

Part One

**MONITORING LABOUR MARKET PROSPECTS
AND DEVELOPMENTS**

Chapter I

LABOUR MARKET PROSPECTS AND RECENT DEVELOPMENTS

A. INTRODUCTION

Current data indicate that the slow-down experienced in the OECD area will continue into 1994. Growth will be uneven given the different cyclical positions of Member countries and unemployment, already at record levels, is set to rise further until the recovery takes firm hold. This will also imply more long-term unemployment. These economic and labour market prospects are outlined in Section B.

Unemployment rates have risen in many Member countries in the current downturn. However, the unemployment rate – or open unemployment – is only one measure of labour market slack. Cyclical downturns are usually associated with changes in participation rates, which partly reflect discouragement. There is also usually under-utilisation of the employed workforce through short-time work, labour-hoarding, or increases in involuntary part-time work, all of which mask the extent of underemployment and contribute to cross-country differentials in measured unemployment. Section C takes up two measures of labour market slack, discouragement and involuntary part-time work, examining their relevance in the most recent downturn and how their patterns have changed since the early 1980s, particularly as to whether they have increased over time.

Section D addresses the issue of labour market flexibility. This is a large and complex area that will only be examined from one perspective: the evolution of temporary work in OECD countries. Little work has been done on examining the evolution of temporary work over time. This section will therefore discuss the number of individuals employed under temporary contracts and their demographic characteristics. Data on reasons for using temporary work will also be examined, to shed some light on how this particular form of employment has evolved since the early 1980s. Conclusions are presented in Section E.

B. OECD LABOUR MARKETS: RECENT TRENDS AND SHORT-TERM OUTLOOK

1. Recent economic trends and prospects

Economic growth remained relatively weak in the OECD area in 1992. Although real GDP grew by 1.5 per

cent – a small increase over the 0.7 per cent growth registered in 1991 – it was due mainly to relatively stronger growth in the first half of the year. Output growth slowed substantially in the second half, particularly in European countries – most notably Germany and Italy – and Japan (Table 1.1).

Several factors lie behind the relatively weak growth. In Europe, confidence was weakened by a number of factors including exchange rate instability within the Exchange Rate Mechanism (ERM). Realignment within the ERM in the summer of 1992 led to continued high – or increased – interest rates in a number of countries attempting to maintain parities. In some countries, this eventually led to temporary withdrawal from the ERM and lower interest rates; however, the rates only declined to their previous level prior to the realignment. In other countries, which maintained their parities and with better inflation performance than Germany, the result was an appreciation of the currency in effective terms and loss of competitiveness. In addition, several countries, both inside and outside Europe, continued to feel the effects of past debt build-up and asset price declines, which had negative repercussions on domestic spending. Thus, despite monetary easing – particularly in North America and Japan – consumers and firms preferred to continue paring down debt loads rather than to increase spending. With regard to consumers, this may also partly be due to poor employment growth as a larger part of output gains came through increased productivity in many countries.

Short-term indicators point to only moderate growth in 1993. Member countries are in different cyclical positions and those which entered the downturn first – for example Canada, Australia, New Zealand and the United States – appear to be into the recovery phase. This will be mainly export-led as a result of improved competitiveness in the first three countries, while in the United States private investment is expected to pick up. The United Kingdom also appears to be slowly recovering given a substantial easing in monetary conditions following its exit from the ERM. In Japan, the recently announced fiscal measures are expected to consolidate growth in the second half of the year. The scope for fiscal expansion in other OECD countries, however, is limited given high, and in some cases, rising deficit- and debt-to-GDP ratios. In Europe, growth prospects appear particularly weak. Despite falling interest rates, real rates remain relatively

Table 1.1. Growth of real GDP in the OECD area^a

	1991 Share in total OECD GDP ^b	Percentage changes from previous year				
		Average	1991	1992	1993	1994
North America^a	36.8	3.3	-1.2	2.0	2.7	3.3
Canada	3.0	3.5	-1.7	0.9	3.1	4.5
United States	33.8	3.3	-1.2	2.1	2.6	3.1
Japan	18.5	4.3	4.0	1.3	1.0	3.3
Central and Western Europe	26.1	2.7	1.3	1.1	-0.5	1.7
Austria	0.9	2.6	3.0	1.5	-0.6	1.5
Belgium	1.1	2.4	2.0	0.8	-0.7	1.2
France	6.7	2.5	0.7	1.3	-0.7	1.5
Germany ^c	8.6	2.8	3.7	2.0	-1.9	1.4
Ireland	0.2	3.9	2.2	2.7	2.6	3.4
Luxembourg	0.1	4.4	3.0	2.4	1.2	1.8
Netherlands	1.6	2.7	2.2	1.5	-0.3	1.4
Switzerland	1.3	2.6	-0.1	-0.6	-0.5	1.6
United Kingdom	5.6	3.2	-2.2	-0.6	1.8	2.9
Southern Europe	13.3	3.0	1.5	1.3	0	1.8
Greece	0.6	1.8	1.8	1.4	1.1	1.7
Italy	6.5	2.7	1.3	0.9	-0.2	1.7
Portugal	0.4	2.9	2.2	1.4	0.6	1.9
Spain	2.6	3.6	2.3	1.0	-0.6	1.7
Turkey ^b	3.2	5.6	0.3	5.9	4.5	3.5
Nordic countries	3.4	2.7	-1.2	-0.4	-0.3	2.1
Denmark	0.7	2.4	1.2	1.1	0.7	2.8
Finland	0.7	3.3	-6.4	-3.5	0	1.7
Iceland	0.1	2.6	1.4	-3.3	-1.8	0.1
Norway	0.6	2.9	1.9	3.3	1.5	2.9
Sweden	1.3	2.4	-1.7	-1.7	-2.0	1.4
Oceania	1.8	3.2	-1.3	1.4	3.0	3.2
Australia	1.6	3.5	-1.1	1.5	2.9	3.1
New Zealand	0.3	1.4	-2.7	0.6	3.1	3.5
OECD Europe	42.8	2.8	1.1	1.0	-0.3	1.8
EC	34.8	2.8	1.4	1.1	-0.4	1.8
Total OECD	100.0	3.3	0.7	1.5	1.2	2.7

a) Aggregates are computed on the basis of 1987 values expressed in 1987 U.S. dollars.

high and confidence is still low, holding back private sector spending.

Given these different cyclical positions, output growth for the OECD area in 1993 is expected to remain roughly unchanged from 1992, growing at a slightly slower rate of 1.2 per cent. It should then pick up in 1994 with growth expected at 2.7 per cent. Conditions in Europe, however, will remain relatively much weaker and the projection is for growth to decline 0.3 per cent in 1993, but to rise 1.8 per cent in 1994.

2. Employment and unemployment

Employment in the OECD area fell 0.1 per cent in 1992, but conditions were much weaker in Europe where growth fell 1 per cent (Table 1.2). Moreover, there was particular weakness in the Nordic countries with each showing a decline in employment, but with substantial declines occurring in Finland (-7.1 per cent) and Sweden

(-4.1 per cent). Despite output increases, employment continued to fall in many countries, including Australia and Canada, or lagged output growth such as in the United States. Furthermore, the pattern of job losses has been somewhat different in the latest downturn, being concentrated more on services although blue-collar workers still tend to make up the majority of the newly unemployed [OECD (1992a)]. Productivity appeared to hold up more in manufacturing than during past downturns, suggesting quicker labour shedding. Indeed, in the United States, it appeared that productivity was higher in 1992 than the trend observed over the 1980s.

Labour force growth in the OECD area was 0.7 per cent in 1992, while in Europe, there was no growth compared to the previous year. Furthermore, growth fell in the second half of 1992 reflecting the weakness in output growth. In the face of poor prospects, many unemployed individuals decide to leave the labour force, and some prospective entrants decide not to enter. Many of

Table 1.2. Employment and labour force growth in the OECD area^a

	Employment						Labour force					
	1991	1982-90	1991	1992	1993	1994	1991	1982-90	1991	1992	1993	1994
	000s	Average	Annual percentage change				000s	Average	Annual percentage change			
North America	129 210.7	2.1	-1.0	0.5	1.1	1.9	139074.3	1.6	0.4	1.2	0.7	1.4
Canada	12 338.9	2.1	-1.8	-0.8	1.4	2.5	13 756.2	1.7	0.6	0.3	1.1	1.9
United States	116 871.8	2.1	-0.9	0.6	1.1	1.8	125 318.2	1.6	0.4	1.3	0.6	1.4
Japan	63702.7	1.3	1.9	1.1	0.8	1.1	65 058.0	1.3	1.9	1.2	1.2	1.2
Central and Western Europe	103 613.8	0.9	0	-1.3	-1.5	-0.3	112 181.3	0.8	0.8	-0.2	0.1	0.4
Austria	3 478.0	0.6	1.9	1.8	-0.3	0.3	3 597.0	0.6	2.0	2.3	0.8	0.3
Belgium	3 819.0	0.6	0.1	-0.4	-1.3	-0.7	4 210.0	0.2	0.7	0.7	0.5	0.4
France	22 581.7	0.4	0.1	-0.5	-1.0	-0.5	24 942.5	0.5	0.7	0.4	0.1	0.5
Germany ^b	36 398.0	0.8	2.6	-1.7	-2.4	-0.8	38 999.5	0.8	1.8	-0.6	0.3	0.5
Ireland	1 121.0	-0.2	-0.4	-0.1	0	0.2	1 331.0	0.1	2.0	1.6	2.9	0.9
Luxembourg	197.3	2.3	4.3	1.9	1.4	1.7	199.9	2.3	4.4	2.1	1.8	1.6
Netherlands	6 521.0	1.6	2.6	1.5	-1.0	-0.3	7 011.0	1.3	2.0	1.2	0.9	0.7
Switzerland	3 560.3	1.1	-0.1	-2.0	-1.6	0.4	3 599.9	1.1	0.5	-0.6	0.6	0.2
United Kingdom	25 937.5	1.5	-3.2	-2.9	-1.2	0.4	28 290.5	0.9	-0.7	-1.0	-0.5	0
Southern Europe	59 457.1	1.3	0.6	-0.1	-1.1	0.4	67 304.5	1.3	1.0	0.5	0.4	0.8
Greece	3 649.0	0.7	-1.3	1.9	-0.3	-0.2	3 950.0	0.9	-1.2	3.7	0.6	1.0
Italy	21 409.8	0.6	0.9	-0.6	-1.2	0.3	24 063.5	0.8	0.8	-1.0	-1.0	0.4
Portugal	4 603.7	1.6	3.0	0.8	-0.4	-0.3	4 801.9	1.3	2.4	0.7	0.3	0.3
Spain-	12 609.6	1.4	0.2	-1.9	4.4	0.4	15 073.1	1.3	0.4	0.5	0.7	0.3
Turkey	17 185.0	2.3	0.2	1.4	0.8	0.8	19 416.0	2.0	1.9	1.8	1.8	1.8
Nordic countries	11 405.6	0.6	-2.1	-3.1	-2.6	0.2	12 155.1	0.6	-0.5	-0.8	-0.7	0
Denmark	2 553.9	0.8	-0.9	-0.1	-1.1	1.1	2 850.0	0.8	0	0.7	0.4	0.2
Finland	2 340.0	0.5	-5.2	-7.1	4.3	-0.5	2 533.0	0.2	-0.9	-1.2	-0.3	-0.4
Iceland	128.0	1.1	2.7	-1.0	-2.2	-0.9	130.0	1.3	2.4	0.5	0.2	0.1
Norway	2 009.7	0.5	-1.0	-0.3	0.6	1.8	2 126.2	0.9	-0.7	0.2	0.4	1.3
Sweden	4 374.0	0.7	-1.7	4.1	4.2	-0.8	4 515.9	0.6	-0.5	-1.9	-2.2	-0.6
Oceania	9 232.3	2.1	-1.9	-0.1	0.8	1.4	10 222.5	2.2	0.9	1.0	0.9	1.2
Australia	7 781.0	2.6	-2.0	-0.3	0.7	1.4	8 604.3	2.5	0.9	1.1	0.9	1.3
New Zealand	1 451.2	0	-1.3	0.6	1.1	1.3	1 618.2	0.5	1.3	0.6	0.7	1.0
OECD Europe	174 476.5	1.0	0.1	-1.0	-1.5	-0.1	191 641.0	0.9	0.8	0	0.2	0.5
EC	141 401.5	0.9	0.3	-1.2	-1.7	-0.2	155 722.9	0.8	0.7	-0.2	0	0.4
Total OECD	376 622.2	1.5	0	-0.1	-0.1	0.9	405 995.9	1.2	0.8	0.7	0.5	1.0

these individuals are discouraged; their numbers are discussed in Section C.

Labour force growth outpaced employment growth in 1992 and as a consequence, the unemployment rate for the OECD area rose from 7.2 per cent in 1991 to 7.9 per cent in 1992 (Table 1.3). In OECD Europe, the rate jumped almost one percentage point to just under 10 per cent. Rates of over 10 per cent now exist in half of the OECD countries and remain relatively higher in EC countries. The sharpest relative increases occurred in two of the EFTA countries: Finland which posted the largest increase in the OECD area, and Sweden, where the unemployment rate remains relatively low at 5.3 per cent, but almost double that of the rate recorded in 1991. Within the EC, an increase of over 2 percentage points took place in Spain, and of almost 2 percentage points in the United Kingdom. With the jump in the unemployment rate, the number of unemployed people in OECD countries reached record levels of almost 33 million, an increase from 1991 of over 3 million.

Long-term unemployment, discussed further in Chapter 3, continues to be a major problem in the OECD area, particularly in the EC. However, even in countries outside the EC – for example the Nordic countries, which have in the past been generally immune – it is on the rise. Available data for 1992 on the incidence of long-term unemployment – individuals unemployed for twelve months or longer – show a continued rise in Norway to almost 24 per cent, and in Sweden, where a rise to about 8 per cent arrested the decline that had taken place since 1988 (see Statistical Annex, Table P). One of the sharpest increases appears to have taken place in Australia. The incidence rose to about 35 per cent, up 10 percentage points from 1991; this brings it closer to some incidences recorded in Europe and further away from those of North America. Indeed, in the United States, although relatively low at about 11 per cent in 1992, it almost doubled from that recorded in 1991 of about 6 per cent.

3. Wages, unit labour costs and inflation

High and rising unemployment rates were a factor in moderating wage increases – as measured through average compensation per employee in the business sector – in the OECD area (Table 1.4). Most OECD countries showed lower increases in 1992 relative to 1991, with area-wide compensation rising 4.6 per cent compared to 5.2 per cent in the previous year. Germany was an important exception: growth in compensation doubled in 1992, which led to concerns over future inflation and realignments within the ERM.

Labour productivity growth more than doubled in 1992 as employment growth lagged output growth. As a result, unit labour costs in the business sector increased by only 2.5 per cent, far lower than the average over the last two decades.

4. Labour market prospects

In the face of slow output growth, employment growth is expected to decline 0.1 per cent in 1993. It should turn around in 1994, however, and post small growth of just under 1 per cent (Table 1.2). In part, this reflects the typical pattern of employment growth in the current stage of the business cycle. Employment growth typically lags output growth as employers wait for sure signs of economic recovery before taking on new staff, preferring instead to use existing staff more. In part, structural factors such as the different nature of job losses are also in play. With labour force growth expected to increase by 0.5 per cent in 1993 and by 1.0 per cent in 1994, the unemployment rate will rise to 8.5 per cent in 1993 and to 8.6 per cent in 1994 (Table 1.3). Unemployment rates are projected to be substantially higher in Europe, rising from 11.4 per cent in 1993 to 11.9 per cent in 1994; this reflects the relative weakness of the major European countries. Unemployment rates are expected to increase in France, Italy and Germany over this period, and in Ireland and Spain, to cross over the 20 per cent mark. The number of unemployed will reach new heights: just over 35 million in 1993, and close to 36 million in 1994.

