

Economic inactivity in selected countries

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Key points

- There is wide variation in economic inactivity rates between different countries. For example, the rate for the UK in the first quarter of 2002 was 21 per cent; the equivalent rates in Poland and Sweden were 32 per cent and 20 per cent.
- Direct comparison between countries is problematic as there are many disparate factors which influence economic inactivity in any given country, such as economic climate, social/cultural norms, legislation, benefits systems, demography and tertiary education participation rates.
- There is significant variation in the reasons given for economic inactivity between countries. However, education and training, and personal or family responsibilities are the two most common for the countries looked at in this article.
- Sweden was the only country not to show a large difference between the economic activity rates of men and women.

A comparison of economic inactivity in seven countries shows wide variations in the data among countries and especially when compared over time by age, sex and reasons for inactivity.

Introduction

ECONOMIC INACTIVITY is a subject of increasing interest to many industrialised countries, especially those with tight labour markets. To such countries, the economically inactive represent a potential alternative source of labour supply. Many economically inactive people claim benefits from the state (according to the Department for Work and Pensions in spring 2002, 4 million of the 7.7 million economically inactive were claiming related benefits).¹ Thus, an understanding of economic inactivity is imperative for government policy-makers aiming to reduce government expenditure on benefits. The main purpose of this article is to provide a

broad perspective of economic inactivity in the developed world, as this group is becoming increasingly important in the UK.

Economically inactive people are those who do not satisfy the definitions of employment or unemployment; they are people not actively participating in the labour market who are unable or unwilling to start a paid job. As this group is a residual of the economically active, the types of people classified as economically inactive are highly disparate. Most commonly the economically inactive of working age are students, people who have retired early, women looking after the family or home, those unable to work because of

Table | Economic inactivity rates in selected countries by sex and age group; spring quarters 1993 and 2002, not seasonally adjusted^a

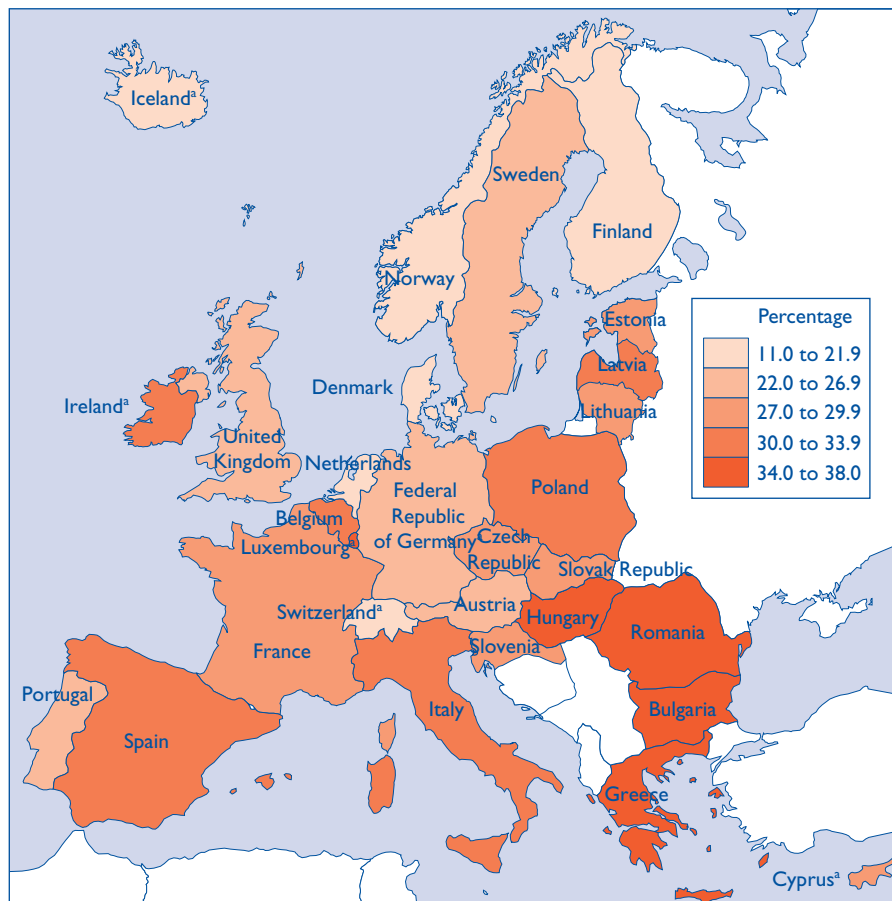
Age group	Per cent													
	UK		Sweden		Netherlands		France		Spain		Poland		USA	
	1993	2002	1995	2002	1993	2002	1993	2002	1993	2002	1997	2002	1994	2002
Women														
16-24	33	34	48	46	36	24	60	64	58	59	66	63	37	39
25-34	29	25	17	17	29	19	22	21	36	27	28	22	26	25
35-49	23	22	10	12	38	24	23	20	52	38	19	19	23	24
50-59 ^b	38	33	16	17	64	46	47	38	72	63	49	52	36	32
Men														
16-24	23	26	51	45	38	22	56	54	46	49	57	55	30	35
25-34	6	7	11	11	6	5	4	6	7	8	7	6	7	8
35-49	6	8	6	9	7	5	4	5	5	6	10	12	7	8
50-64	27	27	20	21	42	29	45	39	31	28	42	47	20	19
All														
16-24	28	30	49	45	36	23	58	59	52	54	61	59	34	37
25-34	17	16	14	14	18	12	13	14	22	17	17	14	17	16
35-49	15	15	8	11	22	15	14	12	29	22	15	15	15	16
50-59	32	30	19	19	51	36	46	38	48	43	45	49	29	26

Source: Eurostat

a Depending on data availability the comparison year may not be 1993.

b For USA data are for women aged 50-64.

