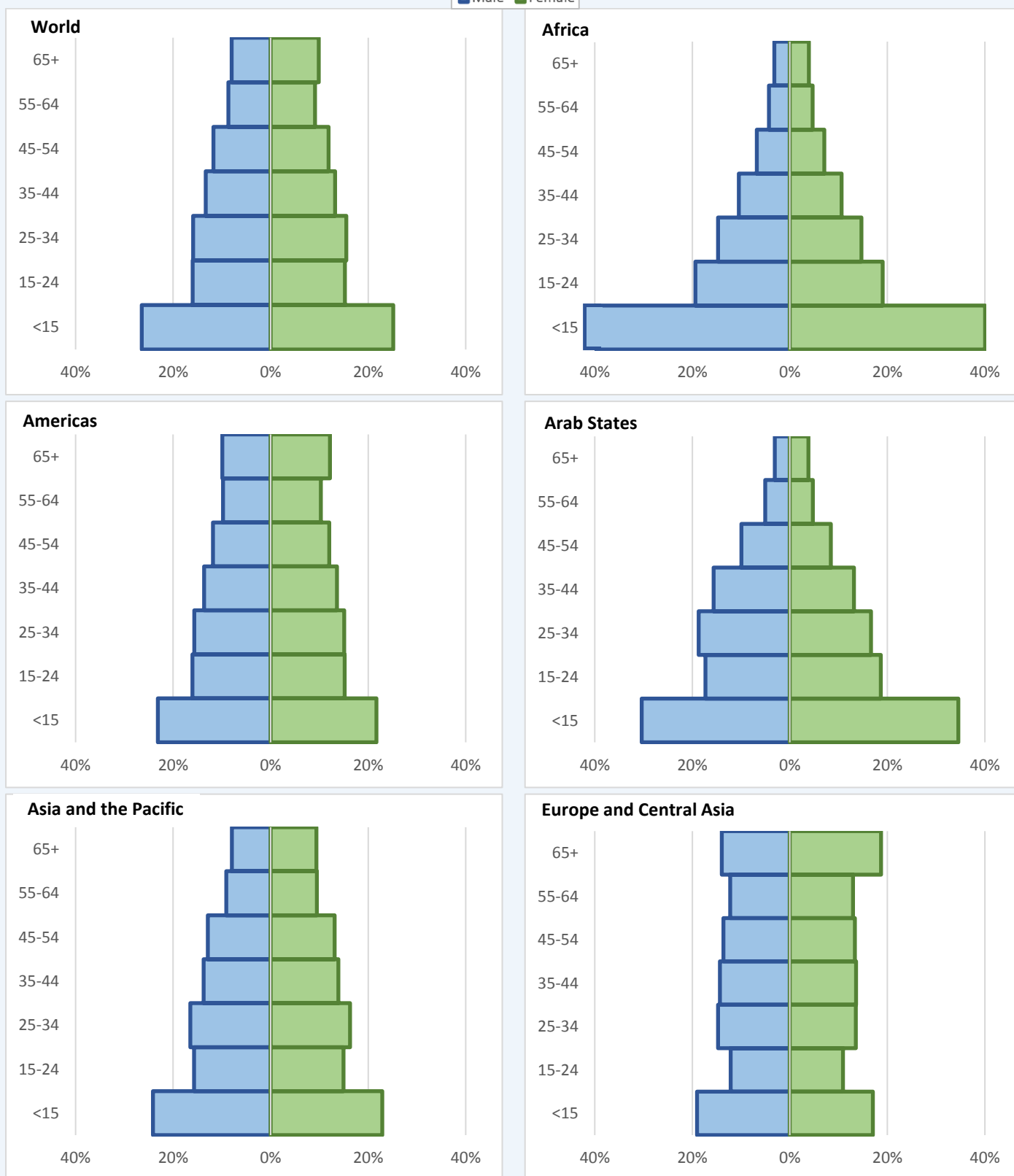
These demographic changes combined with social changes such as the increase in years of education (which implies that youth are staying longer in education before joining the labour force) are reflected in the annual growth rates of the world's population and labour force by age group. Indeed, as shown in the charts on page 5, the age bands pertaining to children and youth are the only ones to have a decrease in their global population at least some years since the 1990s. What is more, since 1991, the youth labour force has consistently grown less (or declined more) than the youth population, linked to a steady increase in the youth inactivity rate. Many factors underlie this trend, including the fact that youth are pursuing studies for longer (thus delaying their joining the labour force), but also because of difficulties they face in accessing the labour market.

On the other hand, the population in the oldest age bands has been continuously growing at high rates since 1991. As expected, persons aged 65 and above have a higher inactivity rate than any other age group by a large margin, and their inactivity rate has not fluctuated much since 1991. The inactivity rate of persons aged 55 to 64, however, has been on a downward trend, signifying that they are participating more and more in the labour force, perhaps linked to an increase in the age of retirement. The population and labour force aged 65 and above has grown more than any other age group since 2014, and this trend is expected to continue. In 2018, while the world's total labour force increased only by 1 per cent compared to the previous year, the senior labour force increased by almost 4 per cent.

In 2018, the world's labour dependency ratio, which gives the ratio of dependents (persons under 15 plus persons aged 15 and above outside the labour force or unemployed) to the employed, was 1.31. Projections indicate that the ageing of the population and labour force will continue, which makes it all the more important for policymakers and communities at large to plan accordingly, ensuring that labour markets, economies, societies and health systems are ready to take on the challenges of this demographic shift.

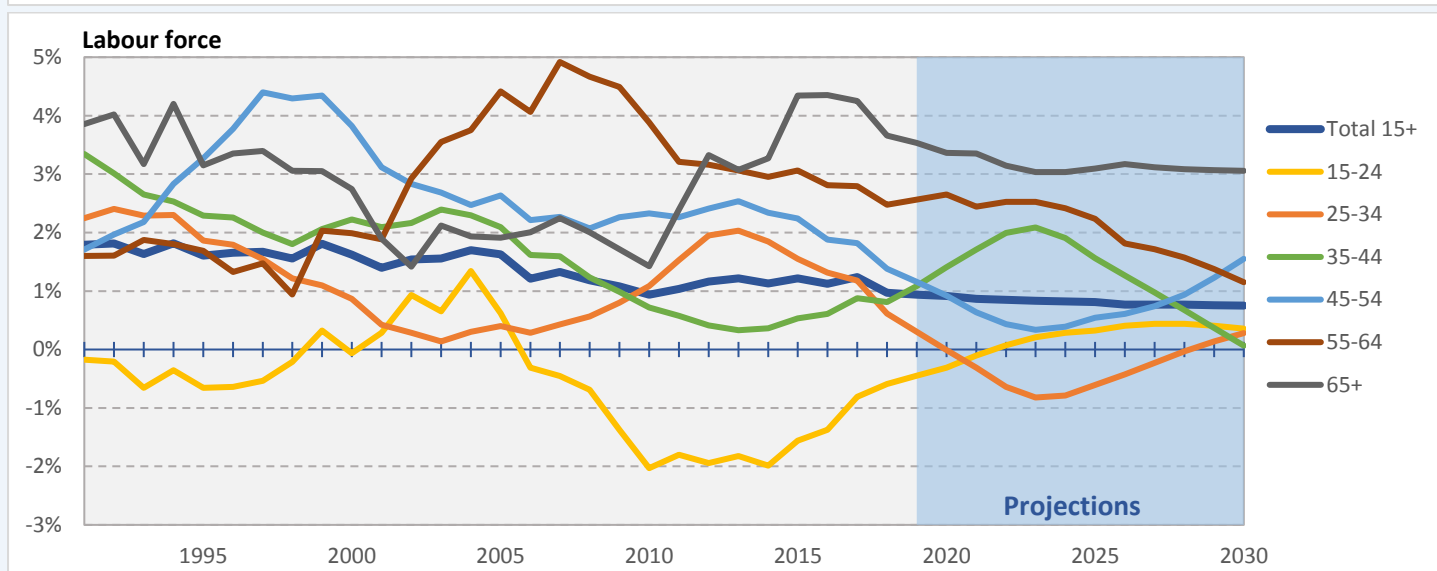
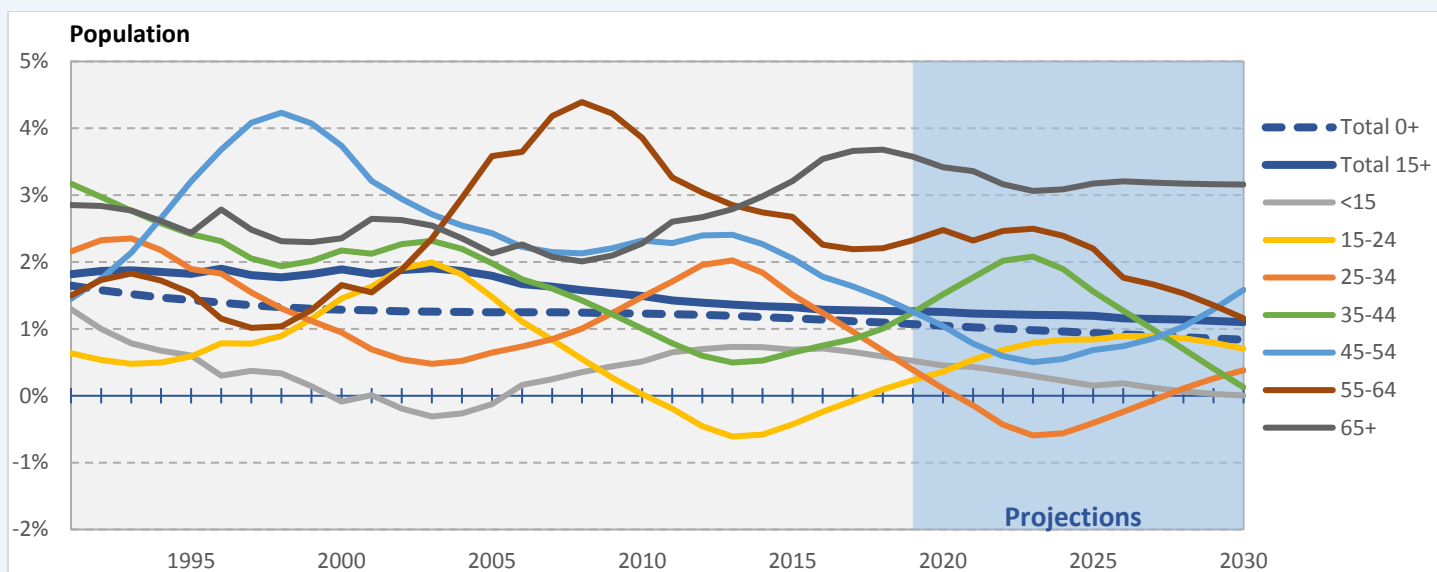
### Age distribution of the population by sex and region (2018)