With high unemployment rates, and rising in some countries, wage moderation is expected to continue. Growth in compensation will probably fall to 4 per cent in 1993, and under 4 per cent in 1994 with a relatively sharp deceleration in Germany (Table 1.4). With moderate wage increases, growth in unit labour costs is expected to decelerate to under 2 per cent by 1994. Inflation – as measured by the GDP deflator – is expected to continue its deceleration, rising by only 3.0 per cent in 1993 and 2.8 per cent in 1994. The main risk on inflation is the passthrough of the exchange rate devaluation into prices in devaluing countries. This will depend on a number of factors, including whether firms accept lower profit margins instead of raising prices. In addition, high shares of long-term unemployment may also pose problems in wage moderation. This latter point is discussed further in Chapter 3.

C. DISCOURAGED WORKERS AND INVOLUNTARY PART-TIME WORK

1. Discouraged workers

Labour market slack manifests itself in many ways. The most common is through open unemployment as measured through the conventional unemployment rate. However, this rate does not capture all of the slack. Some individuals leave the labour force in the face of poor job prospects while others decide not to enter. These are commonly referred to as discouraged workers, and usu-

Table 1.3. Unemployment in the OECD area^a

	1991	1982-90	1991	1992	1993	1994	1982-90	1991	1992	1993	1994
	000s	Percentage of labour force ^c					Millions				
North America	9 863.7	7.3	7.1	7.8	7.4	6.9	9.4	9.9	11.0	10.4	9.9
Canada	1417.2	9.6	10.3	11.3	11.1	10.5	1.2	1.4	1.6	1.5	1.5
United States	8 446.4	7.1	6.7	7.4	7.0	6.5	8.2	8.4	9.4	8.9	8.4
Japan	1 355.3	2.5	2.1	2.2	2.5	2.6	1.5	1.4	1.4	1.7	1.8
Central and Western Europe	8 567.5	8.6	7.6	8.7	10.2	10.8	8.6	8.6	9.7	11.5	12.2
Austria	119.0	3.5	3.3	3.1	4.8	4.8	0.1	0.1	0.1	0.2	0.2
Belgium	391.0	11.3	9.3	10.3	11.9	12.9	0.5	0.4	0.4	0.5	0.6
France	2 360.7	9.5	9.5	10.2	11.2	12.1	2.3	2.4	2.6	2.8	3.0
Germany ^b	2 601.5	7.4	6.7	7.7	10.1	11.3	2.1	2.6	3.0	3.9	4.4
Ireland	210.0	15.5	15.8	17.2	19.5	20.0	0.2	0.2	0.2	0.3	0.3
Luxembourg	2.6	1.5	1.3	1.5	1.9	1.8	0	0	0	0	0
Netherlands	490.0	9.8	7.0	6.8	8.5	9.3	0.6	0.5	0.5	0.6	0.7
Switzerland	39.1	0.7	1.1	2.5	4.6	4.4	0	0	0.1	0.2	0.2
United Kingdom	2 353.0	9.7	8.3	10.1	10.7	10.4	2.1	2.4	2.8	3.0	2.9
Southern Europe	7 847.4	12.2	11.7	12.2	13.5	13.9	7.7	7.8	8.2	9.2	9.5
Greece	301.0	7.4	7.6	9.2	10.0	11.0	0.3	0.3	0.4	0.4	0.5
Italy	2 653.6	10.9	11.0	10.7	10.9	11.0	2.5	2.1	2.6	2.6	2.6
Portugal	198.3	7.1	4.1	4.0	4.7	5.3	0.3	0.2	0.2	0.2	0.3
Spain	2 463.5	19.0	16.3	18.4	22.5	22.4	2.7	2.5	2.8	3.4	3.4
Turkey	2 231.0	10.8	11.5	11.8	12.7	13.5	1.9	2.2	2.3	2.6	2.8
Nordic countries	749.5	4.6	6.2	8.4	10.1	10.0	0.5	0.7	1.0	1.2	1.2
Denmark	296.1	9.1	10.4	11.1	12.4	11.7	0.3	0.3	0.3	0.4	0.3
Finland	193.0	4.8	7.6	13.1	16.6	16.7	0.1	0.2	0.3	0.4	0.4
Iceland	2.0	1.0	1.5	3.0	5.3	6.2	0	0	0	0	0
Norway	116.5	3.2	5.5	5.9	5.1	5.3	0.1	0.1	0.1	0.1	0.1
Sweden	141.9	2.3	3.1	5.3	1.3	7.4	0.1	0.1	0.2	0.3	0.3
Oceania	990.3	7.3	9.7	10.7	10.8	10.6	0.7	1.0	1.1	1.1	1.1
Australia	823.3	7.8	9.6	10.8	10.9	10.8	0.6	0.8	0.9	1.0	1.0
New Zealand	167.0	5.1	10.3	10.3	10.0	9.7	0.1	0.2	0.2	0.2	0.2
OECD Europe	17 164.5	9.6	9.0	9.9	11.4	11.9	16.9	17.2	19.0	21.9	22.9
EC	14 321.3	10.2	9.2	10.1	11.6	12.1	14.5	14.3	15.7	18.1	19.0
Total OECD	29 373.7	7.6	7.2	7.9	8.5	8.6	28.5	29.4	32.5	35.1	35.7

a) For sources and definitions, see OECD *Economic Outlook*, No. 53, June 1993.

b) Up to and including 1990, western Germany; subsequent data concern the whole of Germany.

c) The rates are not necessarily comparable between countries. For rates standardized to common definitions, see Table K of the Statistical Annex

Table 1.4, Business sector labour costs in the OECD area^a
Percentage changes from previous period

	Compensation per employee						Unit labour costs					
	1979-89	1990	1991	1992	1993	1994	1979-89	1990	1991	1992	1993	1994
North America	55	4.7	4.2	4.0	4.4	3.5	4.8	5.3	4.2	1.4	2.7	2.2
Canada	7.0	4.5	5.6	4.1	3.0	2.9	5.5	5.8	5.2	1.9	1.0	0.9
United States	5.4	4.7	4.1	4.0	4.6	3.5	4.7	5.2	4.1	1.3	2.9	2.4
Japan	4.0	5.3	4.8	1.9	1A	2.4	1.0	2.1	2.3	1.6	1.1	0
Central and Western Europe	6.4	5.8	5.6	6.8	5.2	4.1	4.2	4.2	4.6	4.0	3.7	1.7
Austria	5.7	3.9	5.3	6.1	4.5	3.5	3.7	1.6	4.2	6.5	4.7	2.0
Belgium	5.7	5.5	6.3	5.2	4.6	4.5	3.3	3.6	4.3	3.9	3.9	2.3
France	8.3	5.0	4.5	3.9	3.7	3.2	5.6	3.3	3.7	1.4	2.9	0.8
Germany ^b	4.0	4.2	4.6	9.9	7.2	5.0	2.6	2.1	3.5	6.0	6.7	2.7
Ireland	10.9	3.5	5.9	4.9	5.2	5.1	6.4	-1.4	2.5	1.6	2.2	1.5
Netherlands	2.7	4.1	4.4	5.1	3.2	3.1	-0.6	2.5	3.5	4.5	2.3	1.1
Switzerland	4.7	7.0	7.2	4.7	2.7	2.4	3.6	5.8	7.2	3.1	1.5	1.1
United Kingdom	9.4	10.1	8.3	6.9	4.6	4.4	7.0	9.9	7.5	4.1	0.9	1.4
Southern Europe^c	12.4	9.1	9.2	7.8	5.0	5.4	10.0	7.7	8.1	5.4	3.8	3.7
Greece	17.8	16.9	16.4	13.2	13.1	10.5	17.0	17.7	12.5	14.0	11.4	8.1
Italy	12.7	8.9	8.7	6.4	3.7	5.2	10.5	7.4	8.2	4.3	4.0	3.5
Portugal	17.1	16.4	16.2	12.7	8.0	6.9	15.3	13.7	17.1	11.9	6.8	4.3
Spain	10.4	7.6	8.6	9.9	6.6	4.8	7.2	6.2	6.0	6.1	1.8	3.3
Nordic countries^c	9.0	7.7	5.2	3.0	2.8	4.1	6.8	5.5	4.4	-0.1	-0.6	1.8
Denmark	7.1	4.1	3.9	3.0	3.0	3.6	4.9	0.4	1.1	1.7	0.5	1.3
Finland	10.7	9.9	4.7	-1.0	4.8	3.0	6.7	7.9	5.7	-5.7	-0.5	-0.2
Norway	9.1	6.2	4.5	3.9	0.7	6.0	7.9	2.7	3.0	0.7	-1.2	5.2
Sweden	9.3	9.5	6.8	4.6	2.6	4.0	7.5	9.0	6.5	1.3	-1.0	1.3
Oceania	9.2	4.9	3.3	3.7	2.7	3.2	8.2	5.7	2.7	2.1	0.4	1.4
Australia	8.8	6.4	3.8	3.9	2.8	3.3	8.0	7.1	2.7	2.0	0.4	1.6
New Zealand	11.7	-3.7	0.7	2.4	2.3	2.5	9.4	-2.2	2.9	2.5	0.2	0.2
OECD Europe^c	8.0	6.7	6.4	6.7	4.8	4.4	5.8	5.3	5.4	4.0	3.4	2.2
EC	8.1	6.6	6.4	7.1	5.2	4.5	5.8	5.1	5.4	4.3	3.8	2.2
Total OECD^c	6.3	5.6	5.2	4.6	4.0	3.6	4.5	4.6	4.3	2.5	2.6	1.8

a) Aggregates are computed on the basis of 1987 values expressed in 1987 U.S. dollars.

b) Up to and including 1991, western Germany: subsequent data concern the whole of Germany and the whole economy.

c) Countries shown.

Source: OECD Economic *Outlook*, No. 53, June 1993.

ally considered “hidden” or “disguised” unemployed, or on the “margin” of the labour force. They are excluded from the labour force because they fail the job-search criterion; the reason they are not searching for work is typically that they believe no *suitable* job is available. This could encompass a number of factors, for example the belief that no work is available in their local area, or that they do not have the skills necessary for the work available. Clearly, not all individuals who want work but have not searched in the reference period can be considered discouraged because some would not be able to accept work even if it were available.’

On a cross-country basis, little work has been done comparing their numbers over time in OECD countries, although the 1987 *Employment Outlook* did examine this for a small number of countries. This section begins by briefly suggesting some reasons why discouraged workers should be examined. This is followed by an examination of discouragement and demographic composition across OECD countries. It then describes how these numbers have evolved since the early 1980s, and in particular how they compare in the current downturn with the recession in the early 1980s. It also suggests some possible factors that may account for changes in the number of these workers.

Annex 1.A provides the definitions used for discouraged workers in each country; given the wide differences, cross-country comparisons should be made with a great deal of caution. Furthermore, it should be kept in mind that comparisons of numbers over time within some countries are affected by changes in the definition of what constitutes a discouraged worker.²

i) Why examine discouragement?

The policy framework for labour markets [OECD (1990a)] suggests two reasons to study discouraged workers: first, these workers are an identifiable, potential source of labour supply that is not being used; and second, one group – women – is affected more than men. The first point generally rests on the claim that discouraged workers are similar to the unemployed, and although this notion has been challenged [OECD (1987)], it suggests that their numbers may be important. ‘what may be more relevant for determining potential participation is the time spent out of employment [Clark and Summers (1979)], and the reasons behind non-employment [OECD (1992a)]. Indeed, to the extent that barriers to entry into the labour force could be relaxed, promoting participation of both men and women – and preventing discouragement – is a goal for the “Active Society”. There is an important economic objective associated with this: impediments to labour force participation could reduce the longer-run potential growth of economies and affect the efficient allocation of labour.

In addition, from an economic perspective, to the extent that at least some movements are pro-cyclical

– from employment, or unemployment to discouragement – then the effects of economic policies – say tighter monetary policy to reduce inflation – may be underestimated if only examined by their effect on the unemployment rate. This will of course depend on the number of discouraged workers, their composition and so on. For example, a recent Japanese study suggests that one reason for little change in the unemployment rate as economic output fluctuates in Japan is the pro-cyclical movement of female labour supply with women tending to leave the labour force rather than remain unemployed [Tachibanaki and Sakurai (1991)].³ There is a final implication with respect to the wage formation process. If discouraged workers look for work instead of leaving the labour force, this could help reduce pressure on wage growth and open up employment opportunities? Obviously, not looking for work dampens their chances to find any, but **as** well, could dampen their chances to find subsequent work because, among other factors, long spells outside the labour force may erode skills.

ii) A recent picture of discouraged workers

In 1991, discouraged workers totalled about 3.7 million in 18 OECD countries (Table 1.5). Although two of the largest Member countries – Japan and the United States – accounted for about half of this figure, the numbers are nevertheless substantial. In comparison to aggregate OECD labour force numbers, discouraged workers amount to about 1 per cent.⁵

As a ratio to the unemployed, the number of discouraged workers varied widely in 1991, from under 1 per cent in Spain to about 90 per cent in Japan. Most countries were in the 5 to 20 per cent range. The number of discouraged workers as a share of the unemployed was higher for women, consistent with their higher unemployment rates in most countries. The United Kingdom was an exception; there, while the number of female discouraged workers was higher as a percentage of unemployed, women’s unemployment rate was lower than that of men.

Table 1.5 also shows the unemployment rates in the 18 countries for which data on discouraged workers are available, as well as the unemployment rates that would have resulted if they were included in the labour force as unemployed. For a large number of countries, the 1991 unemployment rates would have been over 10 per cent using this expanded definition of unemployment. Moreover, the aggregate unemployment rate for these OECD countries would rise by almost one percentage point. Typically, countries with the lowest unemployment rates had the highest ratio of discouraged workers to the unemployed: Finland, Japan, Norway and Sweden. Thus, were these discouraged workers to be included as unemployed, unemployment differentials would *narrow* across countries, although Belgium and Italy, both with relatively high unemployment rates, also had large numbers of discouraged workers.