Figure | Economic inactivity rates for people of working age; Europe; spring quarter 2002^a



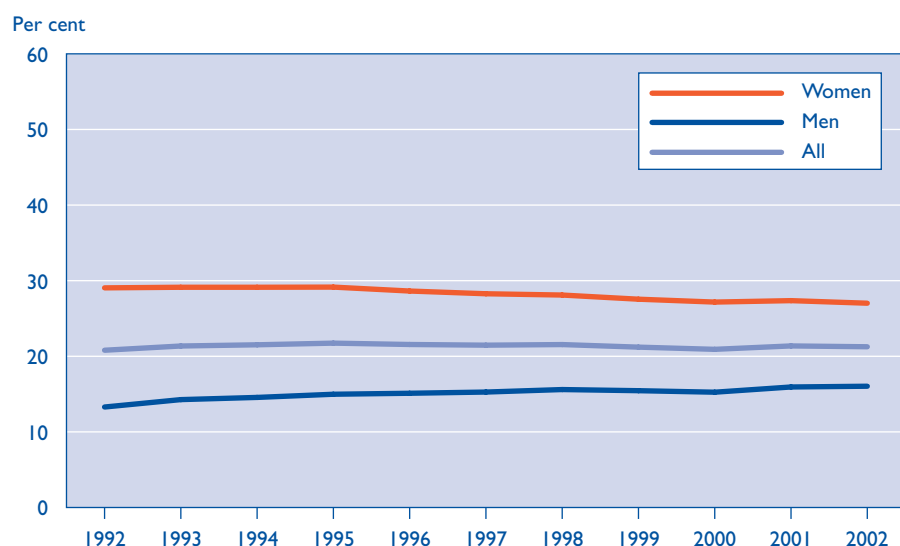
Source: Eurostat

a Data are for summer quarter 2002 for Iceland, Switzerland, Federal Republic of Germany, Cyprus, Ireland, Luxembourg.

long-term illness or disability and those with a short-term illness. Clearly some of these groups have a greater propensity to future labour market participation than others; for instance, students are very likely to join the workforce in a relatively short period of time, whereas retired people are not.

From a global perspective some general patterns in economic inactivity can be observed. According to the International Labour Organisation (ILO) economic inactivity rates for those aged 25-54 are highest in North Africa and the Middle East (Pakistan, Iran, Iraq, Syria, Egypt and Jordan all had rates of over 40 per cent for this age group due to low labour force participation of women) and lowest in the northern hemisphere. South America shows a wide variation of between less than 10 per cent and 40 per cent. China is seen to have low economic inactivity of below 10 per cent for these age groups and Australasia varies between 20 and 30 per cent. People of the same ages in North America and most of Europe show economic inactivity rates of 10-20 per cent. The European countries with prime-age economic inactivity higher than this are Ireland, Spain, Italy, Greece, Croatia, Bosnia, Yugoslavia and Ukraine. These patterns in overall economic inactivity appear to

Figure 2 Economic inactivity rates for people of working age; United Kingdom; spring quarters 1992 to 2002, not seasonally adjusted



Source: Eurostat

Table 2 Economic inactivity rates for people of working age by reason; United Kingdom; spring quarter 2002, not seasonally adjusted

Main reason for inactivity	Per cent		
	Women	Men	All
Seeking employment	1	–	1
Not seeking employment because of:			
own illness or disability	6	7	7
personal or family responsibilities	12	1	6
education or training	4	4	4
retirement	1	2	4
belief that no work is available	–	–	–
other reasons	2	1	2
no reason given	–	–	–
Total	27	16	21

Source: Eurostat

– Nil or negligible.

be influenced largely by female labour participation rates, as the patterns are accentuated when restricted to women only.²

Even countries that share geographical and socio-cultural similarities can display very different economic inactivity rates because of a wide range of factors. These include societal expectation, demography, labour market policy, benefits systems, economic climate/structure, and education. For instance, according to the ILO, variation in economic inactivity in the transition economies

ranged from 8 per cent in Lithuania to 30 per cent in Croatia (1998). Asia and the Pacific varied from a low of 7 per cent in Nepal to 43 per cent in Pakistan (2000), and in the Middle East and North Africa from 24 per cent in Israel (1999) to 49 per cent in Jordan (2000). So the meaningfulness of direct comparison of different countries is hindered without explicit consideration of these factors.

As so many different groups of people are covered by the economic inactivity umbrella, so the factors which influence them are broad-ranging and

may vary widely from country to country. In addition there is the problem of slight differences in the methods of measurement used resulting in difficulties in making comparisons between countries at a detailed level (see *technical note*). It is commonly thought that the labour market in the UK is moving towards the more flexible American model, and away from the more regulated European type, so this article looks at economic inactivity in seven industrialised countries: UK, Sweden, Netherlands, France, Spain, Poland and the USA. As there is such variety in the European labour markets (see *Figure 1*), a varied selection are to be looked at here.

United Kingdom

Productivity has grown consistently in the UK since 1995, and the employment rate has increased with it, currently standing at 74 per cent of the working-age population (three months to May 2003). The structure of the labour market in the UK has been increasingly led by the service industry, and manufacturing has been in decline for at least 20 years. Unemployment has decreased from just under 9 per cent in 1995 to around 5 per cent in 2001, where it has remained. Since natural population growth in the UK is slow and the age distribution is becoming increasingly top heavy due to the baby boomer generation reaching retirement age, an alternative source of labour supply to the unemployed will be necessary in the future. The most readily available group is likely to be the economically inactive.