Male Female



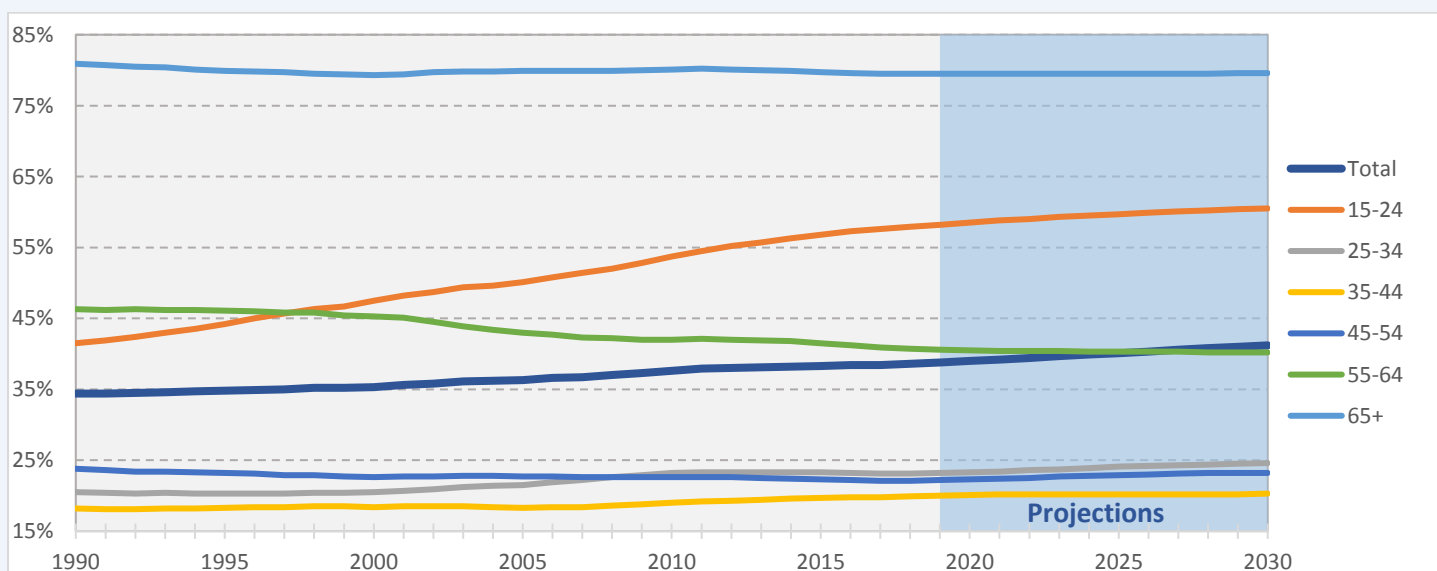
Source: ILOSTAT, ILO modelled estimates, November 2018.

## Annual growth rate of the world's population and labour force by age group (1991-2030)



Source: ILOSTAT, ILO modelled estimates, November 2018.

## Evolution of the world's inactivity rates by age (1990-2030)



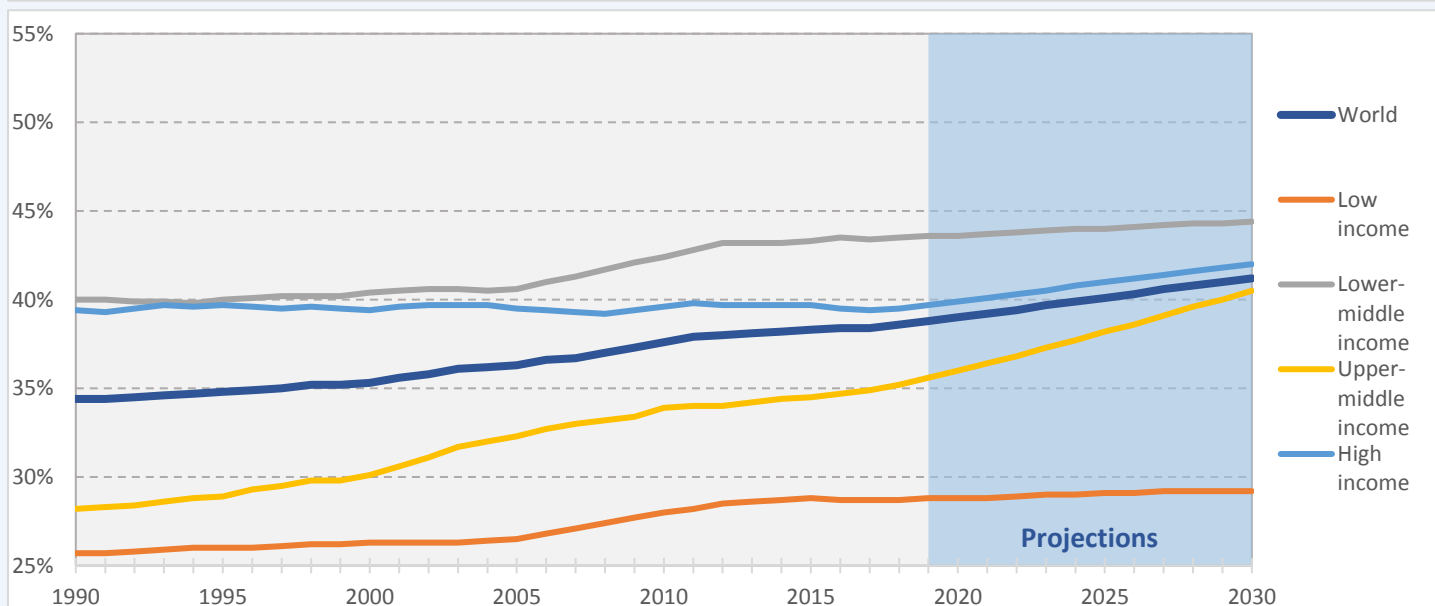
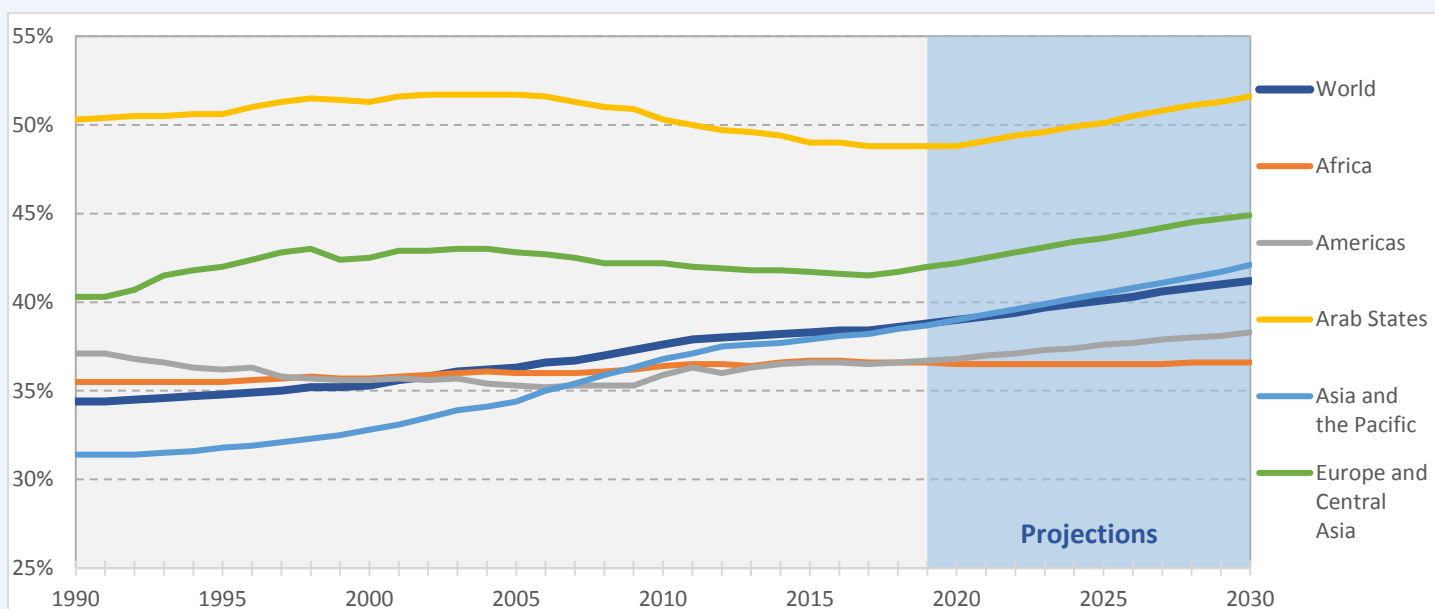
Source: ILOSTAT, ILO modelled estimates, November 2018.