Table 1.5. Discouraged workers and involuntary part-time employment in selected OECD countries, 1991

	Discouraged workers ^a			Involuntary part-time workers ^b		Unemployment rates ^c	
	Number (000s) [1]	As a per cent of the labour force ^d [2]	As a per cent of unemployed ^d [3]	Number (000s) [4]	Underemployment rate ^e [5]	National rate ^f [6]	Including discouraged workers ^g [7]
Australia	128	1.5	15.5	475	5.7	9.6	10.9
Belgium	71	1.7	18.2	122	2.9	9.3	10.8
Canada	92	0.7	6.5	561	4.1	10.3	10.9
Denmark	7	0.2	2.4	96	3.4	10.4	10.6
Finland (1987)	47	1.9	24.3	27	1.1	7.6	9.3
France	35	0.1	1.5	77	0.3	9.4	9.5
Germany	..			213	0.7	4.3	
Greece				98	2.5	8.2	
Ireland	7	0.5	3.3	35	2.7	15.8	16.2
Italy	630	2.6	23.7	512	2.1	11.0	13.3
Japan	1 230	1.9	90.8	770	1.2	2.1	3.9
Netherlands	41	0.8	12.8	377	7.0	5.9	6.7
New Zealand	14	0.9	8.6			10.3	11.1
Norway	29	1.4	24.8			5.5	6.8
Portugal	19	0.4	9.6	72	1.5	4.1	4.5
Spain	16	0.1	0.6	165	1.1	16.3	16.4
Sweden	67	1.5	54.1	23	0.5	2.7	4.1
Turkey	152	0.8	6.8	293	1.5	11.5	12.2
United Kingdom	112	0.4	4.8	623	2.2	8.3	8.7
United States	1 026	0.8	12.1	4 727	4.0	6.7	7.5
Total ^h	3 722	1.1	14.3	9 268	2.4	7.1	8.3

.. Data not available.

a) For the definition of discouraged workers for each country, see Annex 1.A.

b) For the definition of involuntary part-time employment for each country see the footnotes to Table 1.6.

c) Only monthly data were available for Australia, Canada (in the case of discouraged workers), Finland, Japan and Turkey. The monthly figures were then divided by the respective annual averages.

d) Figures do not include discouraged workers in the denominator.

e) The underemployment rate is defined as the number of involuntary part-time workers divided by the labour force.

f) Unemployment data are based on national definitions.

g) The number of discouraged workers are included in both the numerator and the denominator.

h) Figures represent unweighted totals of the above countries.

Sources: See Table 1.A.1 and Table 1.6: OECD, *Labour Force Statistics*.

Chart 1.1 shows the male and female shares in discouragement in 1991. In all countries, women made up a larger share than men, and substantially so in about half the countries, including Australia, Denmark, France, Italy, Japan, the Netherlands, Portugal and Spain. Therefore, if discouraged workers were included in the labour force as unemployed, male/female differentials would widen in most countries given the relatively higher shares for women. Data on age composition reveal that prime-age workers typically made up the largest share of discouraged workers, whether male or female, except in Finland, Sweden and Turkey; in those countries, youths made up the largest share (Annex Table 1.A.1). In the United Kingdom, older workers made up the largest share.

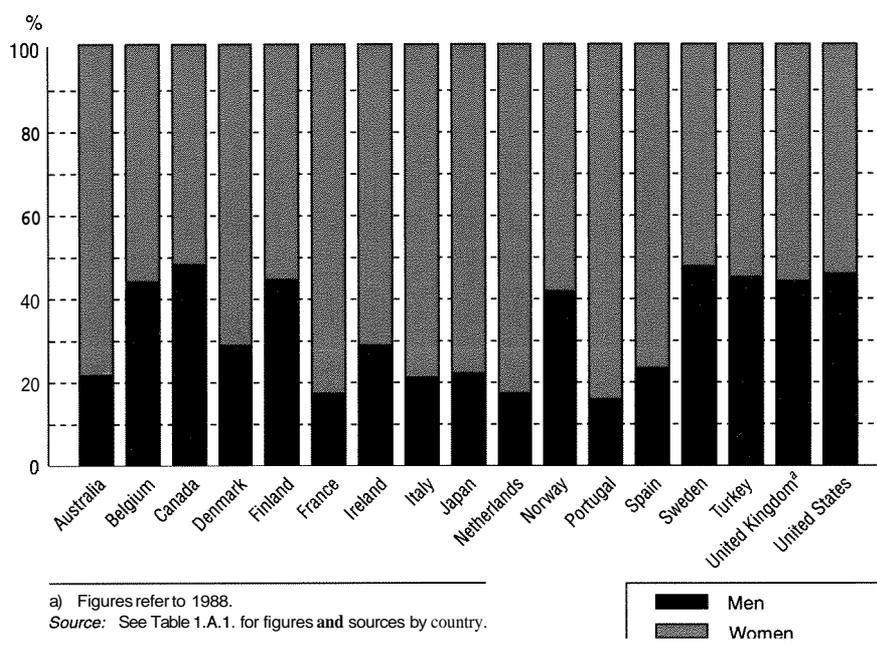
iii) Patterns over time

Despite the fact that data on a complete economic cycle are not available, Chart 1.2 reveals that the number

of discouraged workers tends to vary cyclically.⁶ For most countries, the pattern is broadly *pro-cyclical*, i.e. the number of discouraged workers was highest when the unemployment rate was high and fell as the rate declined.⁷ Although the overall pattern is pro-cyclical, there were also periods when the movement was *counter-cyclical* – for example, from 1984 to 1986 in the United Kingdom – reflecting the lags between the downturn and discouragement. Similar patterns also occurred in Ireland, the Netherlands, and more recently Italy and Portugal. The only countries with a clear *counter-cyclical* pattern were Belgium and Denmark. In line with the cyclical pattern, the number of discouraged workers fell in many countries over the latter part of the 1980s – Canada, Denmark, Portugal, Spain, Japan, the Netherlands, the United Kingdom and the United States – and in two of these countries – Canada and the United States – the levels are even lower than in 1981, prior to the last recession. With the onset of the downturn in the early 1990s, the number of discouraged workers jumped

Chart 1.1

Male and female share of discouraged workers for 17 OECD countries, 1991



sharply in countries where the downturn was most severe and where unemployment rates rose – Australia, Canada, New Zealand, Sweden and the United States. In the United Kingdom, however, the number of discouraged workers remained unchanged despite the sharp increase in the unemployment rate. Data for Finland indicate that the number of discouraged workers doubled over the period 1989 to 1991 when unemployment rates rose.

The question arises as to whether there is a secular trend in the number of discouraged workers. One difficulty in establishing a clear pattern is the high volatility of time-series data on discouraged workers that is apparent in Chart 1.2. This volatility means that a longer time-series is needed to establish whether or not the observed decline in the number of discouraged workers is part of a longer-term trend. At the same time, however, the pattern in the data suggests that the lags do not appear to be linear with changes in the unemployment rate, *i.e.* a one percentage point decline/increase in the unemployment rate is not associated with the same change in the number of discouraged workers. While it is difficult to evaluate the nature of this relationship without a complete cycle of data, it appears that the level of discouraged workers may be more “sticky” downward – it jumps sharply in a downturn – but it takes many years

for it to reach the level prior to the downturn. For example, in Canada, after the sharp increase in the 1982-83 recession, the 1981 level was not reached again until 1986 but at a higher unemployment rate.

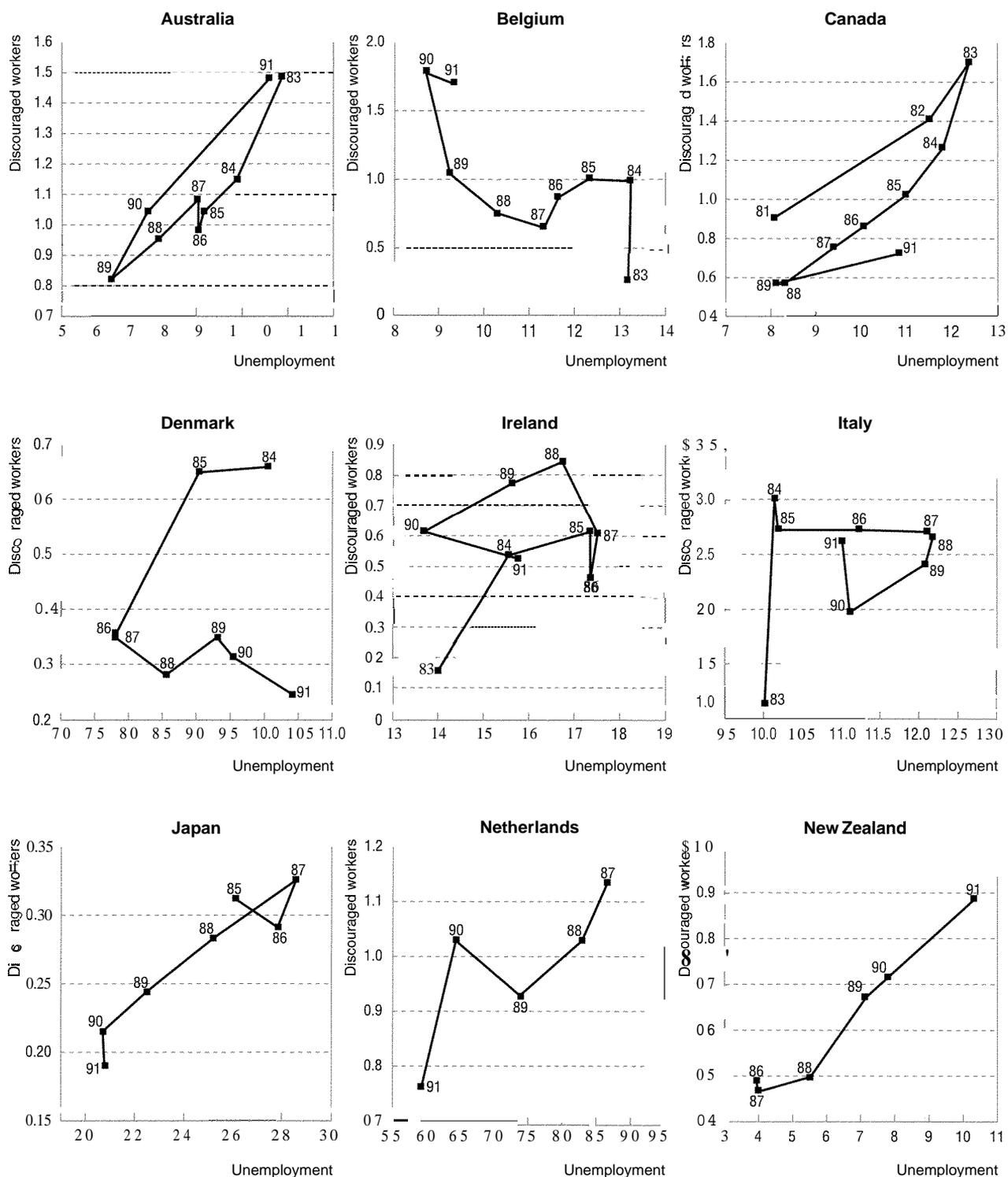
There has been a shift in the composition of discouraged workers over the last ten years (where an identifiable pattern exists). The proportion of males increased in Australia, Belgium, Ireland, Japan, Sweden and the United States, although women continued to make up the largest share of discouraged workers, usually by a wide margin (Annex Table 1.A.1). By age group, discouraged prime-age worker shares increased in all countries, except in Sweden where the share of youths increased. There was also a slight upward trend in the share of older discouraged workers in Australia, Canada, the United States and the United Kingdom.

iv) A comparison of recessions

Data on discouraged workers during the recession of the early 1980s are not available for many countries, or breaks in the series prevent an accurate comparison. Furthermore, in some countries, unemployment rates continued to rise although output growth resumed. For this comparison, 1983 is used as the trough (highest unemployment rate); consequently, a rough comparison

Chart 1.2

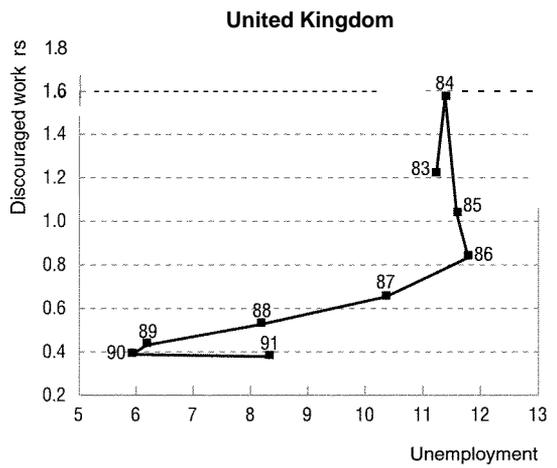
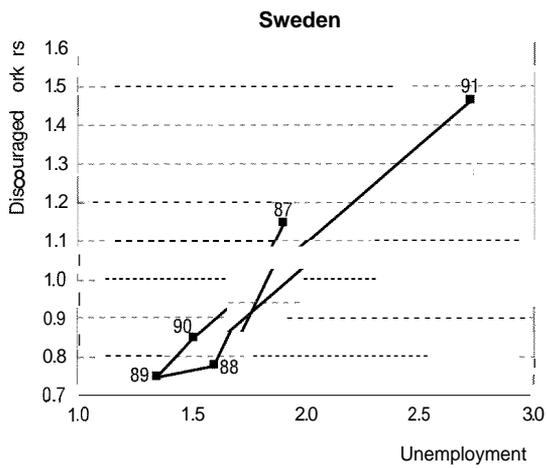
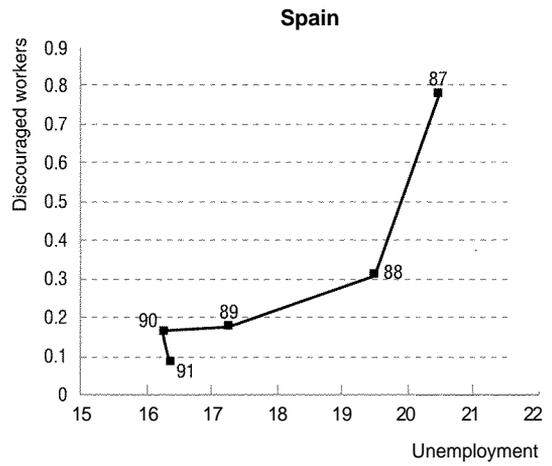
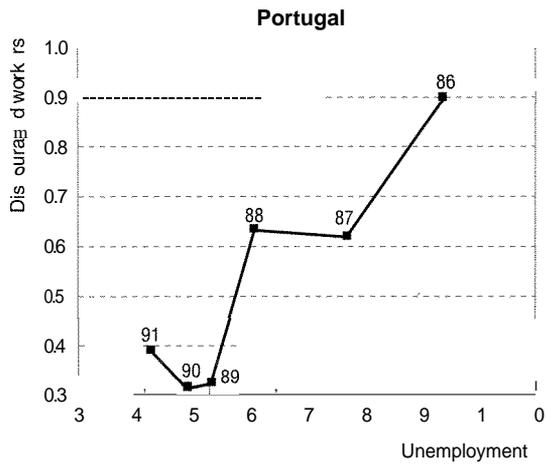
Discouraged workers and unemployment in 14 OECD countries^a
(As a percentage of the labour force)



a) Discouraged workers are not included in the labour force.
Sources: *OECD Economic Outlook*, No. 52, December 1992; Table 1.A.1.

Chart 1.2 (Cont.)

Discouraged workers and unemployment in 14 OECD countries^a
 (As a percentage of the labour force)



a) Discouraged workers are not included in the labour force.
 Sources: OECD Economic Outlook, No. 52, December 1992; Table 1.A.1

between the two downturns can only be made for four countries: Australia, Canada, the United Kingdom and the United States.