Overall economic inactivity has remained constant at around 21 to 22 per cent of the working-age population in the past ten years, but this masks opposing changes which have occurred for men and women. As *Figure 2* shows, women are participating in the labour force more than ever before, whereas men are increasingly inactive, especially older men. This reflects changes in society, education attainment, equal opportunities and employment legislation such as the Equal Pay Act 1970, the Sex Discrimination Act 1975, through to

Maternal and Parental Leave Regulations 1999. As *Table 1* shows, the age group with the highest economic inactivity rate in 2002 was 16 to 24-year-old women at 34 per cent. This was followed by 50 to 59-year-old women at around 33 per cent. Male economic inactivity rates are lower across each of the age groups, especially at the prime ages of 25-49. However, this same age group has also seen a slight increase in economic inactivity since 1993. Economic inactivity of women has reduced since 1993 in all age groups except 16-24.

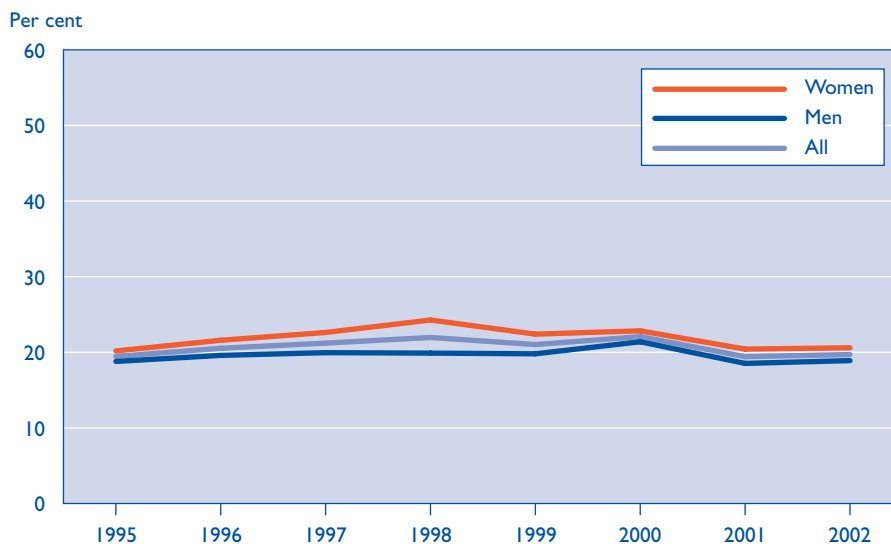
Economic inactivity has a broad range of causes, but most of them are age related (a forthcoming *Labour Market Trends* article will look at the life stages associated with economic inactivity). Analysis of the main reasons derived from the Labour Force Survey for spring 2002 is given in *Table 2*. The differences between sexes can largely be explained by the much higher rate of women looking after the family or home (see pp577-87, *Labour Market Trends*, November 2002), with the other reasons given being very similar between sexes. The economic inactivity rate for those citing personal or family reasons was 12 per cent for women and 1 per cent for men. The total inactivity rate due to illness or disability was 7 per cent (the highest overall rate). Education and training was the third highest contributor to economic inactivity with a rate of 4 per cent of the working-age population.³

Sweden

Sweden's economy is relatively small compared to the rest of the countries looked at in this article, but it has grown consistently since 1994 at around 3 percentage points per year. This is reflected in the steady increase seen in the employment rate over this time period. Sweden had avoided persistently high unemployment until the early 1990s when the unemployment rate increased from 2 per cent to 8 per cent. It has been gradually falling ever since and by May 2002 was 5 per cent.

The employment rate in Sweden increased from 74 per cent in 1970 to 86 per cent by 1990. This is largely

Figure 3 Economic inactivity rates for people of working age by sex; Sweden; spring quarters 1995 to 2002, not seasonally adjusted



Source: Eurostat

Table 3 Economic inactivity rates for people of working age by reason; Sweden; spring quarter 2002, not seasonally adjusted

Main reason for inactivity	Per cent		
	Women	Men	All
Seeking employment	-	-	-
Not seeking employment because of:			
own illness or disability	1	1	1
personal or family responsibilities	3	1	2
education or training	8	7	8
retirement	-	1	1
belief that no work is available	-	-	-
other reasons	-	-	-
no reason given	7	8	8
Total	21	19	20

Source: Eurostat

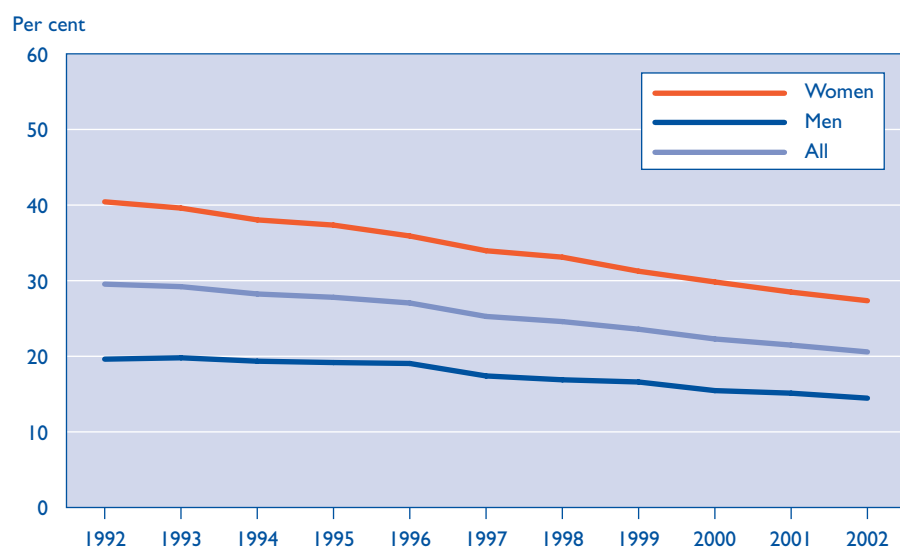
- Nil or negligible.

attributed to increased labour market participation of women over the period. *Figure 3* shows the economic inactivity rates for Sweden by sex from 1995 to 2002. In the first quarter of 2002 the male economic inactivity rate stood at 19 per cent and the female rate was only 2 percentage points higher. The similarities between the sexes are also apparent when split by age group as shown in *Table 1*. The main differences were a larger inactivity rate for 25 to 34-year-old women compared with their male equivalents (17 per cent compared with 11 per cent) and this is mostly

offset in the total figure by sex by a higher rate of inactivity for men aged 50-59 (21 per cent) than for women (17 per cent). Changes in the age structure of economic inactivity in Sweden between 1995 and 2002 are relatively small. However, for both men and women aged 35-49 the inactivity rate has increased by around 3 percentage points, and economic inactivity of the youngest group (16-24) has decreased by around 4 percentage points.