Looking at the trend of inactivity rates by region, there are strong discrepancies observed across regions, regarding both the level of inactivity rates and their trend (see following figure). The world's inactivity rate is in a clear upward trend, driven by the rapidly increasing inactivity rate in Asia and the Pacific, and to some extent by the modest increase in the African inactivity rate.

The Arab States have higher inactivity rates than any other region, followed by Europe and Central Asia. In these two regions, inactivity rates started the 1990s on an upward trend, but began to decline in the mid-2000s. However, projections point to a widespread increase in inactivity rates, affecting all regions except perhaps Africa.

When it comes to the countries' level of income, low-income countries systematically had the lowest inactivity rates since 1990, while lower-middle income countries had the highest. Although the inactivity rate of high-income countries has fluctuated little since 1990, inactivity rates of all other income groups have steadily increased (see following figure).

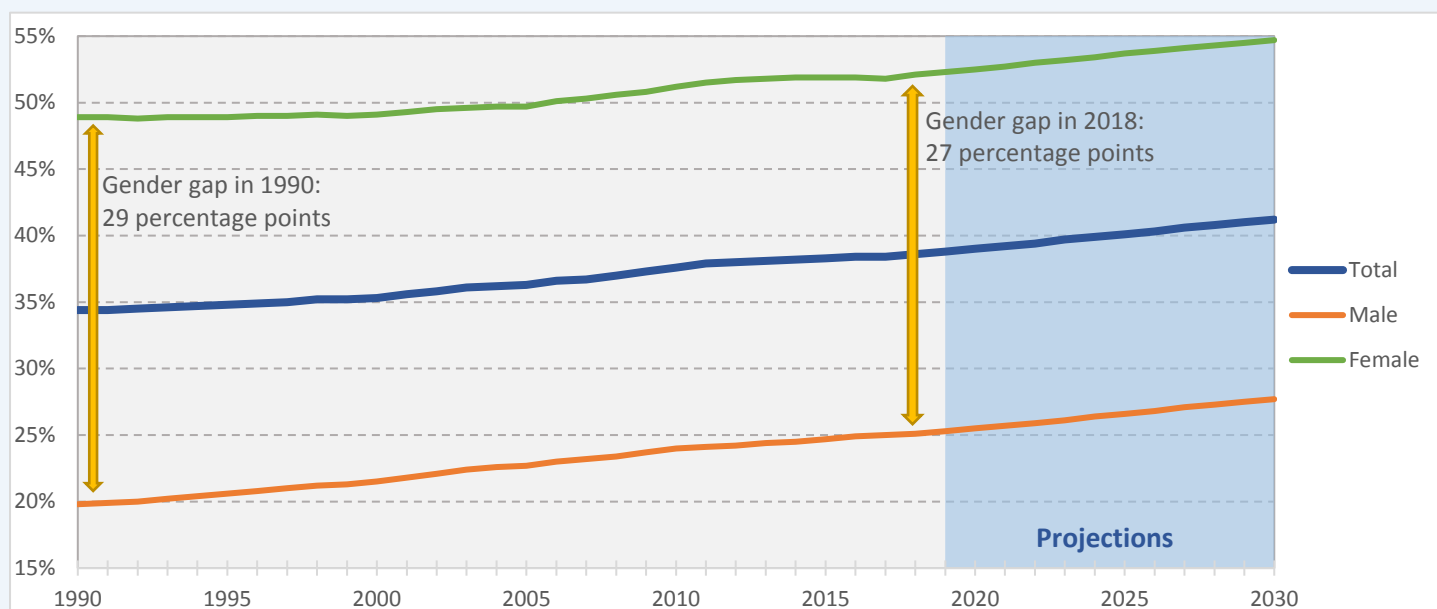
**Evolution of inactivity rates by region and income group (1990-2030)**



Source: ILOSTAT, ILO modelled estimates, November 2018. Note: All statistics presented by region in this brief refer to the classification by region used for ILO modelled estimates, available in ILOSTAT, and all statistics presented by income group refer to the World Bank classification of countries by income group.

There are strong gender patterns underlying people's participation in the labour force. Indeed, at least since 1990, the global inactivity rate has been consistently and considerably higher for women than for men. Moreover, the gender gap in labour force participation does not seem to be narrowing substantially: in 1990, the female inactivity rate was 29 percentage points higher than the male inactivity rate, and this gap decreased only to 27 percentage points by 2018 (see following figure).

### Evolution of the world's inactivity rates by sex (1990-2030)



Source: ILOSTAT, ILO modelled estimates, November 2018.

The ageing of the world's population and the steady rise in the global inactivity rate pose challenges to economic and social systems, which must be addressed appropriately to ensure a sustainable future for communities. However, the inactivity rate is a very gross measure, unable to convey the ties that some people outside the labour force still hold to it. In other words, the inactivity rate leads us to believe (mainly through its name) that all persons outside the labour force are inactive, without any interest in or attachment to the labour market, which is far from always being the case.

## **People outside the labour force may still hold a certain labour market attachment**

It is wrong to assume that all persons outside the labour force are inactive: they may well be involved in various productive activities not linked to the labour force, for instance by participating in volunteer work, unpaid trainee work or own-use production work. It is also wrong to assume that all persons outside the labour force have no interest in joining the labour force, and keep no ties whatsoever to the labour force.

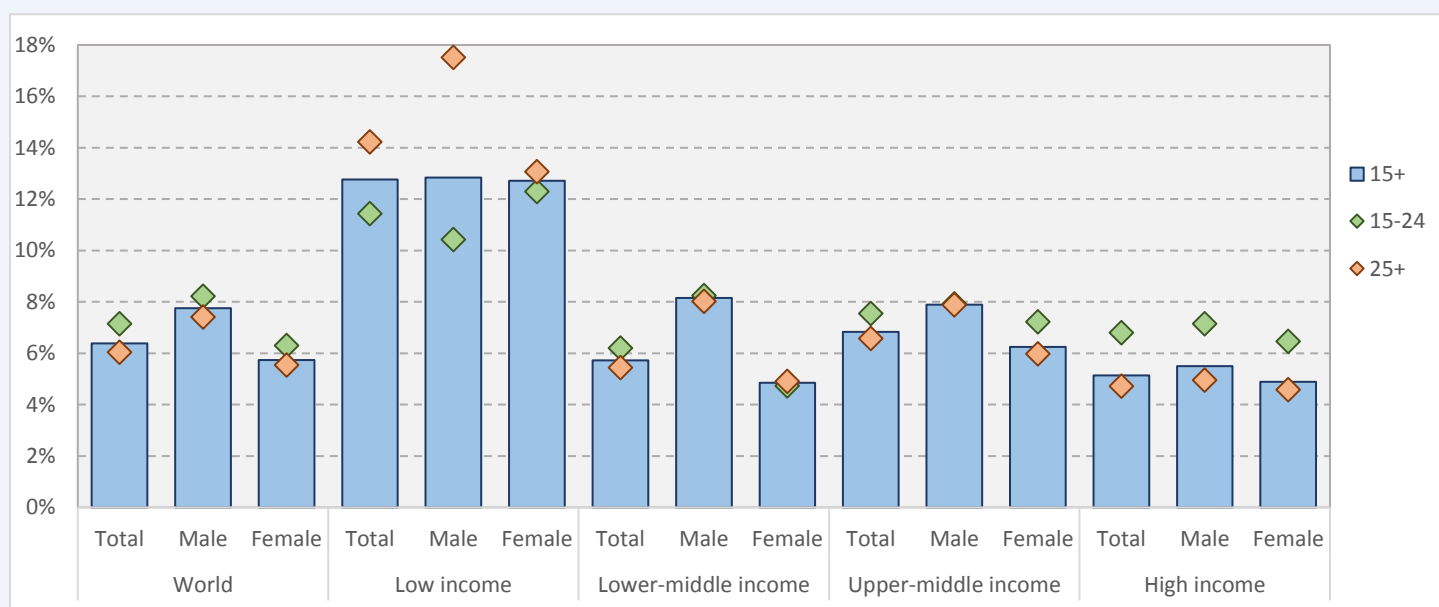
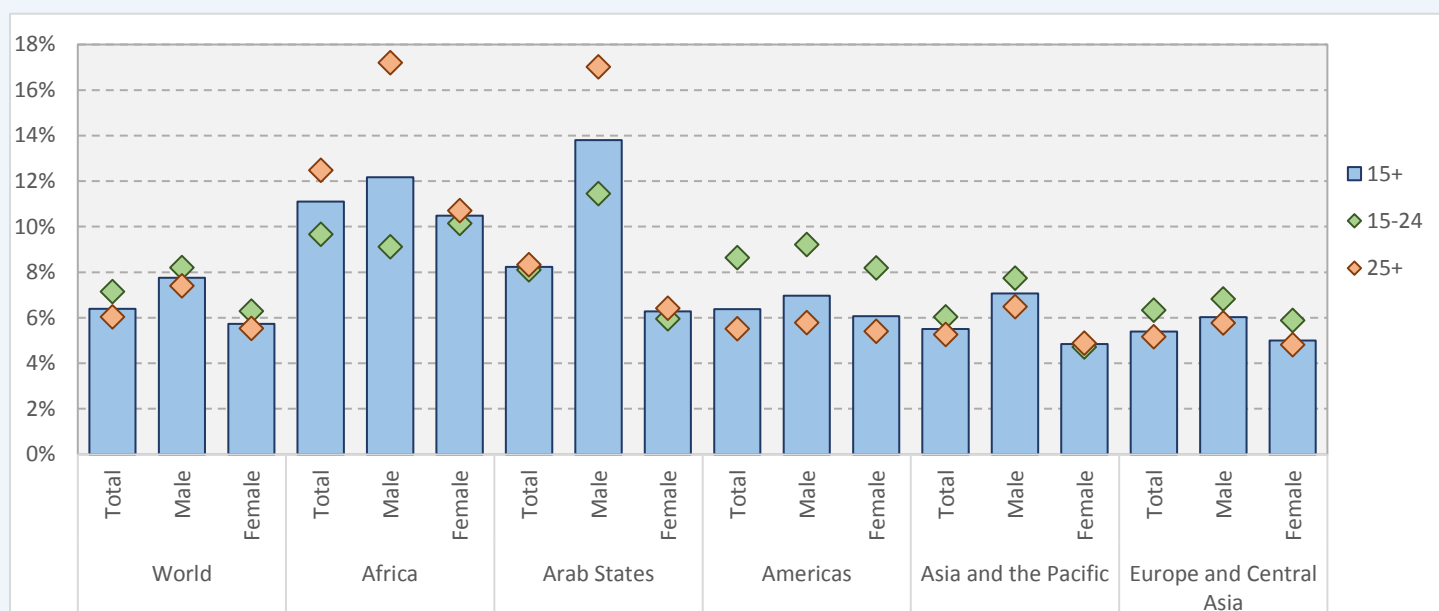
Indeed, among all persons outside the labour force, some belong to the potential labour force through their attachment to the labour market despite not being in the labour force. The potential labour force is made up of people who are not in employment but are available for it although they are not actively looking for a job, and people who are not in employment but are looking for a job although they are not immediately available to take up employment.