In Canada, the United Kingdom and the United States, with the downward trend in the number of discouraged workers, those numbers were lower in absolute terms (and therefore as a share of the labour force) in 1991 than in 1983 despite the recent increase. The number of discouraged workers is also at its lowest level in the United Kingdom, but in Australia a new peak appears to have been reached. Furthermore, in Canada and the United States, the rise in their number in the latest recession was much more subdued, even given the smaller increase in unemployment rates compared to 1981-83.⁸ Given the decline in many countries, the number of discouraged workers was slightly lower in 1991 than in 1990 despite the recession.⁹

Compared to the last recession, men formed a larger share of discouraged workers in each country except the United Kingdom. There, the share of discouraged men was similar to that in 1983. A breakdown by age and sex shows that in the United Kingdom, the latest downturn has particularly affected older men whose share doubled, and that they made up the largest share of discouraged workers. In the other countries, prime-age workers made up the largest share in the latest downturn, and this was also the case in 1983, although there are proportionally more older workers in discouragement in 1991 than in 1983.

v) *Some institutional factors affecting the number of discouraged workers*

In addition to the cyclical influence and changes in labour force survey methodologies, a wide variety of structural factors can influence the number of discouraged workers over time, and these factors may not be easy to disentangle. Unfortunately, data limitations, different definitions and different sample periods severely restrict any cross-country analysis. Thus, only general observations can be made with respect to the broad patterns in the levels of discouraged workers, and not necessarily with respect to the changes. In any case, it is clear that no single reason can be put forward to explain why numbers vary in each country.

A Canadian study cited several explanations for the lower numbers of discouraged workers in Canada [Akyeampong (1992)]. These include the fact that there are fewer youths in the working-age population; that many otherwise discouraged workers have chosen to stay in school or participate in government-sponsored training programmes; that pension plan revisions and early retirement packages have become more attractive to many older workers; and finally, that there has been an apparent shift from the discouraged worker category among the inactive to those awaiting recall from lay-off. In addition, changes that encourage labour force participation – such as increased access to day-care facilities, and

changes in benefits systems – could also work to lower the number of discouraged workers. It is likely that many of these reasons are applicable to other OECD countries.

One area that has received considerable attention in recent years is that of active labour market policies. These have been promoted as a way of reducing unemployment; they also have the potential to reduce discouragement through many channels, particularly with respect to training programmes. In some cases, the existence of new training programmes geared towards the unemployed could entice individuals to stay in the labour force rather than leave it as discouraged workers – this would make the unemployment rate more sensitive to economic conditions. Therefore, the rules and conditions for participation in training programmes – both new and existing – will be important. Training programmes might have the effect of widening the wage distribution faced by the discouraged worker, thus providing added incentives to re-enter the labour force and look for work.¹⁰ However, the effect of such programmes will be limited by their goals, whom they are geared towards, their content, and their degree of success. For example, discouragement could result because of unsuccessful job-search following participation in a labour market programme, or lack of qualification to participate in a programme.

There is some evidence that active labour market policies may be one causal factor in determining the number of discouraged workers; however, it is difficult to separate out their effect from other factors. For example, the high numbers of participants in Spain are consistent with falling numbers of discouraged workers, but so are strong employment increases. In Sweden, the bulk of programme participants – and spending – has been directed towards adults and not youths, which might explain the relatively higher share of discouraged workers among youths (both male and female). The same situation exists in Finland where the bulk of resources were dedicated to direct job creation which presumably has helped more adults get jobs than youths. By contrast, the share of young people in programmes in Great Britain is relatively high – about the same as for adults – and the main share of discouraged workers is found in the older category. Thus, there is some evidence that programme targeting may affect the demographic pattern of discouragement.

For older workers, the combination of age and job-specific skills makes job displacement particularly difficult. Many OECD countries introduced measures to reduce their labour force participation in the 1980s, in part to create employment opportunities for youths. In addition, pension availability increased in many Member countries in the 1980s [OECD (1992b)]. An individual's ability to receive early retirement through either state pension schemes or private pensions could affect the number of discouraged workers, but it is difficult to tell the magnitude of the effect. For example, the availability of such schemes would affect both the flows into discouragement and flows out of the stock of discouraged work-

ers. Some older workers may have opted for early retirement in lieu of job displacement which could have led to discouragement, while some older discouraged workers may have become eligible for state pension schemes or other benefits and thus officially retire. Data broken down by age are not available for many countries but recent data for Canada suggest that early retirement programmes may have reduced discouragement among older workers as a share of the total in recent years (Table 1.A.1).

The only consistent observation among OECD countries is that women typically make up a larger share of discouraged workers, although the share is diminishing in some countries. Two of the most likely reasons for the higher shares are broken job histories [OECD (1987)] and unpaid work factors. For example, for many women, a lack of jobs or of flexibility in existing job arrangements that allow a combination of paid and unpaid work responsibilities would be consistent with the relatively higher rates of discouragement found among prime-age women. It would also be consistent with the relatively lower share of discouraged women in Sweden where parental leave provisions allow continuous contact with the labour force although extended periods of absence are taken [OECD (1990b)].

2. Underemployment and involuntary part-time work

Similar to discouraged workers, involuntary part-time workers are also a measure of under-utilisation of an economy's labour resources. The International Labour Office (ILO), in Resolution I (1982), indicates that these individuals comprise the "visible" underemployed [OECD (1992a)]. Two measures of this sort of underemployment are provided in Table 1.6, which provides data published in the 1990 *Employment Outlook* updated to 1991-92: for persons working part-time for economic reasons who usually work full-time, and for those working part-time due to inability to find a full-time job." Involuntary part-time work could occur due to a lack of jobs that fit desired working schedules, lack of skills for available jobs (including any that might exist with the current employer), or indeed a lack of full-time jobs. It should also be kept in mind that differences in how part-time employment is defined will also affect these data.'?

i) *Composition of involuntary part-time work by age and sex*

Table 1.5 shows the number of involuntary part-time workers expressed as a percentage of the labour force in 1991. Referring to this measure as the underemployment rate, it ranged across countries from under 0.5 per cent in France to about 7 per cent in the Netherlands (where the share of part-time work is highest among OECD countries).¹³ Therefore, underemployment – as proxied in this manner – represents a considerable portion of the labour

force in some countries, and the total number exceeded 9 million in 1991. Given that figure, it is clear that including some fraction of them as unemployed would lead to substantially higher unemployment than the conventional measure. A recent study by the Bureau of Labor Statistics (BLS) in the United States, which calculated alternative unemployment indicators for the year 1989, found that the conventional unemployment rate would indeed be much higher in many of the countries examined – particularly Sweden – where it would be over twice as large if involuntary part-time workers were included [Sorrentino (1993)].¹⁴

It is important to note, however, that in all countries except Greece, the majority of part-time work is voluntary. As a percentage of part-time workers, involuntary part-time work ranges from just over 1 per cent in Spain to over one-third in Italy, with most countries in the 20 to 30 per cent range (Table 1.6). Broken down by reason for involuntary part-time work, working part-time due to inability to get a full-time job was almost always the most frequent, except in Greece where more individuals were working part-time because of economic reasons.

There is a clear age and gender distinction between the two reasons. Men aged 25-54 form the major share of those working part-time involuntarily because of economic reasons, except in Finland, Japan, Portugal and Sweden, where women have the highest percentages. With respect to inability to find a full-time job, prime-age women form the majority share in all countries. Youths, both male and female, make up the next largest shares for both reasons.

Is there a cyclical element in involuntary part-time work? Time-series data for 17 OECD countries shed some light on this issue, although a complete economic cycle is not available (Table 1.7). In the European Community, data for 1983 indicate that the share of total involuntary part-time workers in the labour force has been relatively constant. In the latest downturn, however, it rose in both Denmark and the United Kingdom in 1991 as unemployment rates rose relatively sharply compared to 1990. Outside the EC, Sweden also experienced a relatively sharp increase in 1991: the underemployment rate rose by over one percentage point. Furthermore, in Australia, Canada and the United States, there appears to be a pronounced cyclical element, as the underemployment rate rose relatively sharply in 1991 during the downturn. Moreover, data for these countries covering the previous recession in the early 1980s also support the observation that a cyclical element exists in involuntary part-time work.

Longer-term trends reveal that part-time work due to economic conditions has remained relatively constant as a percentage of the labour force – including the recent downturn – while part-time work due to inability to find full-time work has increased in many countries, particularly Belgium, Ireland, and the Netherlands (data not presented). These three countries, and the latter in particular, had increases in the share of part-time work as a

Table 1.6. Distribution of involuntary part-time workers by age and sex, 1991^{a,b}

	Part-time for economic reasons, usually work full-time ^c									Part-time due to inability to find a full-time job ^d								
	Number (000s)	% of total part-time ^c	Total %	Men			Women			Number (000s)	% of total part-time ^c	Total %	Men			Women		
				15-24 years ^f	25-54 years	55-64 years	15-24 years	25-54 years	55-64 years				15-24 years	25-54 years	55-64 years	15-24 years	25-54 years	55-64 years
Australia (1992)										513	27.4	100.0	15.4	19.3	3.5	19.9	39.9	1.9
Belgium	3	0.8	100.0	13.3	54.5	0.0	4.5	27.6	0.0	119	27.1	100.0	2.6	8.5	0.2	19.4	67.8	1.5
Canada (1992)										592	28.8	100.0	11.1	13.2	6.9	12.5	39.2	17.1
Denmark	11	1.8	100.0	11.4	56.9	7.4	4.8	18.0	1.5	85	14.0	100.0	4.8	11.1	2.1	17.3	56.2	8.6
Finland (1987)	7	3.8	100.0	16.7	21.5	5.1	..	36.8	20.0	20	10.4	100.0	16.7	8.7	..	13.5	49.8	11.3
France	77	2.9	100.0	9.8	62.7	3.6	5.4	17.8	0.8									
Germany	20	0.4	100.0	12.1	57.5	7.2	3.9	16.3	3.0	193	4.2	100.0	1.9	10.6	0.3	7.9	70.7	8.6
Greece	58	41.7	100.0	7.0	41.6	17.0	4.2	21.6	8.6	40	28.6	100.0	13.3	30.3	7.0	9.7	35.1	4.7
Ireland	7	7.1	100.0	13.2	47.8	4.8	15.6	18.3	0.4	29	30.3	100.0	13.2	33.5	4.1	14.0	32.7	2.5
Italy	97	8.1	100.0	10.9	41.0	8.5	7.7	30.0	1.8	416	34.9	100.0	11.0	27.1	4.2	17.3	38.1	2.3
Japan (1992)	330	2.9	100.0	3.0	21.2	15.2	3.0	42.4	15.2	630	5.6	100.0	3.2	9.5	14.3	6.3	50.8	15.9
Netherlands	14	0.6	100.0	19.0	54.4	1.1	18.0	7.4	0.0	363	16.2	100.0	7.9	12.5	2.1	14.5	58.1	4.9
Portugal	6	1.7	100.0	22.0	26.4	12.7	8.4	28.4	2.1	66	19.4	100.0	6.2	8.3	2.7	13.2	58.6	10.9
Spain	38	0.3	100.0	18.5	35.9	6.2	9.1	26.0	4.3	128	1.1	100.0	7.4	12.2	0.9	19.8	52.1	7.6
Sweden (1992)	27	2.7	100.0	10.4	19.3	1.1	15.7	48.1	5.4									
Turkey	293	23.0	100.0	13.5	60.8	8.0	3.0	13.7	0.9									
United Kingdom	177	3.1	100.0	13.4	60.3	7.4	7.0	10.3	1.7	446	7.8	100.0	7.0	13.8	5.7	15.2	47.9	10.3
United States (1992)	2 026	9.8	100.0	11.5	44.6	6.3	7.4	26.7	3.6	2 867	13.9	100.0	16.4	18.8	3.3	18.3	37.1	6.0

.. Data not available.

ata a

Table 1.7. **Involuntary part-time work in 17 OECD countries, 1981-1991^a**

As a per cent of the labour force

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Australia ^b	3.2	4.1	4.7	4.2	4.0 |	4.5	5.1	4.4	4.9	4.3	5.7
Belgium			2.2	2.3	2.4	3.0	2.8	2.9	2.5	2.9	2.9
Canada	2.3	3.2	3.9	4.1	4.1	4.0	3.7	3.4	3.1	3.2	4.1
Denmark	..		2.2	3.1	3.5	3.1	2.5	3.0	3.0	2.9	3.4
France	..		0.4	0.5	0.3	0.2	0.3	0.2	0.1	0.1	0.3
Germany	..		0.5	0.7	0.9	1.0	1.0	0.9	0.8	0.7	0.7
Greece	..		3.3	3.1	3.3	3.7	3.4	4.8	3.9	3.2	2.5
Ireland	..		2.2	1.9	1.9	2.0	2.5	2.9	2.4	2.5	2.7
Italy	..		1.9	2.5	2.2	2.2	2.4	2.2	2.1	1.9	2.1
Japan	..		1.2 |	1.3	2.1	2.1	2.2	1.8	1.9	1.5	1.3
Luxembourg	..		0.4	0.5	0.5	0.7	0.6	0.4	0.5	0.5	0.3
Netherlands	..		1.0		2.9 |		6.9	7.2	7.5	6.9	7.0
Portugal	..					1.8	1.9	1.9	1.5	1.5	1.5
Spain							1.8	1.7	1.3	1.3	1.1
Sweden							4.7	3.8	3.6	4.0	5.1
United Kingdom			1.8	2.1	2.1	2.3	2.4	2.2	1.7	1.6	2.2
United States	3.5	4.4	4.5	4.1	3.9	3.9	3.7	3.5	3.2	3.3	3.8

.. Data not available.

| Indicates a break in the series.

a) Only monthly data were available for Australia, Finland, Japan and Turkey. The figures were then divided by total labour force annual averages, respectively. See Table 1.6 for country definitions of involuntary part-time work.

b) Break in the series in 1986. From April 1986, the definition of employed persons was changed to include persons who worked without pay between one and 14 hours per week in a family business or on a farm (*i.e.* unpaid family helpers). Previously, such persons who worked one to 14 hours, or had such a job but were not at work, were defined as either unemployed or not in the labour force, depending on whether there were actively looking for work.

Source: See Table 1.6.

percentage of total employment [OECD (1991)]. These data indicate that along with the increase, there was a rising share of individuals who did not want this type of work. In Belgium, Ireland and Italy, this probably at least partly reflects the high unemployment situation.

3. Summary

Open unemployment as measured through the unemployment rate captures a major part but not all of the labour market slack that exists in OECD countries. Slack in the form of discouragement and involuntary part-time work is substantial, equivalent to almost half the number of unemployed in 1991, or roughly 13 million people. Both tend to be cyclical, indicating that in a downturn, the unemployment rate further underestimates the amount of labour market slack; however, over the last ten years they do not appear to have increased to a significant degree as a percentage of the labour force although they comprise a considerable number of individuals at any given time. In particular, the following points emerge from the analysis:

Discouraged workers

- Discouraged workers numbered close to 4 million in 1991 or about 1 per cent of the OECD labour force for countries in Table 1.5. If these were added to the labour force as unemployed, the

unemployment rate would jump sharply in countries with a relatively low unemployment rate.

- In 1991, women made up the largest share of discouraged workers in all countries except the United Kingdom, which saw a sharp jump in the share of men in the latest economic downturn. There is some evidence that discouragement is becoming more concentrated among prime-age workers and, in some countries, among older workers.
- Since the early to mid-1980s, there has been an apparent slow decline in the number of discouraged workers across OECD countries. Furthermore, in the latest downturn, the increase in their numbers in North America was more subdued relative to the previous recession, and the number of discouraged workers was also at a lower level. By contrast, their numbers increased sharply in Australia, but not at all in the United Kingdom.
- In many countries, discouragement appears to follow a cyclical pattern, rising as unemployment rates increase and falling as they decline; in the latest downturn, the number of discouraged workers picked up in most countries that had sharp increases in unemployment rates.
- It is likely that several factors determine the number of discouraged workers, including the interaction of unemployment benefits, other benefits, active labour market policies, how they are targeted and so on. The fact that women consist-

ently make up a larger share of the discouraged indicates that inflexible work arrangements are probably particularly important.