The two most common reasons for economic inactivity given by people in Sweden are "not seeking employment

Figure 4 Economic inactivity rates for people of working age by sex; Netherlands; spring quarters 1992 to 2002, not seasonally adjusted



Source: Eurostat

Table 4 Economic inactivity rates for people of working age by reason; Netherlands; spring quarter 2002, not seasonally adjusted

Main reason for inactivity	Per cent		
	Women	Men	All
Seeking employment	1	–	–
Not seeking employment because of:			
own illness or disability	5	3	4
personal or family responsibilities	8	–	4
education or training	3	3	3
retirement	1	4	3
belief that no work is available	1	–	1
other reasons	4	1	2
no reason given	5	3	4
Total	27	14	21

Source: Eurostat

– Nil or negligible.

because of education or training” and “not seeking employment because of no reason given” (both 8 per cent) (see [Table 3](#)). The former is borne out by the fact that economic inactivity rates are much higher for the 16-24 age group. Notably, the personal or family responsibilities rate is lower than in other countries. This is likely to be due in part to maternity leave legislation in Sweden which entitles new parents to 360 days of leave (which can be divided between the parents as they see fit) at 75 per cent of normal pay; thereafter an additional 90 days are available at a lower rate of

benefit. Mothers on maternity leave are classified as employed by the ILO definition; thus, new mothers more often remain in employment and return to their job after their maternity leave is over, reducing gender differences in economic inactivity rates.

Netherlands

The economy in the Netherlands was just over a quarter of the size of that in the UK in 2000 and has seen consistent growth from 1994 onwards. The oil crisis of 1973 is thought to have been

the initial cause of unemployment problems that were further compounded by an economic crisis in the 1980s. In 1975 unemployment levels had increased from around 50,000 to 200,000, and by 1984 unemployment peaked at 800,000. The economy recovered well in the 1990s, however, and by 2001 the unemployment rate stood at around 2 per cent. Female labour participation (economic activity) started to increase in the late 1970s and accelerated after the economic crises experienced in the 1980s. Between 1970 and 2002 the female labour participation rate grew from 29 to 72 per cent. This was largely attributed to increased educational attainment, the availability of affordable childcare, and changing social norms. The increase in female employment has coincided with an increase in the number of part-time jobs. By 1999 around a third of all jobs in the Netherlands were part time. At the same time, the economic activity rate for men decreased from 90 per cent in 1970 to 86 per cent in 2002.

At the end of the 1990s job creation was growing: in 1994 there were 41,000 unfilled vacancies; by 1999 this had risen to 195,000, with around 250,000 unemployed reflecting a serious mismatch in the demand for and supply of skills. Thus, in the Netherlands, as in the UK, potential labour supply is an important issue, especially in the face of an ageing population.

Overall economic inactivity is decreasing in the Netherlands, as shown in [Figure 4](#). This is mostly because of increasing labour market participation of women as outlined above, but male economic inactivity is also declining, although at a slower rate. In 1992 male economic inactivity was just below 20 per cent, and by 2002 it stood at 15 per cent. When compared by age group (see [Table 1](#)), it is clear that this reduction for men is driven by the oldest and the youngest age groups and that prime-age men are largely unaffected (25 to 34 and 35 to 49-year-old men started off at a low rate of economic activity at 6 and 7 per cent respectively in 1993, both falling to 5 per cent in 2002). For women the changes occur more uniformly across age groups, with the largest reduction being for 50 to 59-

year-olds (from 64 per cent in 1993 to 46 per cent in 2002).

The reasons given for economic inactivity by women in the Netherlands are quite evenly distributed across a number of categories (see *Table 4*). The most common being personal or family responsibilities (8 per cent) followed by illness or disability and no reason given (both rates of 5 per cent). Other reasons was 4 per cent. For men the rates were fairly evenly distributed among several different reasons, including retirement (4 per cent) and illness, education and 'no reason' (3 per cent each).

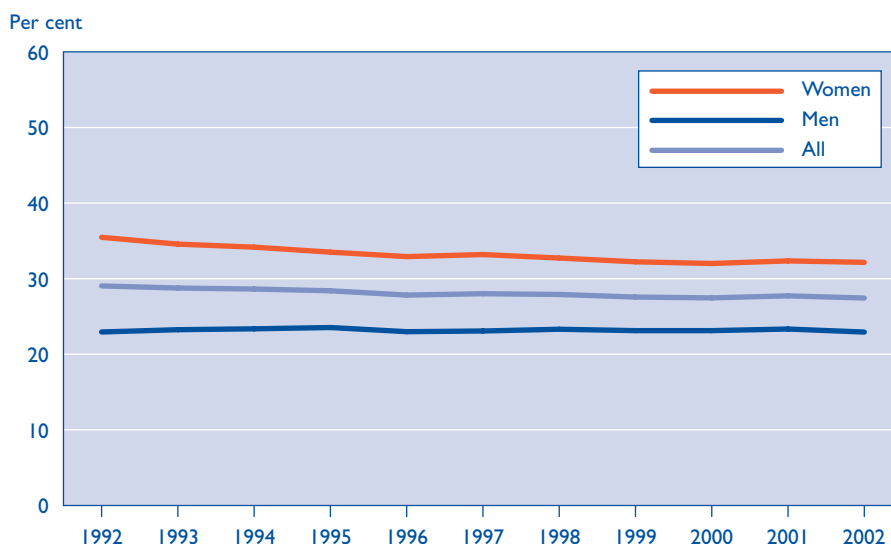
France

France has one of the largest economies of the countries included in this article, gross domestic product was similar to that of the UK in 2000, and had seen similar growth rates in the latter years of the 1990s. France's labour force has grown significantly over the past 50 years from 19.5 million in 1954 to 26 million in 2002. This is largely the result of the post-war baby boom, an increase in immigration and an increase in female labour force participation. France has moved to a service sector led economy where in 2000 16 million people or 69 per cent of the workforce were employed in services compared with 40 per cent in 1954. Agriculture and construction have receded, and this change has been coupled with a large increase in the numbers of skilled workers and the level of qualifications within the labour force.