In 2018, a little over 6 per cent of all persons outside the labour force in the world belonged to the potential labour force. Africa is the region with the highest share of persons outside the labour force in the potential labour force: in 2018, 11 per cent of all persons outside the labour force in Africa belonged to the potential labour force, implying that over one in ten persons outside the labour force had a demonstrated interest in accessing the labour market. When it comes to countries' income level, low-income countries have the highest share of persons outside the labour force in the potential labour force: almost 13 per cent in 2018 (see following figures).

Large shares of persons outside the labour force belonging to the labour force convey issues of job-search discouragement, inappropriate infrastructure for job searching, insufficient employment office services, and/or hindrances to people becoming available to take up a job (due for instance to inadequate family care services).

**Share of persons outside the labour force who are in the potential labour force by sex and broad age groups (2018)**



Source: ILOSTAT, ILO modelled estimates, November 2018.

In all regions and all income groups, the share of persons outside the labour force in the potential labour force was higher for men than for women in 2018. When we focus on age, the situation is more ambiguous across regions: in Africa and the Arab States, the share of persons outside the labour force

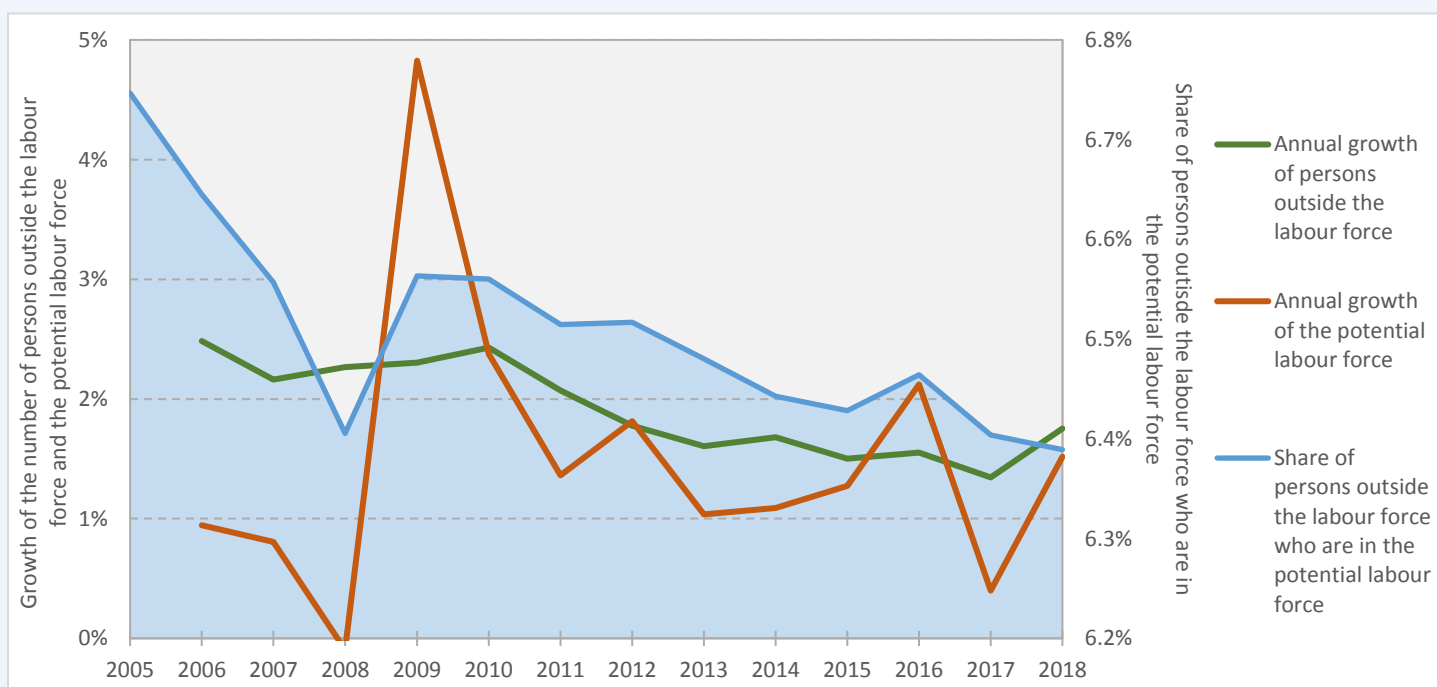
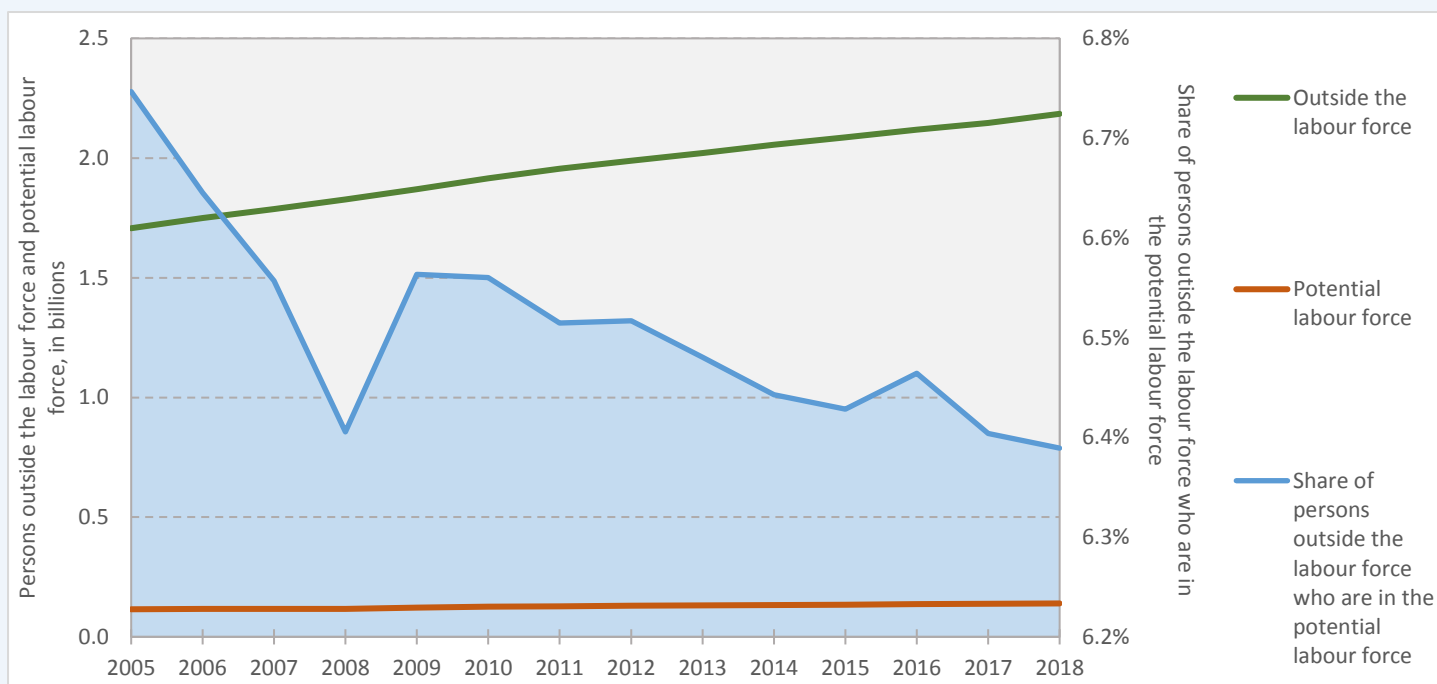


in the potential labour force was lower for youth than for adults in 2018, while the opposite was true in the other regions.

Looking at the trend since 2005, we realize that there have not been significant changes in the share of persons outside the labour force in the potential labour force in the world. It has undergone a very slight downward trend, ranging from a little over 6.7 per cent in 2005 to 6.4 per cent in 2018, with a sudden drop in 2008. In line with this, the number of persons outside the labour force has grown more than the potential labour force all years under review except 2009, 2012 and 2016 (see following figures).

Due to data availability constraints, the data cited here refers to ages 15 and above, whereas it would be interesting to analyse the trends and prevalence of the potential labour force for ages 25 to 54, that is, excluding youth possibly studying full time and seniors possibly retired.