Involuntary part-time workers

- The number of involuntary part-time workers in 1991 amounted to just over 9 million, or about 2.5 per cent of the OECD labour force for countries presented in Table 1.5. There is considerable cross-country variation, but in most countries the involuntary component ranges between 20 and 30 per cent.
- As is the case with discouragement, involuntary part-time work affects women more than men. This partly reflects the higher numbers of women in part-time work but is also consistent with evidence that women face constraints through non-paid work activities such as family responsibilities.
- The number of men and women affected differs by reason for involuntary part-time work; women are more likely to indicate that they work part-time because they cannot find a full-time job.
- Involuntary part-time work shows some sensitivity to the economic cycle in EC countries; the influence is much more pronounced in North America, Australia and Sweden.
- The prevailing level of unemployment, and not only the cycle itself, is probably also a determining factor given that involuntary part-time work is relatively higher – and increasing – in countries with high unemployment. An important exception is the Netherlands where involuntary part-time work is highest as a proportion of the labour force among OECD countries, but also where part-time work makes up the highest proportion of employment; however, the unemployment rate is relatively low.

D. TEMPORARY WORK

An ongoing topic of debate concerning labour markets is their flexibility. This complex and controversial subject was examined in a comprehensive OECD report covering a wide range of topics including labour costs, labour mobility and numerical and functional flexibility [OECD (1986)]. Atypical employment, *i.e.* any form that lies outside the traditional full-time employment model, is one aspect of labour market flexibility. Although it covers a range of employment practices, including shift work, weekend work, self-employment, part-time work and temporary work, only the latter will be examined in this section.¹⁵

Although there is a common presumption that temporary work is increasing in OECD countries, there has

been little examination of this subject over time. The main goal here is therefore to provide a comparison of the number of temporary employees across OECD countries, and their characteristics. The dynamics of temporary work will also be discussed, along with employer and employee reasons for choosing this type of work.

1. What is temporary work?

There are two types of temporary work: the first involves a temporary work agency (TWA), where a worker is contracted out to a firm for a specified period of time; the second involves firms employing individuals directly under fixed-term contracts, *i.e.* with a specific termination date. French- and Spanish-speaking countries make a clear distinction between the former and the latter, while the distinction is less clear in English-speaking countries [Bronstein (1991)]. Furthermore, the conditions under which an individual can be employed as a temporary worker vary across Europe, and are usually more strict in Southern Europe (see below). Generally, a job is regarded as temporary if there exist objective reasons that limit its duration [Eurostat (1988)]. For example, Portugal and Spain list in their legislation the conditions under which temporary staff may be used. Outside Europe, the conditions of the employment contract will usually determine whether a job is temporary or not. For example, in Australia, such employment is not called temporary but “casual”, and is defined through common law. A casual work contract is basically one of limited duration, in contrast to a permanent job which is of unspecified duration. Casual workers have no legal entitlement to benefits such as annual and sick leave, no legal entitlement to prior notification of termination, and no case for damages for arbitrary dismissal [Romeyn (1992)].¹⁶

There are considerable differences in the degree of government regulation of the use of temporary and fixed-term contracts across OECD countries. Tables 1.8 and 1.9 show the state of legislation in 1990 in European countries for workers employed through temporary work agencies and those employed on fixed-term contracts. These tables are divided into three sections based on the degree of regulation pertaining to the use of such work. The columns in bold print in each table indicate the criteria used to group the countries: maximum duration, whether the temporary contract is renewable, and whether termination benefits must be provided.

With respect to the use of fixed-term contracts (Table 1.8), regulation is minimal in Austria, Denmark, Ireland and the United Kingdom. Typically, fixed-term contracts can be renewed at will with no restrictions. At the other end of the spectrum, they are highly regulated in France, Italy, Luxembourg, Portugal and Spain. All except Luxembourg require termination benefits to be paid, and tight restrictions are placed on renewal, duration, and the conditions for using these contracts.

Table 1.8. Temporary work: fixed-term contract regulations and requirements, 1990^a

Degree of government regulation	Contract regulations ^b	Restrictions ^c	Maximum duration ^d	Renewable ^e	Termination benefits ^f	Open-ended benefits ^g	Dismissal protection ^h	Conversion to open-ended ⁱ
Minimum								
Austria	Y	N	N	Y	N	Y	Y	
Denmark	N	N	N	Y	N	Y	Y	N
Ireland ^j	N	N	N	Y	N	N	Y	N
United Kingdom ^k	N	N	N	Y	N	Y	Y	Y
Moderate								
Belgium	Y	N	N	N	N	N	Y	Y
Germany ^l	Y	Y	18	N	N	Y	Y	N
Greece	Y	Y	N	2	N	Y	Y	Y
Netherlands ^m	Y	N	N	Y	N	Y	Y	N
Sweden	Y	Y	N	1	N	Y	Y	Y
Severe								
France	Y	Y	24	2	Y	Y	Y	Y
Italy ⁿ	Y	Y	6	N	Y	Y	Y	Y
Luxembourg	Y	Y	24 ^o	2	N	Y	Y	Y
Portugal ^p	Y	Y	36	2	Y	Y	Y	Y
Spain	Y	Y	36	Y	Y	Y	Y	Y

.. Data not available.

Y = Yes.

N = No.

a) Fixed-term contract: a contract which expires on a certain predetermined date without notice having to be given by either the employee or the employer.

b) Specific legislation or general employment legislation regulating the use of fixed-term contracts.

c) Specific circumstances restricting the use of a contract.

d) The maximum duration of a contract in months, including renewals, unless otherwise stated; N indicates no maximum duration.

e) Possibility of renewal and, if applicable, the number of times a contract may be renewed.

f) Whether an indemnity is paid to the employee at the end of the contract.

g) Similar pay and conditions of employees with open-ended contracts.

h) For reasons other than gross misconduct the contract cannot be terminated early.

i) Possibility to become an open-ended contract.

j) In Ireland, contracts are not regulated, however dismissal is covered under the Unfair Dismissals Act of 1977.

k) In the United Kingdom, selected open-ended benefits apply to employees with contracts of three months or more. With a contract of two years or more the employee is protected against unfair dismissal and can claim a redundancy payment.

l) In Germany, maximum duration applies under the 1985 Employment Promotion Act; in addition, statutory dismissal protection only applies after six months of employment.

m) In the Netherlands, for open-ended benefits an employee must work more than one-third normal contractual hours and his contract may be terminated within a two-month probationary period. After the first renewal the contract can only be terminated by the director of the regional labour office.

n) In Italy, a contract can be renewed once in exceptional circumstances.

o) In Luxembourg, exemptions are granted by the Ministry of Labour.

p) In Portugal, as of 1989 an employer may terminate an employee's contract without just cause within a 30-day probationary period.

Sources: "Non-standard forms of employment in Europe", *European Industrial Relations Review*, (EIRR) 1990 and various issues; Income Data Services (IDS), *European Report*, various years; ILO, *Legislative Series*, various years; *Mutual Information System on Employment Policies in Europe* (MISEP), various issues.

With respect to contracts through temporary employment agencies (Table 1.9), several OECD countries ban them outright and so they are not included in the table. These are Finland, Greece, Italy, Spain and Sweden [OECD (1991)].¹⁷ Once again, the most permissive legislation exists in Austria, Denmark, Ireland and the United Kingdom. Regulations are tightest in France, where termination benefits must be paid and are increased by 50 per cent if the temporary employment agency does not offer a new assignment within three days after the end of the prior assignment [Bronstein (1991)]. In other countries, the regulations are moderate, with some restrictions on the number of renewals and duration of contracts. Germany is unique in the sense that there is a permanent employment relationship with the temporary work

agency which cannot be suspended even if no new assignment is offered to the worker [Bronstein (1991)].

Over the course of the 1980s, the general trend has been to relax conditions for the use of either type of contract. In particular, Belgium, France, Germany, Italy, Spain and the United Kingdom all made changes to their legislation that have tended to relax conditions, although there is now a movement towards more restrictions in Portugal, Spain and France [Konle-Seidl *et al.* (1990)].

2. Number of temporary workers

The data on temporary work presented in Table 1.10 are drawn from labour force surveys which entail certain

Table 1.9. **Temporary work: contract regulations and requirements through temporary work agencies, 1990^a**

Degree of government regulation	Temporary contracts regulated ^b	Temporary agencies regulated ^c	Restrictions ^d	Maximum duration ^e	Renewable)	Termination benefits ^g	Hiring extension ^h	Contract agency/employee ⁱ	Open-ended benefits,	Dismissal protection ^k
Minimum										
Austria	Y	Y	N	N	Y	N		Y	Y	N
Denmark	N	Y	N	3	Y	N		Y	Y	Y
Ireland	N	Y	N	N	Y	N		N	N	N
United Kingdom	N	Y	N	N	Y	N		N	N	N
Moderate										
Belgium	Y	Y	Y	3	1	N		Y	Y	Y
Germany ^l	Y		Y	6	Y	N		Y	N	Y
Luxembourg ^m	Y		N	N	2	N	N	N	Y	Y
Netherlands ⁿ	Y		N	6	1	N		Y	Y	N
Portugal ^o	Y	Y	Y	12	N	N		Y	Y	Y
Severe										
France ^p	Y	N	Y	24	2	Y		Y	Y	Y

.. Data not available.

Y = Yes.

N = No.

a) Temporary work contract: an employment contract through which a worker is employed by an agency.

b) General restrictions placed on the use of temporary work contracts.

c) The agency must register and abide by certain regulations.

d) The specific circumstances which must apply for the use of temporary contracts to be permissible.

e) The maximum duration of a contract in months, including renewals, unless otherwise stated; N indicates no maximum duration.

f) Whether the contract is renewable and if applicable, the number of times a contract may be renewed.

g) An end of contract indemnity is paid to the employee by the agency.

h) The possibility to be hired permanently by the user company.

i) A written contract between the employee and the agency.

j) Similar pay and conditions of open-ended contract employees.

k) For reasons other than gross misconduct, the contract cannot be terminated.

l) In Germany, the maximum duration of a temporary work contract was extended to six months in 1985 under the Employment Promotion Act.

m) In Luxembourg, two renewals are possible, but less than 24 months total, with a break equal to one-third of original contract length.

n) In the Netherlands, restrictions exist if the contract is more than three months or in the building sector. Maximum duration for a total of 12 months with a one-month break between contracts. Law stipulates temporary workers must be paid more than open-ended employees.

o) In Portugal, temporary work contracts are regulated as of 1989. Renewals possible under certain circumstances.

p) In France, circumstances under which workers may be recruited, the length of the assignment and their conditions are similar to those found in fixed-term contracts.

Source; See Table 1.8.

limitations. First, they do not distinguish between workers employed under fixed-term contracts and those hired under temporary contracts through an agency. Therefore, all data, unless otherwise stated, refer to the two types combined. Second, to the extent that the labour force surveys are conducted only on a yearly basis, contracts that began and terminated prior to the survey will not be picked up, which might be particularly important for this type of employment.¹⁸ The data do not, therefore, provide the total number of existing temporary jobs during the year, nor the percentage of people hired over the year in a temporary job. Also, answers to labour force questions are subjective, which may affect an accurate count, for example in the case where a person is not sure of the exact conditions of the contract. There may be some ambiguity if someone is employed on a permanent basis by a temporary work agency but employed by a third party for a limited duration. Finally, the labour force questions on temporary work differ across countries, and

this will affect observed shares [see OECD (1987) for further details].

There were about 18 million temporary workers in 1991 – *i.e.* those working on fixed-term contracts and those who found a job through a temporary work agency at the time of the survey – for the group of countries presented in Table 1.10 (data not presented). In European countries, the share of employees engaged in temporary work ranged from about 3 per cent in Luxembourg to 32 per cent in Spain in 1991. Outside Europe, temporary work in Australia amounted to almost one-fifth of the workforce over the 1980s, while it comprised about 10 per cent of dependent employment in Japan. Finland had similar proportions of employees on temporary work contracts, and there appears to be a slight upward trend. In Canada, about 8 to 10 per cent of all employees were employed in temporary work – contracts of less than six months' duration – in 1989, similar to many OECD countries [Krahn (1991)]. There was some fluctuation in

Table 1.10. **Temporary workers as a percentage of total dependent employment, 1983-1991^a**

	1983	1985	1987	1988	1989	1990	1991
Australia ^b			21.2	18.7	19.9	19.3	19.7
Belgium	5.4	5.7	5.1	5.0	5.1	5.3	5.1
Denmark		12.3	11.1	11.5	10.0	10.8	11.9
Finland ^c	11.1	10.7	11.2		11.9		13.1
France	3.3	4.7	7.1	7.8	8.5	10.5	10.2
Germany		10.0	11.6	11.4	11.0	10.5	9.5
Greece	16.3	21.2	16.6	17.6	17.2	16.6	14.7
Ireland	6.2	7.3	8.6	9.1	8.6	8.5	8.3
Italy	6.6	4.8	5.4	5.8	6.3	5.2	5.4
Japan ^d	10.3	10.4	10.5	10.7	10.8	10.7	10.5
Luxembourg	3.2	4.7	3.5	3.7	3.4	3.4	3.3
Netherlands	5.8	7.6	9.4	8.7	8.5	7.6	7.7
Portugal	..		16.9	18.5	18.7	18.6	16.5
Spain			15.6	22.4	26.6	29.8	32.2
Turkey ^e				7.2	6.9	5.2	6.6
United Kingdom	5.5	7.0	6.3	6.0	5.4	5.2	5.3

.. Data not available.

a) For EC countries a job may be regarded as temporary if it is understood by the employer and the employee that the termination of the job is determined by objective conditions such as reaching a certain date, completion of an assignment or the return of an employee who has been temporarily replaced; in the case of a work contract of limited duration the condition for its termination is generally mentioned in the contract. Included in this group are: *i*) persons with a seasonal job; *ii*) persons engaged by an employment business and hired out to a third party for the carrying out of a "work mission" (unless there is a written work contract of unlimited duration with the employment business); *iii*) persons with specific training contracts. If there exists no objective criterion for the termination of a job or work contract, these are regarded as permanent or of unlimited duration, *Labour Force Survey – Methods and definitions*, Eurostat, 1988.

b) In Australia, a temporary worker is an employed wage and salary earner in his/her main job who is considered casual (excluding worker's compensation!). Figures refer to August, except for 1991 which refer to July. The data are then divided by the annual average of total dependent employment.

c) In Finland, temporary workers (employed for a certain period) are: *i*) persons whose employment contract (oral or written) is of limited duration, *ii*) persons who have entered into an employment contract (oral or written) for doing a specified job, *iii*) substitutes for a limited period, *iv*) persons employed in the temporary jobs of the labour market programmes. Autumn data are divided by the annual average of total dependent employment.

d) The data are annual averages of the monthly labour force survey. Temporary employment is the sum of temporary employees (persons employed for a specific period of a month or more but not more than a year) and day labourers (persons employed on a daily basis or for a specific period of less than a month).

e) In Turkey, a temporary worker is a casual worker; October data divided by annual average of total dependent employment.