Unemployment in France has been a continuing problem since the late 1970s, and in the first quarter of 2002 the unemployment rate stood at 9 per cent. This has been commonly attributed to a combination of long-lasting economic crisis and an increase in the numbers of people in the labour market with the baby boomers still being of working age.

The total economic inactivity rate in France is also quite high, and has changed little in the 11 years to 2002 (from 29 per cent in 1992 to 27 per cent in 2002) (see *Figure 5*). The small decrease which can be observed is almost entirely due to a slight reduction in the female economic inactivity rate from 36 per cent to 32 per cent over this

Figure 5 Economic inactivity rates for people of working age by sex; France; spring quarters 1992 to 2002, not seasonally adjusted



Source: Eurostat

Table 5 Economic inactivity rates for people of working age by reason; France; spring quarter 2002, not seasonally adjusted

Main reason for inactivity	Per cent		
	Women	Men	All
Seeking employment	1	1	1
Not seeking employment because of:			
own illness or disability	—	—	—
personal or family responsibilities	1	—	—
education or training	11	9	10
retirement	—	—	—
belief that no work is available	—	—	—
other reasons	2	1	2
no reason given	17	11	14
Total	32	23	27

Source: Eurostat

— Nil or negligible.

period. The male rate is almost completely flat. Economic inactivity rates by age group are shown in *Table 1*. For men, the largest inactive groups are the under 24s and the over 50s, whose economic inactivity rates in spring quarter 2002 were 54 per cent and 39 per cent respectively. Economic inactivity rates for women are very similar for these age groups with a higher rate for the under 24s (64 per cent). The prime working-age groups show the most notable differences, however, and stood at around 20 per cent for women and around 5 per cent for men. Since 1993

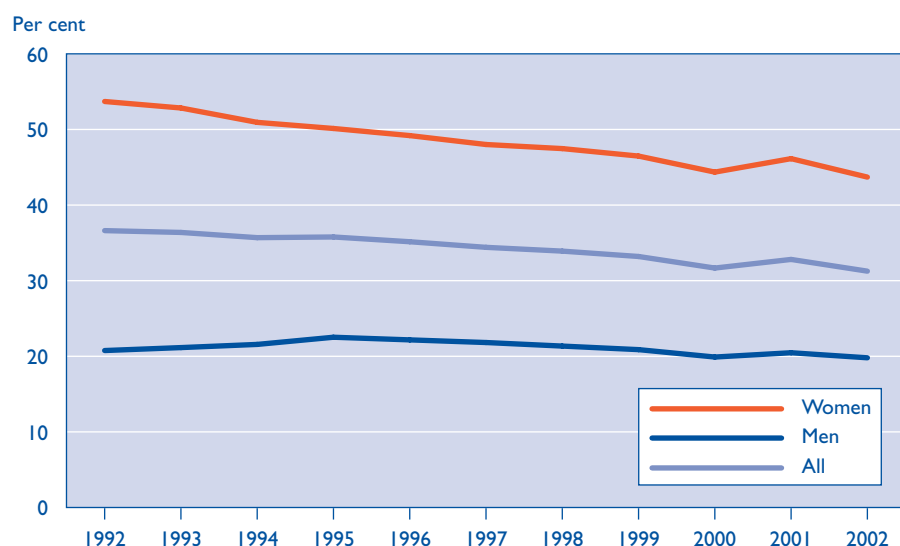
female economic inactivity has decreased in all age groups apart from the youngest, and has increased very slightly for prime-age men, offset by a decrease for men over 50.

Most commonly, economically inactive people in France give no reason for their activity status, after which education or training is cited as the next most common reason (see *Table 5*).

Spain

The Spanish economy was less than half the size of the UK's in 2000, but

Figure 6 Economic inactivity rates for people of working age by sex; Spain; spring quarters 1992 to 2002, not seasonally adjusted



Source: Eurostat

Table 6 Economic inactivity rates for people of working age by reason; Spain; spring quarter 2002, not seasonally adjusted

Main reason for inactivity	Per cent		
	Women	Men	All
Seeking employment	2	1	2
Not seeking employment because of:			
awaiting recall to work (persons on lay-off)			
own illness or disability	3	4	3
personal or family responsibilities	14	–	7
education or training	11	9	10
retirement	–	4	2
belief that no work is available	1	–	1
other reasons	13	1	7
no reason given	–	–	–
Total	44	20	31

Source: Eurostat

– Nil or negligible.

was growing at a faster rate. Growth from 1999-2000 was 4 per cent to the UK's 3 per cent. The Spanish labour market is very different from that of others looked at in this article. A numbers of factors have contributed towards dividing Spanish employees into two groups: those with permanent contracts and those without. This is because of a lack of flexibility in the Spanish labour market. Protective employment laws and strong trade unions have made hiring and firing costs high, and as a result firms have utilised a greater proportion of

temporary workers. In 1994 a third of the entire Spanish workforce were on temporary contracts. The strong position of the unionised workforce on permanent contracts has also led to a divergence between the pay of the permanent worker and that of the temporary one. Wage bargaining for the permanent worker has inflated their pay; however, this has been offset by firms who have reduced the pay offered to new entrants, and 90 per cent of all new contracts in Spain are temporary. These factors played a strong part in the very high unemployment rates

experienced by Spain, peaking in 1994 at 24 per cent. Unemployment rates in Spain are also subject to wide regional variation from 19 per cent in Andalusia to 4 per cent in Rioja in 2001.