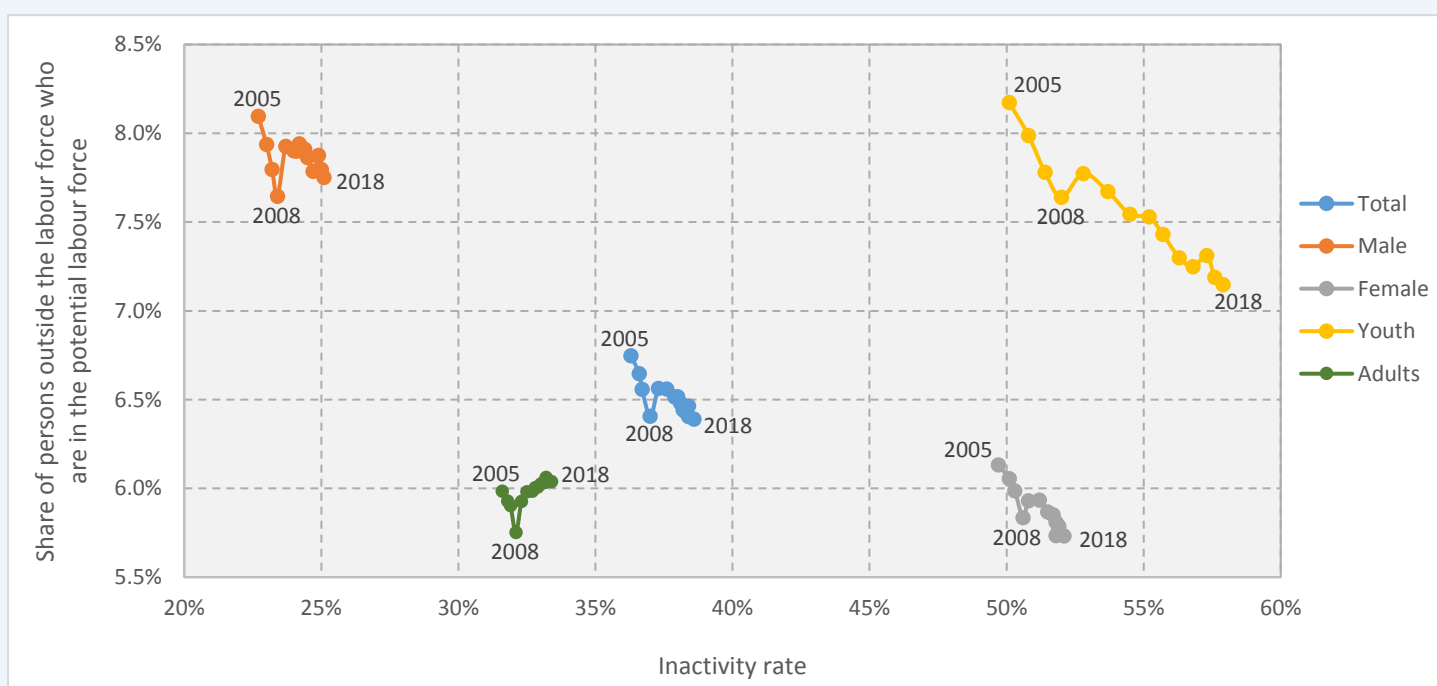
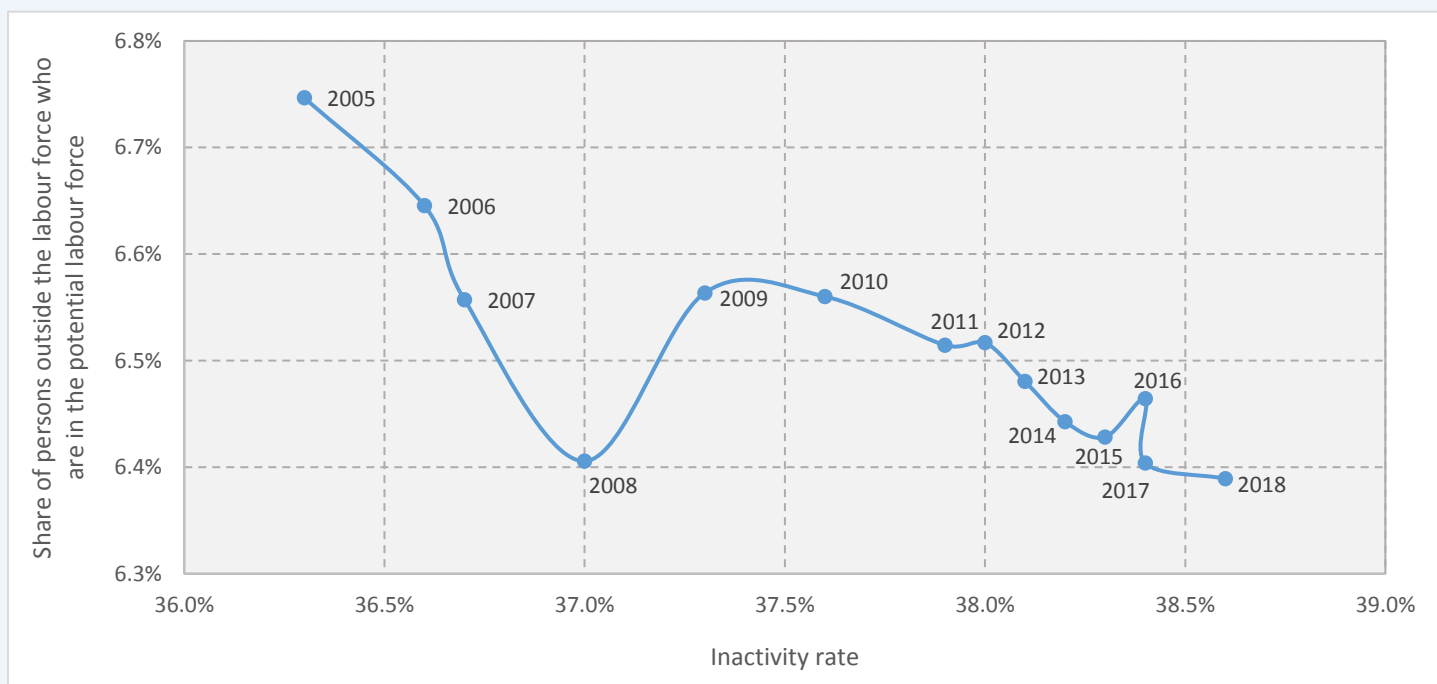
**Evolution and growth rates of persons outside the labour force and the potential labour force (2005-2018)**



Source: ILOSTAT, ILO modelled estimates, November 2018.

Bringing together the recent trends of the world's inactivity rate and the share of persons outside the labour force who are in the potential labour force, we notice that while the inactivity rate was growing, the share of persons outside the labour force in the potential labour force was declining. In other words, people of working age are participating less and less in the labour force and with less and less ties to it. This trend is even more pronounced among youth, who have higher inactivity rates than adults and who have seen their share of persons outside the labour force in the potential labour force decrease faster than that of adults. Men have both a (much) lower inactivity rate and a higher share of persons outside the labour force in the potential labour force than women, conveying the stronger involvement of men in the labour force even when they are outside of it (see following figures).

**Evolution of the inactivity rate and the share of persons outside the labour force who are in the potential labour force by sex and broad age groups (2005-2018)**



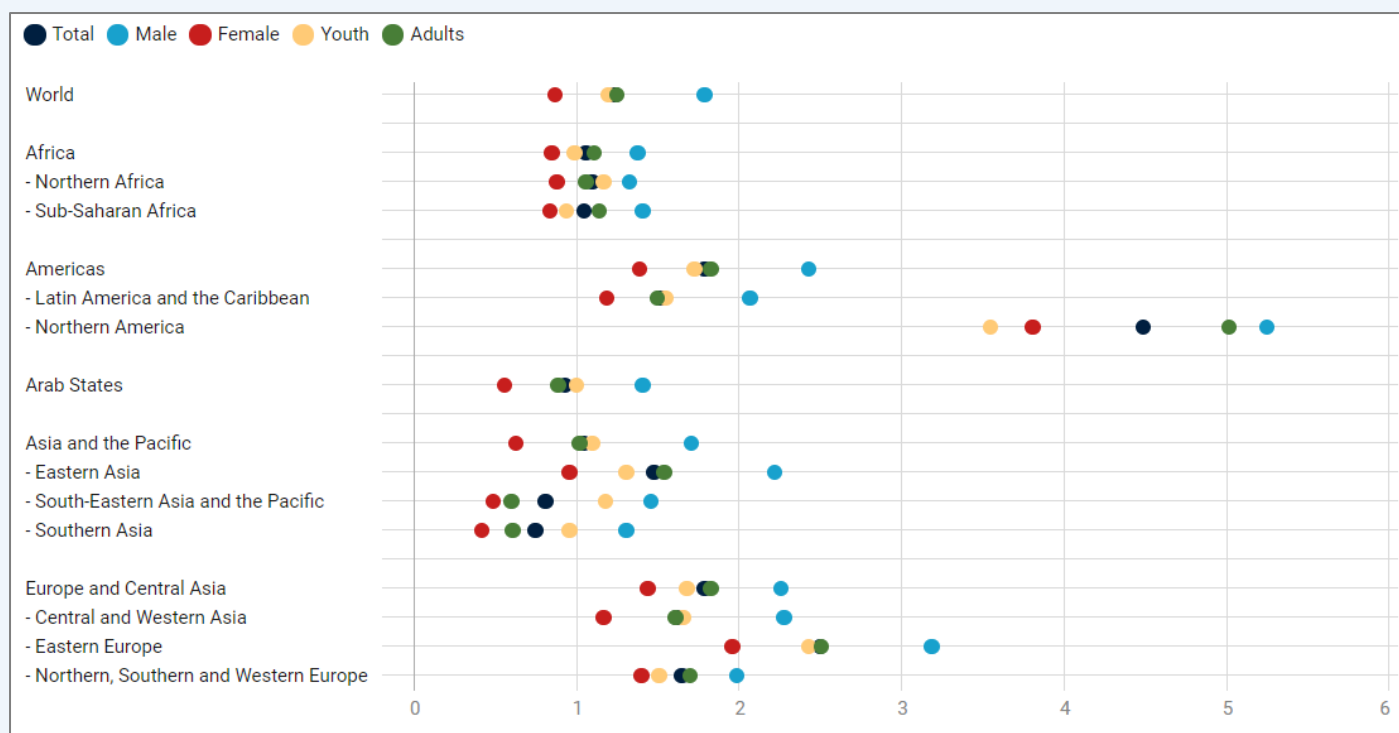
Source: ILOSTAT, ILO modelled estimates, November 2018.