Sources: Eurostat, on the basis of each country's Labour Force Sample Surveys; Statistics Finland, Supplemental Survey of the Labour Force Survey, Autumn; Japan, *Annual Report on the Labour Force Survey*, Statistics Bureau, Management and Coordination Agency; Australian Bureau of Statistics, *Labour Force Survey* (unpublished data); Turkey, State Institute of Statistics, *Household Labour Force Surveys*, October.

these percentages over the 1983-91 period, but only in a few countries. For example, in France and Spain the share of temporary work in total dependent employment increased rapidly; in contrast, Greece has showed a steady decline since 1985.

Other data on the number of contracts through a temporary agency indicate that about 5 million people in Europe were engaged in this form of work in 1988, representing about 86 000 full-time jobs [Bronstein (1991)]. The phenomenon was more important in France and the Netherlands. However, despite the fact that this form of employment has grown, fixed-term contracts continue to make up the largest proportion of temporary work. For example, in March 1989, there were about two workers with fixed-term contracts for every worker employed through a temporary employment agency in France [Bronstein (1991)].

A breakdown into the full- and part-time status of permanent and temporary work is shown in Table 1.11. In 1991, over 90 per cent of those working full-time considered themselves permanent workers, except in Denmark, Finland, Greece, Portugal and Spain, where the percentages were lower. There was little change in this proportion over the 1980s except in France and

Spain. In France, the proportion of full-time workers who considered themselves temporary rose about 5 percentage points, while in Spain they increased almost 20 percentage points. With respect to part-time work, there was a much wider range in the percentages of those who considered their jobs temporary. In Australia, Ireland, Italy and Spain, about half the individuals working part-time considered their jobs temporary, while the figure for Greece was almost two-thirds. In most other countries, about one-tenth to one-fifth of workers considered their jobs temporary. In France and Spain, there was a sharp increase in the share of part-time workers who considered their work temporary.

These percentages can be placed in the context of overall changes in the growth of temporary and permanent employment. For example, in France permanent employment declined marginally over the period 1983-91 (based on compound annual growth rates, not presented), while temporary employment increased about 15 per cent. In Spain, permanent employment also fell – declining about 1 per cent – and temporary employment increased by about 25 per cent. Thus, in both France and Spain there was a clear tendency towards temporary jobs. In the Netherlands and Ireland, temporary employment

by full-time and part-time status^{a)}

		Full-time (000s)	Percentage of which is		Part-time (000s)	Percentage of which is	
			Permanent employment	Temporary employment		Permanent employment	Temporary employment
Australia ^{b)}	1986	5 582	92.3	7.7	1 303	44.3	55.7
	1989	6 085	93.4	6.6	1 786	50.0	50.0
	1991	5 909	93.3	6.7	1 880	52.9	47.1
Belgium	1983	2 557	95.9	4.1	231	80.5	19.5
	1989	2 558	96.2	3.8	338	84.9	15.1
	1991	2 668	96.3	3.7	409	86.1	13.9
Denmark	1984	1 681	87.8	12.2	476	86.6	13.4
	1989	1 765	89.7	10.3	574	91.0	9.0
	1991	1 784	88.5	11.5	566	86.6	13.4
Finland	1991	1 753	88.0	12.0	137	62.0	38.0
France	1983	16 048	96.8	3.2	1 580	95.7	4.3
	1989	16 053	92.5	7.5	2 231	84.0	16.0
	1991	16 272	91.3	8.7	2 262	78.9	21.1
Germany	1984	19 885	90.3	9.7	2 658	87.7	12.3
	1989	20 897	88.8	11.2	3 094	90.4	9.6
	1991	21 633	90.5	9.5	3 821	90.6	9.4
Greece	1983	1 629	86.1	13.9	84	37.4	62.6
	1989	1 818	84.6	15.4	71	36.0	64.0
	1991	1 877	86.8	13.2	54	31.2	68.8
Ireland	1983	786	96.5	3.5	48	50.8	49.2
	1989	756	94.6	5.4	66	54.1	45.9
	1991	788	95.4	4.6	78	54.9	45.1
Italy	1983	14 105	95.1	4.9	513	45.9	54.1
	1989	13 990	96.2	3.8	766	47.9	52.1
	1991	14 619	97.1	2.9	791	50.0	50.0
Luxembourg	1983	117	97.7	2.3	8	84.0	16.0
	1989	127	98.7	1.3	9	68.1	31.9
	1991	132	98.2	1.8	11	77.7	22.3
Netherlands	1983	3 410	96.2	3.8	894	86.6	13.4
	1989	3 662	94.2	5.8	1 636	85.4	14.6
	1991	3 859	94.8	5.2	1 816	87.1	12.9
Portugal	1986	2 794	86.2	13.8	114	64.7	35.3
	1989	3 078	82.1	17.9	119	62.1	37.9
	1991	3 253	84.2	15.8	123	63.6	36.4
Spain	1987	7 481	85.8	14.2	380	56.1	43.9
	1989	8 424	74.6	25.4	363	46.7	53.3
	1991	8 989	68.9	31.1	392	42.8	57.2
United Kingdom	1983	16 587	96.9	3.1	4 029	84.8	15.2
	1989	17 414	97.4	2.6	5 062	85.0	15.0
	1991	17 125	97.6	2.4	5 200	85.0	15.0

a) See Table 1.10 for country definitions of temporary work.

b) In Australia, the data on temporary workers were obtained from a supplemental August survey, except in 1991 when the survey was conducted in July. The total

growth was also about double that of permanent employment. All other countries showed small positive growth in both types of employment, hence relatively stable shares, except for Italy where permanent employment increased marginally while temporary employment fell about 2 per cent.

Based on the criteria outlined in the previous subsection, it is difficult to reconcile the degree of government regulation on the use of fixed-term contracts with the number of people employed under them. For example, compared to other countries, Spain places considerable restrictions on the use of these contracts – and does not allow the use of private temporary employment agencies – yet it has the highest percentage of the dependent workforce employed under them among the countries presented in Table 1.10. By contrast, the United Kingdom places minimal restriction on their use, but only about 5 per cent of the dependent workforce are employed under them. One likely explanation is the difference across countries in the protection provided to the permanent workforce – *i.e.* the role of employment protection legislation, the details of which are discussed in Chapter 3. In Spain, where it is relatively costly to dismiss a worker, hiring someone under a temporary contract is less costly and provides more numerical flexibility to the firm.

3. Characteristics of workers employed under temporary contracts

Table 1.12 shows the demographic breakdown of workers in temporary employment in 1991. At that time, there were more women than men in temporary employment, except in Germany, Greece, Portugal, Spain and Turkey. Japan had the highest share of women in temporary work – about 75 per cent of all temporary workers – while Greece had the lowest share, at about 34 per cent. Data from the 1986 Labour Market Activity Survey for Canada indicate that about 76 per cent of temporary workers were women [Akyeampong (1989)] putting this country at the high end compared to countries in Table 1.12. Although not presented here, data show that the proportion of men in temporary employment has fallen between 5 and 10 percentage points since the early 1980s, and that of women has increased in all countries except Germany and the Netherlands, most likely reflecting increased female labour force participation.

Turning to breakdowns by age, the proportion of older workers in temporary employment is small and changed little over the sample period. The only exception is Japan, where young people and older workers were almost equally represented. In most countries, prime-age workers form the largest share of persons in temporary employment, a tendency that has increased over time. With this increase, the share of younger people has

fallen. In some countries, the situation has changed considerably. In France, for example, the share of younger workers fell about 20 percentage points in eight years, from 64 per cent in 1983 to 44 per cent. Large declines in this age group also occurred in Belgium, Ireland and Germany. Finally, in relation to the demographic composition of all wage and salary earners, youths are over-represented in temporary work; women are also over-represented in all countries except Greece and Turkey. Data for Canada also indicate that women were over-represented in temporary work [Akyeampong (1989); Krahn (1991)], and the same held true in the United States in 1985 [OECD (1987)].

Data for Spain indicate that women, non-household heads, less educated employees and workers under 30 were more likely to be hired under a fixed-term contract than other workers [Alba-Ramirez (1991)]. Data for Canada, which do not control for differences in age and other characteristics, show that persons in temporary work were more likely to be better educated compared to employees in all industries [Akyeampong (1989)]. It is important to note that these data pertain to employment through temporary work agencies, which might play a different labour market role from fixed-term contracts signed with a firm directly (see below).

4. Industry breakdown of temporary work

An industry breakdown reveals that a large percentage of temporary employees worked in seasonal industries, including agriculture and construction (Table 1.13). Service sector employment, such as retail and wholesale trade, also had relatively high shares. In countries with relatively high percentages of temporary work – Australia, Greece, Portugal and Spain – the use of temporary contracts was spread more widely across industries, indicating that their use was due to more than seasonal fluctuations. Data from the 1989 General Social Survey in Canada show that most temporary employees were found in services, particularly education/health/welfare and “other” consumer services [Krahn (1991)]. However, the highest percentage of temporary employees was in construction. It is noteworthy that manufacturing was under-represented in temporary work as in many other countries. Time-series data reveal that in countries where the share of temporary work increased – *e.g.* France and Spain – the increase pertained to all industries, but in France particularly to “other” services and public administration. In countries where the proportion of workers in temporary work has been roughly steady, the composition by industry has also remained relatively unchanged, except in agriculture where the proportion of temporary work has fallen. Given the small number of workers in agriculture, however, this has little impact on the total proportion of temporary work.

Table 1.12. Demographic composition of wage and salary earners in temporary employment, 1991^a

Percentage distribution

	Total	15-24 ^b	25-54	55-64	Males	Females
Belgium	100.0 (100.0)	35.8 (13.8)	62.6 (81.4)	1.6 (4.8)	35.9 (59.5)	64.1 (40.5)
Denmark	100.0 (100.0)	56.6 (24.5)	39.7 (67.5)	3.8 (8.0)	47.9 (51.4)	52.1 (48.6)
Finland	100.0 (100.0)	30.8 (11.4)	64.4 (81.3)	4.8 (7.3)	40.3 (49.8)	59.7 (50.2)
France	100.0 (100.0)	44.5 (15.8)	53.4 (78.3)	2.1 (5.9)	47.4 (54.8)	52.6 (45.2)
Germany	100.0 (100.0)	58.3 (20.6)	39.0 (70.8)	2.7 (8.6)	54.9 (58.7)	45.1 (41.3)
Greece	100.0 (100.0)	25.8 (15.6)	66.7 (76.4)	7.5 (8.1)	65.6 (65.3)	34.4 (34.7)
Ireland	100.0 (100.0)	39.2 (25.9)	56.5 (67.5)	4.2 (6.6)	44.8 (59.2)	55.2 (40.8)
Italy	100.0 (100.0)	33.8 (17.1)	59.2 (75.1)	7.0 (7.8)	47.1 (62.4)	52.9 (37.6)
Japan	100.0 (100.0)	23.4 (16.4)	58.0 (71.0)	18.6 (12.6)	28.0 (61.4)	72.3 (38.6)
Luxembourg	100.0 (100.0)	53.7 (18.7)	44.2 (76.1)	2.1 (5.2)	46.8 (64.1)	53.2 (35.9)
Netherlands	100.0 (100.0)	45.5 (22.2)	53.0 (72.8)	1.5 (5.0)	46.9 (60.6)	53.1 (39.4)
Portugal	100.0 (100.0)	49.2 (25.6)	47.7 (66.6)	3.1 (7.8)	52.4 (57.2)	47.6 (42.8)
Spain	100.0 (100.0)	40.8 (24.1)	55.3 (66.9)	3.9 (8.9)	61.7 (66.2)	38.3 (33.8)
Turkey	100.0 (100.0)	31.3 (24.1)	62.1 (72.3)	6.6 (3.6)	83.9 (84.1)	16.0 (15.9)
United Kingdom	100.0 (100.0)	39.1 (20.4)	52.1 (68.9)	8.8 (10.6)	37.5 (52.4)	62.5 (47.6)

a) Figures in parentheses refer to the demographic composition of all wage and salary earners.

b) The data for Italy, the Netherlands, Ireland, Greece and Portugal refer to persons aged 14-24, while for the United Kingdom and France data refer to persons 16 to 24 years of age.

Sources: Statistics Finland, Supplemental Survey of the Labour Force Survey, Autumn 1991; Japan, *Annual Report on the Labour Force Survey*, Statistics Bureau, Management and Coordination Agency; Eurostat, on the basis of each country's Labour Force Sample Surveys; Turkey, State Institute of Statistics, Household Labour Force Surveys, October.

5. Labour force flows into and out of temporary employment

Where do temporary workers come from? This question can only partially be answered for European countries using the retrospective question from the labour force survey. Keeping in mind the well-known problems with such questions [see OECD (1987) for details] and the fact that many spells may be missed at the time of the survey, Table 1.14 shows the labour force status of temporary workers one year earlier.

The data on people in temporary employment in 1991 indicate that a majority were in employment in 1990, except in the Netherlands. Compared to those in permanent jobs, however, persons employed in temporary work were more likely to have been unemployed or out of the labour force in the previous year. Furthermore, most were outside the labour force as opposed to unemployment in all countries except Spain. This, however, does not rule out spells of non-employment – *i.e.* unemployment or non-participation – in between survey dates. In addition, these data do not indicate whether the persons in employment had a permanent or temporary job in the

Table 1.13. Temporary employees as a per cent of all employees, by industry, 1983-1991^{a,b}