Economic inactivity in Spain is high and stood at 31 per cent in the first quarter of 2002. This is mainly because of the female labour participation rate which is among the lowest in the OECD. Spain's household structures tend to be traditional with a large proportion of them conforming to the male breadwinner model. Furthermore, women who are not married are more likely to live at home with their parents. Female workforce participation is increasing, however. Indeed, the economic inactivity rate of women fell from 54 in 1992 to 44 in 2002 as shown in *Figure 6*. When split by age group as in *Table 1* the difference between the sexes is shown to be marked for all age groups over 24 (both in 1993 and 2002). The reasons given for economic inactivity in Spain for women are most commonly personal or family responsibilities (14 per cent) or 'other reason' (13 per cent). For men the most common reason is because of education or training (9 per cent) followed by illness or disability (4 per cent) (see *Table 6*).

Poland

Poland has the smallest gross domestic product (GDP) output of all the countries analysed here and in 2000 this was just over a tenth of the size of the UK economy. The 1990s saw periods of vast growth in Poland's GDP output rates, the largest of which was 7 percentage points between 1994 and 1995 after a severe recession experienced in 1990 and 1991. Growth has gradually slowed since then to 4 per cent in 2000 and dropped to 1 per cent in 2001. Before this, in the early 1990s, output was receding (-12 per cent in 1990 and -7 per cent in 1991) which was thought to be as a result of the collapse of the socialist economy. From 1988 to 1992 the industrial output of the country decreased from 60 per cent to 34 per cent, and so job destruction was rife and unemployment (previously not allowed during the communist era) rose to 14 per cent in 1994.

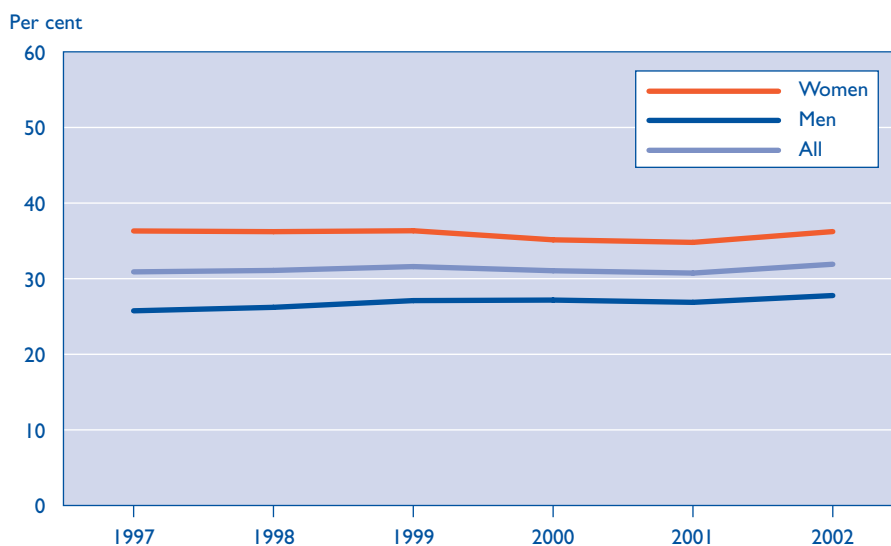
Agriculture makes up a large sector of the Polish economy but is diminishing in favour of the service sector. In 2001, 25 per cent of employment in Poland was in agriculture; however, there is a large amount of underemployment in rural areas. In the mid-1990s Poland started an intensive programme of privatisation in preparation for EU accession, and between 1989 and 1999 the public sector shrank from 53 per cent to 29 per cent of total employment.

Data for Poland on economic inactivity is only available since 1997. However, the rates from this relatively short run are very stable for both men and women (see *Figure 7*). The total economic inactivity rate was quite high at 32 per cent in 2002, but the difference between the sexes was relatively small (28 per cent for men and 36 per cent for women). *Table 1* shows that the differences between male and female inactivity rates are fairly evenly distributed across age groups with the greatest difference being in the 25-34 age group. Overall the changes for each sex since 1997 are minor. For men there appears to be a slight increase in the economic inactivity rate for the over-35 groups, and for women there is a decrease in the 25-34 age group from 28 per cent in 1997 to 22 per cent in 2002. The most common reason given for economic inactivity in Poland was education or training, for which the rate was 12 per cent (see *Table 7*). Illness or disability was also a common reason for both sexes (8 per cent) and, for women, personal or family responsibilities showed a rate of 8 per cent.

United States

The USA has by far the largest economy of the countries looked at here. According to the Eurostat yearbook 2002 it was seven times as big as the UK economy in 2000. After a recession in the early 1990s, the US economy showed consistent growth throughout the latter half of the decade, and returned GDP growth rates of over 4 per cent from 1997 to 2000. An economic slowdown ensued after 2000, which appeared to have turned around by the last quarter of 2002 with a GDP

Figure 7 Economic inactivity rates for people of working age by sex; Poland; spring quarters 1997 to 2002, not seasonally adjusted



Source: Eurostat

Table 7 Economic inactivity rates for people of working age by reason; Poland; spring quarter 2002, not seasonally adjusted

Main reason for inactivity	Per cent		
	Women	Men	All
Seeking employment	2	1	1
Not seeking employment because of:			
own illness or disability	7	8	8
personal or family responsibilities	8	—	4
education or training	12	11	12
retirement	3	4	4
belief that no work is available	1	1	1
other reasons	1	1	1
no reason given	1	1	1
Total	36	28	32

Source: Eurostat

— Nil or negligible.