The potential labour force includes two groups of people not in employment: those who are available to take up employment although they are not actively job searching and those who are job searching although not immediately available to take up employment. People not in employment who are looking for employment and at the same time available to take up employment are unemployed, and the unemployed are part of the labour force. In fact, the interest of the unemployed in accessing employment is more explicit than that of the potential labour force.

However, it is not always easy to remain unemployed, or in other words, it is not always easy to keep job searching and to stay available to take up a job on short notice. Thus, where the job search is difficult and discouraging and where people face obstacles to their availability for employment, the unemployed may quit the category of unemployment and instead join the potential labour force.

The ratio of unemployment to the potential labour force reflects the hardships of job searching and availability for employment. A ratio of 1 means that there are as many unemployed as persons in the potential labour force, a ratio of 10 means that the unemployed are ten times more numerous than the potential labour force. The higher the ratio, the lower the prevalence of job search discouragement, difficulties in job searching and non-availability. Around the world, perhaps unsurprisingly, unemployment is larger than the potential labour force in almost all regions and sub-regions, except in the Arab States, South-Eastern Asia and the Pacific, and Southern Asia. This shows the danger of designing policies and employment promotion programmes focussing only on the unemployed in those regions, and points to the need for policymakers to consider the potential labour force as well. The ratio is the highest in Northern America (4.5 in 2018), implying that jobless people wishing to work do not face major issues to access job search facilities or to become available for a job (see following figure).

### Ratio of unemployment to the potential labour force by region (2018)



Source: ILOSTAT, ILO modelled estimates, November 2018. Created with Datawrapper.

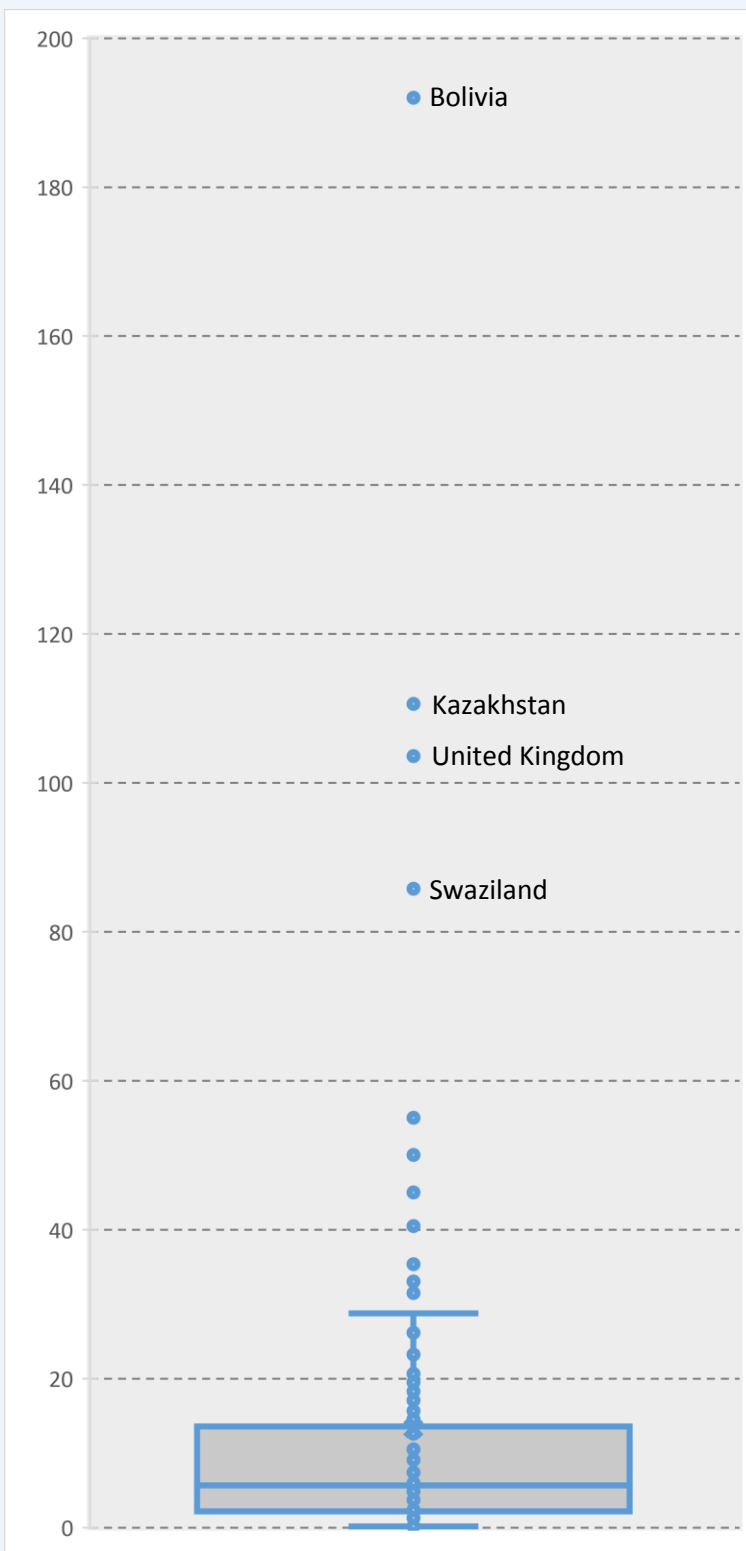
Interestingly, the ratio of unemployment to potential labour force was higher for men than for women in all regions in 2018, suggesting that women have additional difficulties to access job search networks and to become available for employment (for instance, due to family responsibilities). This, combined with the larger share of persons outside the labour force in the potential labour force for men than for women, implies that men have stronger ties to the labour force than women when they are outside of it, but they are also able to better express their interest in employment explicitly (by looking for a job and being available to start working immediately).

The difference in the ratio of unemployment to potential labour force of youth versus adults is not considerable in any region except in Northern America, where the ratio for adults was 5 versus 3.6 for youth in 2018. The higher ratio for adults in Northern America suggests that youth may find it harder to actively look for a job and to remain available to take one up, perhaps due to their participation in education, which prevents them from being immediately available.

Discouraged jobseekers represent a specific component of the available potential jobseekers (jobless persons available for employment but not looking for a job). They are all those who are available for employment but did not look for it due to some specific reasons pertaining to the labour market, such as the past failure to find a job after actively looking for one. The ratio of unemployment to discouraged jobseekers casts light on the prevalence of these difficulties in job searching related to the labour market.

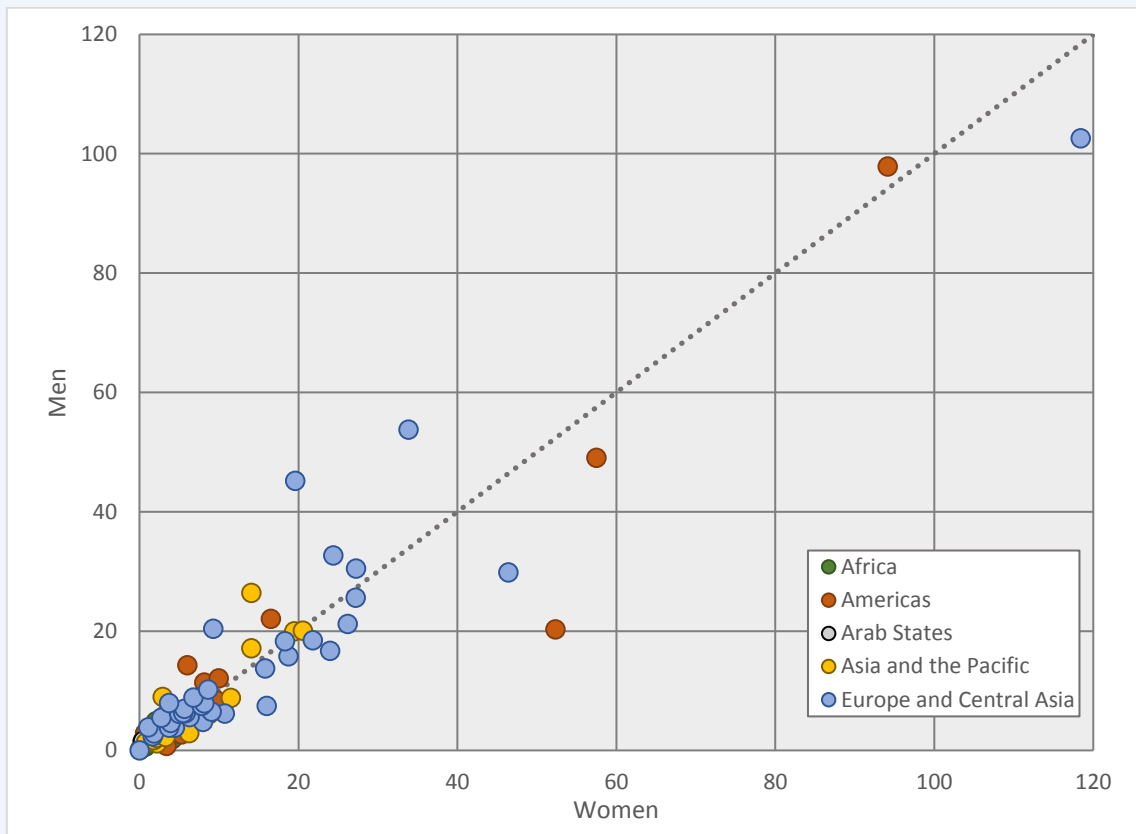
Across the world, the levels of job search discouragement vary a lot. Half of the 109 countries with data have a ratio of unemployment to discouraged jobseekers above 5.7, and in three quarters of them, it is above 2.2. In eight countries, the ratio is below 1, meaning that the number of discouraged jobseekers is larger than the number of unemployed, thus providing evidence of significant labour-market related difficulties in job searching. Interestingly, all eight are African countries (see figure on the right).