		Agriculture	Energy & water	Mining & chemical	Manufacturing	Construction	Distributive trades	Transport & communications	Banking & finance	Other services	Public administration	Total
Australia ^c	1986	13.6	2.0	4.7	10.3	16.0	20.3	9.0	12.9	22.3	..	16.7
	1989	14.1	0.9	3.0	8.8	13.0	22.7	9.0	13.8	21.9	..	16.8
	1990	13.5	1.7	5.0	8.5	13.2	22.0	8.3	12.0	20.8	..	16.3
Belgium	1983	7.7	1.9	2.2	2.8	2.6	6.9	2.7	4.1	9.3	8.2	5.4
	1989	6.4	1.8	2.2	2.7	3.0	4.9	2.3	3.8	8.5	8.6	5.1
	1991	6.2	3.5	2.5	2.1	2.7	4.8	2.9	3.5	8.3	8.8	5.1
Denmark	1984	21.7	5.6	4.6	9.5	16.3	15.3	7.8	6.7	14.1	14.6	12.5
	1989	13.9	3.1	3.6	6.8	14.0	13.1	5.1	6.2	11.7	11.9	9.9
	1991	14.9	1.6	4.7	8.5	18.2	15.0	7.1	6.4	14.7	12.0	11.9
Finland	1989	21.4		4.7		7.3	12.6	7.3	11.7	^d	19.7	11.9
	1991	23.2		4.7		5.0	15.2	5.6	7.7	..	23.3	13.1
France	1983	5.1	2.4	2.1	3.7	5.2	6.0	1.1	3.8	2.4	0.7	3.3
	1989	11.5	2.6	7.0	8.9	9.9	10.9	3.9	7.5	9.5	5.9	8.5
	1991	13.9	4.2	5.5	8.5	10.1	10.2	6.1	7.5	14.8	10.0	10.2
Germany	1984	22.9	3.6	5.7	8.1	10.1	12.6	5.2	8.5	14.4	10.7	10.0
	1989	17.4	6.6	5.8	8.2	9.1	13.6	6.4	10.1	15.4	15.9	11.0
	1991	16.5	5.5	6.1	7.1	7.9	10.7	5.8	8.7	13.4	13.5	9.5
Greece	1983	51.1	5.3	9.5	12.2	47.8	19.2	10.2	10.2	10.8	3.0	16.3
	1989	57.2	5.1	7.9	14.0	63.2	19.3	12.6	9.9	12.3	3.0	17.2
	1991	40.2	5.4	7.9	12.9	50.0	17.2	9.6	9.4	12.1	2.7	14.7
Ireland	1983	7.6	3.2	2.3	3.4	8.0	7.2	4.1	6.6	10.2	3.1	6.2
	1989	11.8	4.2	4.7	5.2	12.7	10.3	3.5	6.0	14.7	1.9	8.6
	1991	10.6	4.0	4.8	3.8	10.5	9.4	3.5	7.2	13.7	6.4	8.2
Italy	1983	35.9	2.3	0.9	2.2	11.9	7.0	1.5	1.9	6.5	2.3	6.6
	1989	28.1	1.5	2.0	3.7	9.8	8.1	1.4	4.3	7.0	2.3	6.3
	1991	24.4	1.0	1.8	2.9	7.5	6.3	2.0	3.3	6.5	2.2	5.4
Japan ^e	1983	20.4	2.8	5.9	9.2	17.5	13.4	4.2	3.6	9.9	6.7	10.3
	1989	22.2	3.3	6.9	9.0	14.2	14.6	6.1	4.9	11.1	5.3	10.6
	1991	20.9	3.0	5.9	8.8	12.3	14.7	6.2	4.9	11.1	6.0	10.4
Luxembourg	1983	8.5	1.7	1.0	1.6	3.5	5.1	2.7	1.2	5.3	2.7	3.3
	1989	9.3	0.8	1.7	1.6	3.6	5.2	1.8	2.2	5.4	2.7	3.4
	1991	3.9	1.0	1.3	2.3	2.2	4.5	1.6	2.8	5.7	2.5	3.3
Netherlands	1983	10.5	3.4	1.8	3.1	3.9	5.0	3.6	3.6	10.1	5.1	5.7
	1989	13.0	3.7	5.2	7.3	4.7	9.6	5.9	7.8	10.9	7.4	8.5
	1991	11.5	4.4	3.5	6.3	3.8	8.0	5.1	7.4	10.4	6.2	7.6
Portugal	1986	31.5	7.0	11.2	15.0	25.5	16.6	4.8	6.3	12.3	7.3	14.7
	1989	31.6	10.3	15.7	18.5	29.0	23.3	8.9	11.2	17.3	9.8	18.7
	1991	29.1	6.8	12.9	16.5	23.5	21.5	10.8	15.1	14.8	8.5	16.5
Spain	1987	39.4	4.3	8.2	12.3	29.5	18.3	7.8	8.5	13.3	7.7	15.6
	1989	49.6	8.2	16.6	24.0	49.4	31.7	15.9	19.3	22.8	10.3	26.6
	1991	54.4	9.9	22.9	28.5	55.7	38.9	19.3	26.3	27.8	15.7	32.2
Turkey ^f	1988	4.4	5.2	13.8	6.4	48.4	4.0	3.9	1.9	5.1		7.1
	1989	3.0	3.3	2.7	8.0	50.9	6.6	5.4	1.8	5.5		6.9
	1991	3.8	0.0	8.9	5.4	51.9	4.7	1.9	0.5	4.5		6.6
United Kingdom	1983	11.8	2.0	2.3	2.7	6.9	9.0	2.2	3.7	7.9	4.0	5.5
	1989	7.1	3.1	3.3	2.7	4.4	7.6	2.7	4.1	8.8	3.2	5.4
	1991	6.8	3.6	1.9	2.7	3.6	7.8	2.6	4.3	8.1	4.0	5.3

.. Data not available.

a) See Table 1.10 for country definitions of temporary work.

b) Data refer to wage and salary workers only.

c) Australia: industry classifications are set by the Australian Bureau of Statistics as the following: agriculture; electricity, gas and water; mining; manufacturing; construction; wholesale and retail trade; transport, storage and communication; finance, property and business services; community services, recreation, personal and other services. Industry breakdowns were only available from the August supplemental survey. The total number of employees used in the denominator is obtained from annual averages of monthly labour force surveys for each year.

d) Finland: for 1989 and 1991, "Other services" is grouped under "Public administration".

e) Japan has separate industry classifications from those of Eurostat; they are listed below for clarification: agriculture (and fishing); electricity, gas, heat and hot water supply; mining, chemical and related products; manufacturing; wholesale and retail trade, eating and drinking places; transport and communication; finance, insurance and real estate; services; government (which is included as public administration).

f) Turkey: figures are for persons 12 years of age and over for temporary workers and all employees. Industry classifications are as follows: agriculture, forestry, hunting and fishing; electricity, gas and water; mining and quarrying; manufacturing; construction; wholesale and retail trade, restaurants and hotels; transportation, communication and storage; finance, insurance, real estate and business services; community, social and personal services.

Source: See Table 1.10.

Table 1.14. Labour force status one year earlier among current employees with a permanent or temporary job

Percentages

	Permanent employees in 1991					Temporary employees in 1991				
	Total	Wage and salary	Other	Unemployed	Not in labour force	Total	Wage and salary	Other	Unemployed	Not in labour force
Belgium	100.0	96.1	0.2	0.9	2.9	100.0	71.9	0.1	8.4	19.6
Denmark	100.0	94.8	0.4	1.8	3.0	100.0	61.9	0.2	11.8	20.1
France (1990)	100.0	94.7	0.4	2.2	2.7	100.0	57.6	0.8	16.9	24.1
Germany	100.0	96.5	0.8	0.8	2.0	100.0	80.9	0.6	2.5	16.0
Greece	100.0	95.8	0.7	1.1	2.5	100.0	80.9	1.5	6.0	11.5
Ireland	100.0	94.4	0.3	1.8	3.5	100.0	55.8	0.6	16.3	27.3
Italy (1983)	100.0	94.4	1.2	2.1	2.3	100.0	71.8	0.9	15.5	11.9
Luxembourg	100.0	95.8	0.2	0.8	3.2	100.0	65.4	0.3	6.2	28.0
Netherlands	100.0	84.9	0.1	0.7	14.2	100.0	45.3	0.4	4.7	49.6
Portugal	100.0	96.8	0.7	1.0	1.4	100.0	75.1	2.4	10.6	11.9
Spain	100.0	95.5	0.5	2.1	1.9	100.0	64.1	1.5	22.3	12.1
United Kingdom	100.0	93.3	0.6	1.6	4.5	100.0	64.4	1.9	5.1	28.6

Source: Eurostat, on the basis of each country's Labour Force Sample Surveys.

previous year. Quarterly flow data for Spain can help in this regard [Alba-Ramirez(1991)]. Following temporary workers through the period from the second quarter of 1987 to the first quarter of 1988, Alba-Ramirez found that about 38 per cent of temporary workers had previously had a permanent contract while an increasing percentage had been unemployed (rising from 33 per cent in the second quarter of 1987 to 39 per cent in the first quarter of 1988).¹⁹ Although the second result is consistent with data in Table 1.14, the first result is surprising – that people would move from permanent to temporary work. This could represent voluntary shifts to accommodate personal factors; however, it is more likely that workers were made redundant or lost their job in some other manner, and given that most new hires were through temporary employment, they ended up in this situation.

To see if temporary jobs have led to increased employment opportunities for the unemployed, Table 1.15 shows the 1991 status of persons who were unemployed the previous year. It therefore shows the probability over one year of an unemployed person finding temporary work compared to the probability of moving into another labour force status. Given the high unemployment rates in Europe, it is not surprising to find that most of the jobless were unemployed at both points in time. Once again, this does not rule out other transitions over the survey period, particularly for temporary workers. Of those who were not unemployed, the next highest probability was employment, followed by a movement out of the labour force. However, the most likely probability was non-employment – either unemployed or not in the labour force. The fraction that acquired temporary or permanent employment varied widely. In Portugal and Spain, a majority of those who found work ended up with temporary work, while in the United Kingdom, the situation was reversed. In most

countries, however, those who found employment did so in permanent jobs. One other factor that may have an impact is the degree to which active labour market policies are targeted on specific groups – for example, the long-term unemployed – by helping them find temporary jobs. This is discussed in Chapter 3.

Given that most temporary employment is of short duration, it is possible that these figures are picking up people who became unemployed because of the lapse of a temporary contract, and therefore understate the importance of these contracts. Another equally important question is what happens to those in temporary work: do they become unemployed, end up with another temporary job, or find permanent work? The data most appropriate to answer this question would be monthly or quarterly gross flow data (or panel data) which are available for only a few countries. Data for Spain show that the probability of temporary workers entering a permanent job declined from about 18 per cent from the second to third quarters of 1987 to about 12 per cent in the first quarter of 1988 [Alba-Ramirez(1991)]. Over the period, the number of temporary contracts increased rapidly, and the declining transition to permanent work in part reflects the fact that temporary work became more common. Indeed, in 1990, about 90 per cent of employees who had current tenure of less than one month were in a fixed-term contract [Alba-Ramirez (1991)]. By contrast, data from the 1985 West German Socio-Economic Panel show that about 60 per cent of temporary employees found a permanent job by 1989 [Steiner (1992)].²⁰ In the Netherlands, data show that about two-thirds of workers who began work on fixed-term contracts expecting a permanent job – these contracts are commonly used by firms for the purpose of screening workers – ended up in a permanent job with few unemployed [OECD (1993)]. Among those hired on fixed-term contracts (without the explicit purpose of screening), about 40 per cent ended up with a permanent

Table 1.15. Probability of a change in labour force status among those unemployed"

Percentage distribution

	Total	Wage and salary earner			Other employed	Unemployed	Not in the labour force
		Total wage and salary	of which				
			Permanent	Temporary			
Belgium (1990)	100.0	19.3	12.4	6.9	1.1	73.5	6.1
Denmark	100.0	36.2	19.2	17.0	1.6	46.9	15.3
France	100.0	35.4	19.5	15.9	1.8	46.4	16.5
Germany	100.0	16.0	11.9	4.2	1.2	36.8	45.9
Greece	100.0	23.9	12.1	11.7	3.4	63.0	9.8
Ireland	100.0	15.3	8.3	7.0	1.5	66.9	16.3
Italy (1983)	100.0	27.2	17.8	9.4	4.6	61.5	6.7
Luxembourg	100.0	61.5	48.5	13.0	2.2	26.0	10.3
Netherlands	100.0	26.3	17.2	9.1	2.1	54.2	17.4
Portugal	100.0	42.6	14.2	28.4	4.0	38.6	14.8
Spain (1990)	100.0	32.8	5.4	27.4	2.2	59.1	5.9
United Kingdom	100.0	21.2	23.1	4.1	4.2	52.1	16.4

job two years later, but a much higher share of individuals than in contracts used for screening, about 25 per cent, were unemployed. Other data indicate that a substantial proportion of those who had previously been in employment in Europe were unemployed because their temporary jobs came to an end: almost 20 per cent of men and 17 per cent of women [CEC (1990)]. The figures were highest in Spain and Portugal, where temporary employment makes up relatively larger shares of dependent employment.

Given that most employment is still permanent, the previously unemployed are over-represented in temporary jobs, a fact first pointed out in the 1987 *Employment Outlook*. Moreover, in Portugal and Spain, this is still the case despite the fact that temporary employment is increasing. Data for 1986 to 1990 show that the probability of finding a job increased each year – as economic output expanded – but mainly through temporary work. Again, this is probably due more to the fact that most new employment is temporary in nature than to the characteristics of the unemployed – as shown in the breakdown by industry, where temporary work is widespread – but it is difficult to know what would have happened had these contracts not been available.

6. Reasons for employment in temporary work

There is a presumption that fostering the use of temporary contracts will lead to, or extend, a secondary labour market – one with low wages, few benefits (if any), no job security, and little human capital investment. Advocates of increased labour market flexibility, however, point to the positive aspects in temporary work contracts. On the demand side, firms can use these contracts to screen workers before offering a permanent con-

tract; or they can use them in times of uncertain product demand to match the number of workers needed to output; in some cases, non-wage benefits are not applicable and dismissal is automatic with little severance pay required, thus reducing the cost of employing these workers. On the supply side, temporary contracts offer workers greater scope to match work requirements with their personal needs. Temporary work may allow youths to combine work and studies, and it may help women maintain contact with the workforce and combine work and family responsibilities. It could also simply leave more leisure time, or time for additional job-search.²¹

a) Employees (supply)

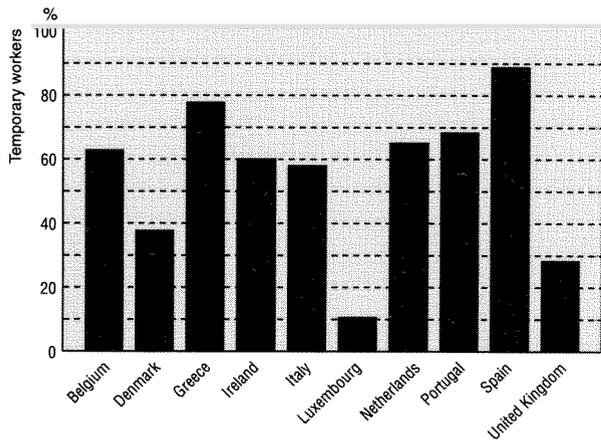
Responses to the Eurostat Labour Force Survey identify four reasons for working under a temporary contract: the contract covers a period of training, the person could not find a permanent job, the person did not want a permanent job, and no reason given. Unfortunately, these responses do not directly explain why people choose this form of work; thus, they cannot truly be considered supply side factors. For example, a training contract could reflect both supply and demand factors. Nevertheless, they do provide some information as to why employers use them and employees accept them.

i) Involuntary temporary work

A majority of those employed under a temporary contract indicated that they could not find a permanent job (Chart 1.3). Although it would be useful to know how many were searching for a permanent job, to the extent that some accepted such jobs believing that they were the only ones available, these numbers could also lead to an underestimate. The number of people giving this reason was highest in countries with the highest

Chart 1.3

Percentage of temporary workers in EC countries who could not find permanent work, 1991



Source: Eurostat, on the basis of each country's Labour Force Sample Survey.

share of temporary jobs; nevertheless, it is noteworthy that in Spain, this encompassed nearly all those in a temporary job and appeared to be invariant with respect to the cycle. By contrast, in Belgium the proportion of temporary workers who could not find permanent work rose despite a decline in unemployment. However, in both Spain and Belgium the unemployment rate was high, and the proportion of involuntary temporary work was highest in countries with the highest unemployment rates; this suggests that the lack of opportunities was a major problem. In these cases, it is possible that temporary employment offered an opportunity to work. In other countries, the percentages remained relatively stable. In Australia, data for 1986 indicated that many casual workers would have preferred permanent work – particularly men – and most preferred full-time work to part-time work. By contrast, few permanent workers would have preferred casual work [Romeyn (1992)]. Denmark, Luxembourg and the United Kingdom appear to be exceptions: under 40 per cent of temporary workers indicated that they could not find permanent work in 1991.

ii) Other reasons

Turning to other reasons for temporary work, in the United Kingdom and Denmark a significant number of persons – about 30 per cent in temporary work – indicated that they did not want a permanent job, and this percentage has risen in the United Kingdom over the last few years. Large shares of temporary workers were also under a training contract in Belgium, Denmark, Ireland,

Italy and Luxembourg – over 20 per cent – but in the United Kingdom, the figures were relatively low. These percentages appeared to be relatively stable over time. A German study found that about 32 per cent of those employed on fixed-term contracts between May 1987 and April 1988 had requested this form of employment [Konle-Seidl *et al.* (1990)]; they were students, housewives and pensioners looking for secondary sources of income.

b) Employers (demand)

The reasons for employing workers from temporary work agencies and workers on fixed-term contracts could be different. Common reasons cited for the former are usually replacement of workers who are absent, performance of occasional jobs for which special skills are needed, and seasonal or peak employment [Bronstein (1991)]. As mentioned, most studies do not make the distinction between fixed-term contracts and temporary work contracts because of data constraints. A paper by McGregor and Sproull (1991) on temporary employment in the United Kingdom made this distinction. Although the reasons for hiring any type of employees were similar in most cases – to provide short-term cover, to match staffing levels to peaks in demand, to get specialist skills, and to perform a one-time task – the one reason that showed some variation was short-term cover of absent staff. This was also the reason cited most often for the use of employees through a temporary agency.