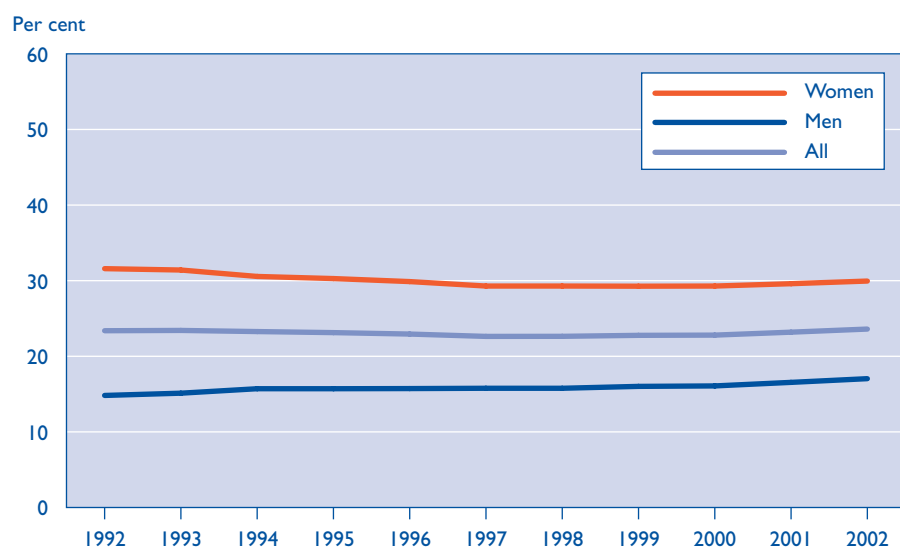
growth rate of 1 per cent on the preceding year.

The USA has traditionally had high unemployment rates when compared with the rest of the developed world. From the 1960s through to the 1980s unemployment rates fluctuated from 3 to 9 per cent. In the mid-1980s, however, unemployment dropped while elsewhere in the world unemployment grew or remained high. After the recession in the early 1990s, unemployment has been consistently falling, as it has in most other G7 countries.⁴ However, the US now has a

lower level of unemployment than most other G7 countries. The employment rates of working-age women have increased considerably in the US since 1960, from around 35 per cent to just under 60 per cent in 2000; in contrast, male working-age employment rates have decreased over this period from just under 80 per cent in 1960 to around 73 per cent in 2000.

Figure 8 shows the total economic inactivity rates of working-age men and women in the USA from 1992 to 2002. The economic inactivity rate for women was around twice that for

Figure 8 Economic inactivity rates for people of working age by sex; USA; spring quarters 1992 to 2002, not seasonally adjusted



Source: Bureau for Labour Statistics

Table 8 Proportions of all economically inactive people aged 16 and over by reason;^a USA; spring quarter 2002, not seasonally adjusted

Main reason for inactivity	Per cent		
	Women	Men	All
family/personal reasons	27	4	17
returned to school	29	44	35
health	5	5	5
retirement or old age	1	1	1
temporary/seasonal job completed	9	11	10
slack work or business conditions	9	14	11
unsatisfactory work arrangements	5	4	5
other reasons	14	17	15
Total^a	100	100	100

Source: Bureau for Labour Statistics

a People who worked during the previous 12 months.

men throughout this period (although this gap is very slowly closing). Analysis by age group shows the gender differences to be greatest for the over-24 age groups where inactivity rates for women are at least 10 percentage points higher than those for men (see *Table 1*). Comparison of the age grouped data from 1994 and 2002 shows little difference over time, especially for the prime-age groups which show little change from 1994. The Current Population Survey of the Bureau of Labor Statistics in the USA, from which their labour market data

are derived, measures the reasons people give for economic inactivity only if they have worked in the preceding twelve months. The proportional breakdown of these reasons (which cannot be compared with the inactivity rates by reason given for European countries) is given in *Table 8* for those aged 16 and over. Education is seen as the most common reason given for economic inactivity, especially for men (44 per cent), and family or personal reasons comes a close second for women (to education at 29 per cent) at 27 per cent.

Conclusion

The countries looked at in depth in this article display differences in the levels of inactivity by sex, the widest being in Spain and the narrowest in Sweden. Most countries discussed here have seen a reduction in the economic inactivity rate for women over the past ten years, whereas for men this has largely remained constant, apart from in the UK and the USA where male economic inactivity is increasing slightly. As the reasons for economic inactivity are so varied in nature, different age groups have greater propensities for different reasons. In this way economic inactivity can be seen in terms of 'life cycles' (a forthcoming article in *Labour Market Trends* will examine this for the UK). The youngest age groups contain high proportions of students; prime-age years for women commonly correspond with looking after the family or home; and the oldest working age group is associated with early retirement and long-term illness. The levels of these vary between countries, depending mainly on the factors which influence these reasons. For instance, Poland, France and Spain all have high rates of economic inactivity in the 16-24 age groups, and they each have a high proportion of people economically inactive for reasons of education or training, whereas the UK, the USA and the Netherlands have less economic inactivity in this age band and also have fewer people stating education or training as a reason for it. On face value this might suggest less tertiary education participation in the latter three countries; however, equally it may be indicative of differing levels of benefit offered to full-time students (that is, there may be similar numbers of students in all countries, but in these latter three countries students may be more likely to have to work in order to finance their studies).

Detailed analyses of the reasons given for economic inactivity, coupled with knowledge of the social, cultural, economic, political and labour market climates are key to understanding economic inactivity in any one country.