**Ratio of unemployment to discouraged jobseekers (latest year available after 2009 for each country)**



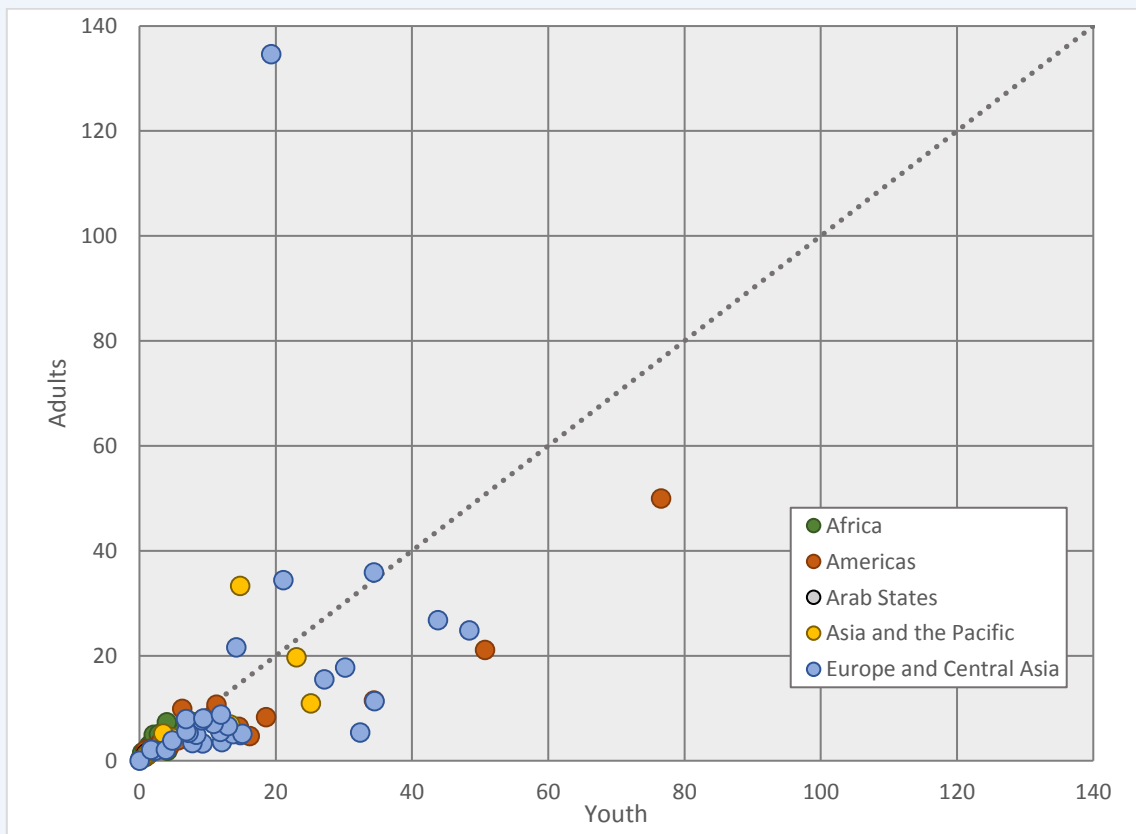
Source: ILOSTAT.

**Ratio of unemployment to discouraged jobseekers by sex (latest year available after 2009 for each country)**



Source: ILOSTAT.

**Ratio of unemployment to discouraged jobseekers for youth and adults (latest year available after 2009 for each country)**



Source: ILOSTAT.

On the other end of the spectrum, in a quarter of countries with data, the ratio of unemployment to discouraged jobseekers is above 13.6, meaning that there are 13.6 times more unemployed than discouraged jobseekers, signalling that impediments to job searching related to the labour market are not significant.

In two thirds of countries with data, men have a higher ratio of unemployment to discouraged jobseekers than women, suggesting (once again) that jobless men are more likely to keep on the job search. This could imply that women face additional difficulties related to the labour market when job searching. For instance, it may be harder for women than for men to find a suitable job when actively seeking, which would make the past failure to find a job a bigger reason to quit the job search for women than for men (see figure on the previous page).

In 60 per cent of countries with data, youth have a higher ratio of unemployment to discouraged jobseekers than adults, pointing to the pressing issue of youth unemployment (see figure on the previous page).

The ratio of unemployment to discouraged jobseekers provides enlightening information for the formulation of effective employment policies. Where discouraged jobseekers are numerous compared to the unemployed, job creation initiatives and employment promotion programmes targeting only the unemployed will be highly inefficient. Efforts to ease the process of matching vacancies to workers and to promote job creation must take into account discouraged jobseekers and other persons in the potential labour force in addition to the unemployed, otherwise they may fall short of their ultimate goal – addressing joblessness.

## **Delving into the composition of the potential labour force**

The potential labour force includes two groups of people, and by focusing on the potential labour force as a whole, we lose key information about labour market deficits. Breaking down the potential labour force into available potential jobseekers and unavailable jobseekers allows us to pinpoint whether people's difficulties are in job searching, availability for employment, or both. This represents a key insight for policymakers needing to design effective labour market policies.

In the very vast majority of countries with data (95 per cent), over half of the potential labour force are available potential jobseekers (available but not seeking employment). What is more, in 61 per cent of countries with data 90 per cent or more of the potential labour force are available potential jobseekers (see following figure).

Simply put, difficulties in job searching are stronger and more widespread than barriers to availability for employment. Jobless people are more often discouraged in their job search than they are unavailable to take up a job. This is a key finding, proving that it is wrong to assume that the two groups making up the potential labour force have similar significance. Indeed, policymakers should devote increased efforts to address the issue of job search discouragement, which may result from a lack of available jobs, ineffective job search networks, difficulties to access job search infrastructure, or insufficient employment services, among others, especially where discouraged jobseekers are numerous compared to the unemployed.

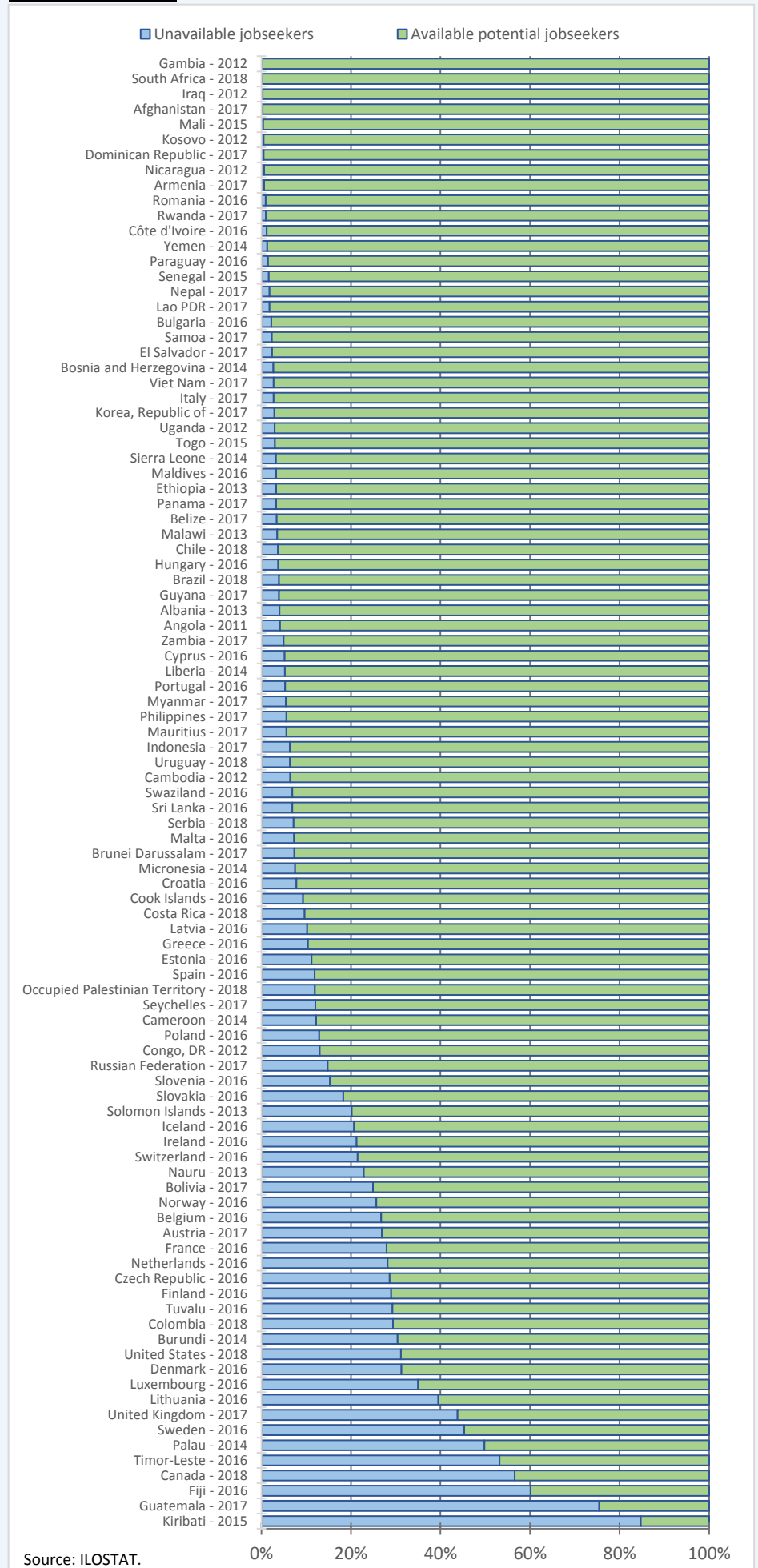
When we look into the breakdown of the potential labour force into its two subcomponents by sex, we do not observe a strong gender pattern, at least not at the global level. It is clear that in general, the very vast majority of both men and women in the potential labour force are available potential jobseekers.