Further information

For further information, contact:

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Notes

- 1 Data are for Great Britain. Benefits include Incapacity Benefit, Severe Disablement Allowance, Disability Living Allowance, Income Support and National Insurance credits.
- 2 All data for European countries, including UK, supplied by Eurostat; data for USA provided by Bureau of Labor Statistics (see *technical note*).
- 3 An earlier article described the overall patterns in economic inactivity in the UK over the past 20 years (see pp69-88, *Labour Market Trends*, February 2002); a second focused specifically on inactive older men (see pp301-10, *Labour Market Trends*, June 2002); a third looked at the economically inactive group who look after the family or home (see pp577-87, *Labour Market Trends*, November 2002). A detailed description of the flows into and out of economic inactivity has also been published (see pp 187-94, *Labour Market Trends*, April 2002). Subsequent articles will look in detail at inactivity among students, and a final article will look at the subject in terms of 'life stages'.
- 4 The 'group of seven' countries: Canada, France, Germany, Italy, Japan, UK and USA.

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Technical note

Economic inactivity in the UK is measured by the Labour Force Survey (LFS). This is a quarterly survey of around 60,000 households, which is equivalent to around 130,000 individuals. Respondents to the survey are interviewed five times over the course of five consecutive quarters. The first interview is done face to face and subsequent interviews are by telephone. The survey is voluntary and the response rates are typically around 75 per cent for the first interview, and 90 per cent for subsequent interviews. Proxy responses (in the absence of the individual from another household member) are accepted. The employed and unemployed are measured by International Labour Organisation (ILO) agreed definitions, so on an aggregate level the economically inactive measure is also comparable with that for other countries that subscribe to the ILO measure. After this the economically inactive are grouped according to whether they are seeking work (yet are unavailable to start in the two weeks following the interview); whether they are not seeking but would like work; and those that are not seeking but would not like work. Finally each of these subgroups are divided up according to a specific reason for the economic inactivity, the largest of which being those used in [Table 2](#).

The Swedish labour force survey has been conducted since May 1956 and covers the population aged 16 to 64. It is a quarterly survey, and the sample is made up of three separate samples each consisting of about 18,000 people. It adheres to ILO definitions and guidelines in order to maximise comparability between countries. When the Swedish labour force survey sample is drawn, it is stratified by county, sex, citizenship and employment according to the employment register (RAMS), to a total of 192 strata. The individuals in each stratum are then sorted by age, after which a systematic sample is drawn for each month. The size of the sample in each stratum is directly proportional to the size of the stratum itself. Each of the total samples, which consist of about 18,000 individuals each month, rotates so that an eighth of the sample is replaced between successive interviews. Individuals participating in the sample are interviewed once a quarter, and in total eight times in the course of two years, after which they are replaced.

The labour force survey in the Netherlands started to collect data in 1960. It was changed in 1983 to adhere to ILO guidelines and in 1998 had a minor amendment to the sampling methodology. It is a continuous monthly survey of households sampled in two stages from receiving postal addresses. It samples around 5,000 households or 0.07 per cent of the population every month, but is subject to 40-50 per cent non-response. People aged 15 years and over from a household are included in the survey, and the number of people from any one household is limited to four. Where the number of residents exceeds four, the respondents are selected by the interviewer. Proxy interviews are accepted and around a third of individuals are captured to the survey in this manner. The first interview with a household is conducted face to face, and a subsequent four interviews are conducted by telephone. In June and July the sample size is halved.

The labour force survey in France is collected on an annual basis in March every year and interviews are conducted over the period of four weeks. The reference period for the survey is the week preceding interview (Monday until Sunday night). Geographically it covers all of metropolitan France excluding

overseas territories, and interviews the members of around 75,000 households. The definition of employment used differs slightly from the other countries looked at here. Respondents are considered employed when they declare having an occupation when asked "Which is your current occupation?". Those who say they have no occupation are considered to be employed if they did more than one hour's work in the reference week or were temporarily absent from employment and would usually work more than one hour in a week.

The Spanish labour force survey has been conducted by the National Statistical Institute in Spain since 1964. In 1987 the definitions of the International Labour Office (ILO) were adopted and a new questionnaire implemented. It is run as a quarterly survey and covers all the population resident in Spain and living in private dwellings. Like the UK LFS, the Spanish survey takes its sampling frame from the list of all postal addresses of family dwellings. A two-stage sampling process is used, with stratification of the first-stage units (or sections); this results in a common sample size of 64,000 households or 200,000 individuals. The Spanish labour force survey also operates a wave structure like the UK's, so that first-stage units are divided into six 'rotation groups'. Each quarter, one rotation group is completely replaced, so that from one quarter to the next the common sample is 5/6 and between a quarter from one year and the following year the common sample is 2/6. Unlike the UK's, Spain's is a compulsory survey and has a non-response rate of about 11 per cent. The first interview with a household is done face to face, and subsequent interviews are by telephone. Proxy response is accepted.

The labour force survey in Poland is collected by Polish Official Statistics (GUS). It is a quarterly survey of around 22,000 households (or 55,000 individuals) and has been collected using ILO definitions since 1992. The sampling method is random, is based on the list of registered dwellings and does not cover the institutional population. All people in the sampled households aged 15 and over are included in the survey. The survey operates on a rotation basis whereby a household is included for two successive quarters, then rested for the next two, and finally they are included again for two more quarters before leaving the survey altogether.

The Current Population Survey (CPS) in the United States takes a multistage stratified sample of around 56,000 households from 792 sample areas. Independent samples are taken in each state allowing quality regional estimation. It includes all members of a household over the age of 15 years, and accepts proxy responses. Housing units are sampled from addresses obtained from the 1990 decennial census of population and housing (new housing units are continually added to the list). Institutions are not covered in the survey. A rotating sample system similar to those used in the other surveys looked at here is employed. A household is interviewed for four consecutive months initially, is then dropped for the following eight months and is included for four more months thereafter. The definitions of unemployment and employment are consistent with ILO guidelines. However, unpaid family workers are treated differently from the UK where they need to have completed a minimum of one hour of work in the reference week, whereas in the USA the requirement is a minimum of 15 hours. Economic inactivity is referred to as 'not in the labor force'.