The share of persons in the potential labour force who are available potential jobseekers is higher for men than for women in 47 per cent of countries with available data, lower for men than for women in 42 per cent of them, and equal in the remaining 11 per cent (see figure on the next page).

The disparities across regions are remarkable: while in only 22 per cent of American countries and 25 per cent of African countries the share of available potential jobseekers is higher for men than for women, this is the case in 73 per cent of countries in Europe and Central Asia.

It is often believed that the issue of not being available to take up a job if an offer comes along affects women more than men given societal roles, which link women more with family care responsibilities. What the data suggest is that, even if this is true, it seems that women unavailable to take up jobs are not looking for jobs either.

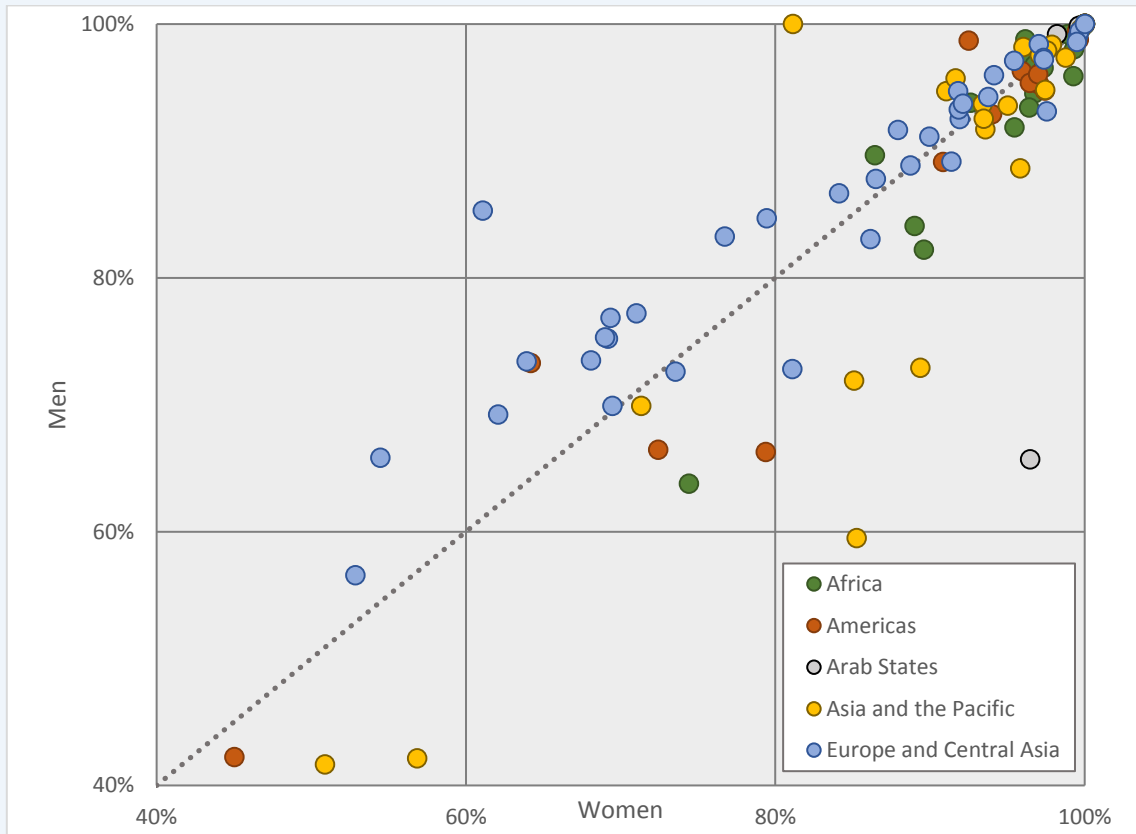
### Composition of the potential labour force (latest year available after 2009 for each country)



Source: ILOSTAT.

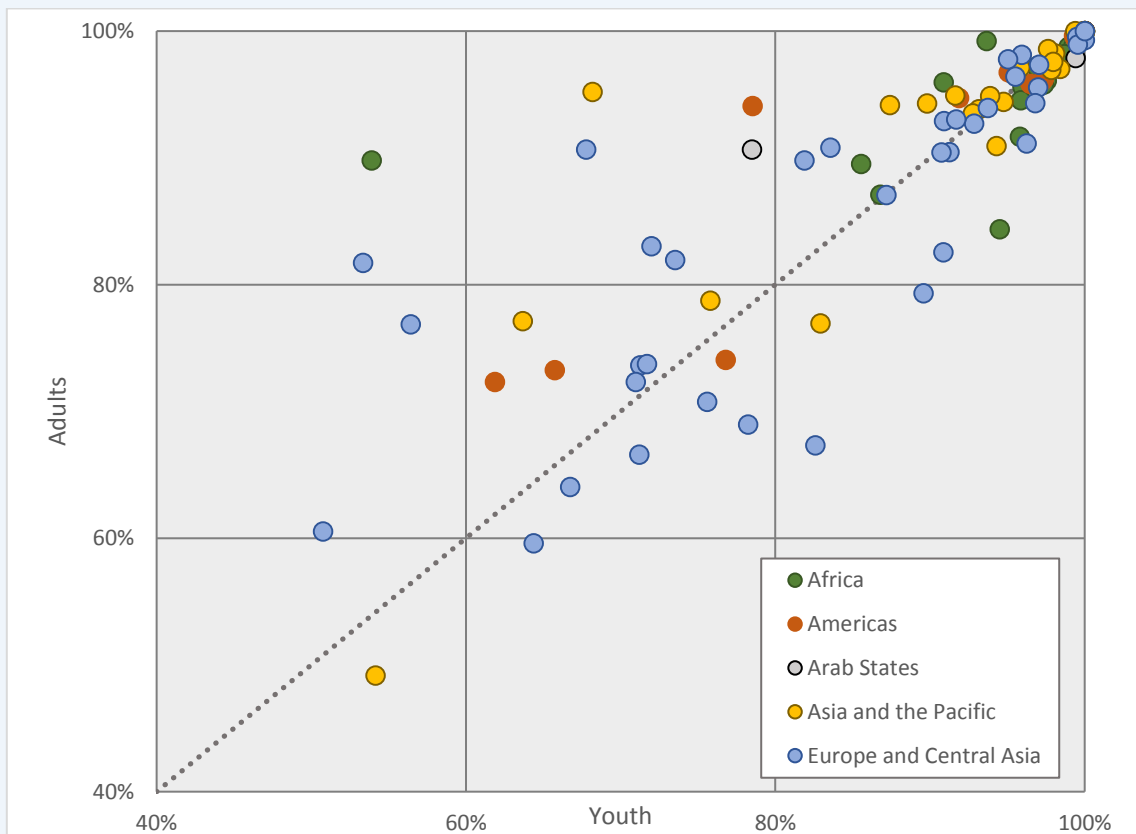


**Share of persons in the potential labour force who are not seeking and available by sex (latest year available after 2009 for each country)**



Source: ILOSTAT.

**Share of persons in the potential labour force who are not seeking and available, youth and adults (latest year available after 2009 for each country)**



Source: ILOSTAT.

Furthermore, in 52 per cent of countries with available data, the share of persons in the potential labour force who are available potential jobseekers is higher for adults than for youth, while it is lower for adults than for youth in 43 per cent of countries and equal in 15 per cent of them (see figure in the previous page).

Here too, we could expect youth to be more prone to be looking for a job but not available to start immediately, if they are still studying and they are looking for a job for when they finish. Nonetheless, the data seem to indicate that youth in these circumstances are not looking for a job, or at least not in significant numbers.

## Concluding remarks

Demographic shifts leading to the ageing of the world's population combined with social, educational and economic changes are resulting in increasing inactivity rates. Societies and economies need to act appropriately to face the challenges posed by rising inactivity rates and an ageing labour force, paying special attention to seniors and youth. Societal gender roles still play an important role in men's and women's labour force participation. Indeed, there is still a strong gender pattern of inactivity rates whereby women are significantly more likely to be outside the labour force than men.

Although increasing inactivity rates can be a cause for concern, it is wrong to assume that all persons outside the labour force are inactive or that they keep no ties to the labour market. Indeed, among persons outside the labour force there are some who belong to the potential labour force: the available potential jobseekers and the unavailable jobseekers. The potential labour force represents a group of people who, despite not being in the labour force, are still putting pressure on the labour market in one way or another, and could potentially join the labour force in the near future.

In some countries around the world, the potential labour force is close in numbers to the unemployed. Where persons in the potential labour force and especially discouraged jobseekers are numerous, policymakers should keep it in mind when designing employment promotion programmes. Focussing only on the unemployed may lead to a gross underestimation of the need for job creation.

Although two different groups of people make up the potential labour force, one of them is much more prominent in most countries: available potential jobseekers. Thus, issues related to job-search discouragement, inappropriate infrastructure for job searching, or insufficient employment office services seem to be more common than hindrances to becoming available to take up a job (or those who face hindrances to availability for employment are not looking for a job).

Therefore, programmes to promote job creation, facilitate the job search process and help potential employers reach potential workers can have a great impact not only on employment rates, but also on labour force participation.