The study also broke down the reasons for hiring temporary workers into traditional and “new”. The survey of employers found that most firms indicated traditional reasons, *i.e.* to cover short-term absence, to match staffing levels to peak demand and to find specialist help.²² New reasons included reduced wage and non-wage costs, screening workers before hiring them permanently, fewer employment rights, and flexibility in staffing levels – all of which would be expected if employment security legislation were binding. These “new” reasons were rarely cited by any firm, but the one that was cited most frequently was ability to adjust staffing levels [Employment Gazette (1992)].

In 1985, Germany made changes to its Employment Promotion Act to foster the use of temporary contracts, in the hope of reducing overtime and replacing it with more jobs. Although this goal may have been unrealistic given that it would be cheaper to increase the workload of existing staff than to bring in new workers, Buechtemann (1989) found that there was little change in the hiring behaviour of firms or in the use of fixed-term contracts, probably because all those concerned had adapted to the condition of permanent employment and its associated costs. However, he found that firms that did use temporary workers – mainly small enterprises – did so to keep costs down.

7. Summary

The proportion of the workforce employed under temporary contracts across OECD countries in 1991 varied considerably, ranging from about 5 per cent or less in Luxembourg and the United Kingdom to over 30 per cent in Spain. Data presented suggest that, on the margin, temporary employment may be quite important in some countries in creating job opportunities, especially for the unemployed. In fact, in Spain, it appears to be the main form of employment for new hires. In France, Ireland, the Netherlands and Portugal, growth in temporary employment has outpaced that in permanent employment by over a two-to-one margin; however, only France and Spain posted declines in permanent employment and increases in temporary employment.

Several factors may help to explain the variation across countries, including differences in employment protection legislation, industrial structure, social customs and economic conditions. For example, with respect to employment protection legislation, it is difficult to reconcile data on the proportion of temporary contracts in dependent employment with the legislation pertaining to their use. In France and Spain, there are many restrictions on the use of fixed-term contracts, and yet their share has soared. There are two factors in play here. First, as a result of the protection provided to permanent staff, it is much less costly to hire a worker on a temporary contract, and it allows the firm flexibility in hiring and firing. Second, in Spain it also reflects general employment conditions, which have been relatively robust. In the United Kingdom – where restrictions on the use of temporary work are minimal – the use of temporary contracts appears relatively low. This probably reflects the fact that there are comparatively few obstacles with respect to hiring and dismissing permanent employees.

The supply side role will also be important, to the extent that people want more freedom in their hours and periods of work. It is clear that women are over-represented in temporary work, and that this has increased in many countries with increases in their labour force participation. A significant proportion of temporary work is involuntary, which suggests that rather than temporary work accommodating the needs of women – and their unpaid work – permanent work is not adjusting to their needs. Moreover, it suggests that changes are probably needed to temporary work, for example increasing the flexibility of working hours. However, it is important to know the reasons why permanent work could not be found, and data do not exist in this regard.

There is some evidence that the unemployed are over-represented in temporary contracts, which may indicate that they open up opportunities for their employment. However, this could result from two factors that cannot be easily distinguished with the given data. First, if most new employment is through temporary contracts – as in Spain – most of the unemployed would also end up with these contracts. Second, there may be continual

turnover among temporary workers that is leading them from temporary work to unemployment and back again. Although there is only sketchy evidence on this point, it appears that in some countries – notably Germany and the Netherlands – at least a sizeable proportion of temporary work is leading to permanent work.

Although temporary contracts can offer flexibility to both employers and employees, there may be costs attached to them that are not currently observable. For example, while higher rates of turnover may lead to more opportunities for individuals to find employment, they may also reinforce a dual labour market. There is little information, however, on this point. These contracts could also have implications for longer-run productivity. On the one hand, they may not be conducive to skills investment, given their temporary nature. On the other, if they are used to screen workers – to the extent this is allowed – they may result in better matches in the longer term. Temporary work may also lead to greater productivity if it creates jobs that individuals want – which does not appear to be the case – but it may also lead to increased shirking among permanent employees if their jobs are well protected. Clearly, the many costs and benefits attached to these contracts can only be resolved in the longer term.

One other area not touched upon in this subsection was the wages attached to temporary work. It appears that much temporary work is not to fill specialist skills where pay would tend to be quite high. Thus, wages are an important element which needs to be examined. Furthermore, to the extent that temporary workers may face long spells of unemployment between jobs, or cannot accumulate enough service at a firm – because of legislation or because of contract length – they may not qualify for unemployment benefits and pension rights, which may leave them, particularly women, relatively disadvantaged.

E. CONCLUSIONS

The slow-down in the OECD area is expected to last into 1994. This will lead to new record levels of unemployment – over 35 million in 1993 and almost 36 million in 1994 – and probable increases in long-term unemployment. Although economic growth is expected to pick up in 1994, it is unlikely to be enough to reduce the unemployment rate.

The number of unemployed is only one measure of labour market slack. Two others that were discussed in this chapter are discouraged and involuntary part-time workers. The number of persons that fall into these categories is considerable, representing further labour market slack than that solely captured through the unemployment rate. An analysis of their numbers over the 1980s and early 1990s, however, indicates that although there appears to be a cyclical element to each in most coun-

tries, their numbers – expressed as a share of the labour force – have not increased to any substantial degree.

Women outnumber men in discouragement and involuntary part-time work. In both cases, this can probably be related to the rules under the existing benefits systems, unpaid work responsibilities and lack of flexible working arrangements.

One aspect of more flexible working time – temporary work – appears to be stable in many OECD countries, but it has increased relatively sharply in France and Spain, and more modestly in the Netherlands and Ireland.

Use of temporary work relates to both demand and supply factors. One of the more important demand factors may be the employment protection provided to permanent staff, which makes employing individuals under temporary contracts less costly. However, it appears that in most European countries, a majority of those employed on temporary contracts would have preferred permanent work. There is still a lack of information on the characteristics of those engaged in temporary work, where many of them come from and what they go on to do. Moreover, the impact of this type of employment on productivity is an area for further research.

NOTES

1. Statistics Canada (1986) provides deeper analysis on this issue. These individuals could include those who were ill during the survey period, or those in education. In addition, the 1987 *Employment Outlook* indicated that imposing an availability-for-work criterion would reduce the ratio of the number of discouraged workers to the unemployed by about 30 per cent in Norway and in Japan.
2. Sorrentino (1993) provides a detailed description of various measures of unemployment in some OECD countries, and points to some of the pitfalls that can arise in making simple comparisons.
3. Another reason suggested by the authors is the tendency to hoard labour in Japan, particularly the male workforce.
4. This statement is subject to some qualification. For example, if these individuals are similar to the long-term unemployed, there may be less downward pressure on wages than if they were similar to short-term unemployed (see Chapter 3). What would matter therefore is the extent to which the stock of discouraged workers is similar to either the long-term or short-term unemployed. This argument assumes that unemployment is above the Non-accelerating inflation rate of unemployment (NAIRU), and would not hold under insider theories or efficiency wage arguments.
5. This calculation is as a proportion of the labour force not including discouraged workers. If included, their proportion would be slightly smaller.
6. Discouragement may vary for more than cyclical reasons. For example, other reasons include the individual characteristics of the worker independent of the business cycle.
7. As indicated, the comparison base is the unemployment rate. If it were output, then the movement of discouraged workers would be counter-cyclical.
8. This can be seen by dividing the change in the number of discouraged workers between 1981 and 1983 by the change in the unemployment rate over the same period, and comparing this to a similar calculation for the period 1990 and 1991.
9. This only includes countries for which data are available for both 1990 and 1991. It therefore excludes Canada and Finland from Table 1.5.
10. Indeed, in early job-search models, discouraged workers were individuals who optimally chose non-participation in the light of high search costs, and the goal was thus to reduce the costs of information or upgrade the individual's skills – and therefore, the implied wage distribution – to get the individual back into the labour force [Lippman and McCall (1976)]. Although the notion that discouragement is an optimal state may be challenged, improving information or skills still has relevance.
11. There is a third reason which is not taken into account here. Individuals may also be working part-time but not at their normal hours because of economic slack or some other reason. Data presented in Table 7.1 of the 1990 *Employment Outlook* indicate that this element is negligible in European countries; however, it should be noted that it can be significant in the United States: as a percentage of the labour force, these individuals amounted to 1.1 per cent in 1991. Therefore, the underemployment rate would be 1.1 percentage points higher in 1991 if this element were included.
12. The 1989 *Employment Outlook* provides a description of part-time work definitions in OECD countries.
13. Although these individuals are underemployed, it should be noted that there may also be people working full-time who wish to work fewer hours.
14. This refers to the “U6” measure described in the article. Specifically, this measure is defined as: “the total full-time jobseekers, plus half of the part-time jobseekers, plus half of the total number of persons working part-time for economic reasons, as a percent of the civilian labor force, less half of the part-time labor force”.
15. The 1992 *Employment Outlook* provides an overview of self-employment, and the 1990 edition discusses part-time work.
16. It should also be noted that compensation called “casual loading” exists for casual workers in Australia for the lack

- of various benefits [Romeyn (1992)]. However, despite these awards, Romeyn notes that casual workers still tend to have lower average earnings than permanent employees.
17. The legality of these contracts is generally a necessary although not sufficient condition for their use. In some countries, temporary contracts are offered although they are not legally allowed. One example is Spain, where contracts through a temporary agency are forbidden. Nevertheless, they appear to exist and presumably, if discovered, would have to be turned into open-ended contracts [EIRR (1990)].
 18. This may be of particular importance in Europe, where the spring labour force surveys miss the summer seasonal work. This would affect both the count of temporary workers and comparisons with other countries. For example, data on the composition of fixed-term contracts in Spain indicate that about three-quarters of all contracts were less than one year in duration in 1989 [Alba-Ramirez (1991)]. The bias can of course run both ways and can be thought of in the usual way of interruption bias and sampling bias for unemployment spells, but no work has been done to measure the size of these biases.
 19. The data set used by Alba-Ramirez (1991) excluded temporary workers in the previous period, so that no estimate could be made of the number of temporary workers who were in temporary employment in the previous period.
 20. Attrition in the sample amounted to about one-third of the original; if they were included, this percentage would be smaller.
 21. Although this subsection has tried to make a distinction between the supply and demand factors that relate to temporary employment, in some cases, it is difficult to separate them completely. Changing competitive pressures, new technologies, new types of management, etc. will lead to the demand for different types of workers. However, changing management practices may also reflect different demands by different types of workers, particularly with the labour force participation rates of women increasing.
 22. The study of 877 employers only included those with more than 25 employees. Therefore, it may not be representative of the type of firm that employs temporary workers.

Annex I.A

**SOURCES AND DEFINITIONS
OF DATA ON DISCOURAGED WORKERS**

This annex outlines the definitions of discouraged workers from labour force surveys. Because a series of criteria generally must be met for people to be classified as discouraged, this annex lays out the steps followed by most of the countries. Not all countries have an official definition of discouraged workers; in such instances, Chapter 1 has used the data available to arrive at a definition which is as close as possible to the general concept of discouragement.

Australia

Population survey:

September 1981-1982 (persons 15 to 64 years of age):

- Had not looked for work in the past four weeks; but
- Wanted a full-time or part-time job now (a response of yes or maybe); and
- The reasons for not looking were one or more of the following:
 - a) Considered too young or too old by employers;
 - b) Have language or racial difficulties;
 - c) Lack necessary training, skills or experience;
 - d) Belief that no jobs were available in locality or in their line of work.

September 1983-1991 (persons 15 years of age and over):

- Had not looked for work in the past four weeks; but
- Wanted a full-time or part-time job (a response of yes or maybe); and
- Were available to start work within the next four weeks; and
- The main reason for not looking was either:
 - a) Considered too young or too old by employers;
 - b) Difficulties with language or ethnic background;
 - c) Lack necessary schooling, training, skills or experience;
 - d) Belief that no jobs were available in locality or their line of work;
 - e) Belief that no jobs at all were available.

Canada

March Survey of Job Opportunities (persons 15 years of age and over):

- Had not looked for work in the last four weeks; but
- Wanted a job last week; and
- Were available to take a job last week;

- The main reason that they had not looked in the last week was the belief that no work was available in the area or suited to their skills.

Eurostat countries

Labour Force Sample Surveys (age breakdowns are the same as those in Table 1.6 on involuntary part-time work)

1981-1991

Person is not seeking employment because of:

- Belief that work is not available or does not know where to get work.

Spain

1986-first quarter 1987

The definition used in Spain until the first quarter of 1987 was the following:

The person is either inactive, a family worker or a casual worker and is not seeking work because he/she is discouraged.

Second quarter 1987-1991

Starting from the second quarter of 1987, the definition was restricted to include only inactive persons who were able to work but were not looking because they were discouraged.

Finland

Labour Force Surveys (persons 15 to 64 years of age):

Person is not seeking employment because of:

- Belief that suitable work is not available in locality;
- Insufficient level of education.

Japan

Special Survey of the Labour Force Survey (persons 15 to 64 years of age):

March 1982

- Had not looked for work during the survey week; but
- Wished to do work for pay or profit (a response of yes or depends on conditions); and
- The reason for not looking was:
 - a) The belief that there was no prospect of finding a job.

February 1983

- Had not looked for work during the survey week; but
- Wished to do work for pay and profit; and
- The reason for not looking for a job or for not preparing to start a business was either:
 - a) No prospect of finding a job;
 - b) Did not know where to look for a job;
 - c) Not confident in own knowledge or skill.

February 1984

- Had not looked for work during the survey week; but
- Wished to have a job for pay and profit if there were any or conditions were favourable; and
- The reason for not looking was either:
 - a) No prospect of finding a job;
 - b) Did not know where to look for a job;
 - c) Not confident in own knowledge or skill.

February 1985-1991

- Had not looked for work during the survey week; but
- Wished to have a job for pay and profit if there were any or conditions were favourable; and
- The reason for not looking for work was that there was no prospect of finding a job either:
 - a) In the area;
 - b) Suitable for own knowledge or skill;
 - c) Under the current economic situation or in the current season.

New Zealand

Labour Force Survey March 1986 – December 1990
(Quarterly data) (persons 15 years of age and over):

- Had not looked for work because of the belief that:
 - a) Lacks skills or is wrong age;
 - b) Right work is unavailable in area.

Labour Force Survey June 1990 – September 1990

Beginning in June 1990 the definitions given above were grouped under “discouraged”.

Norway

Labour Force Survey (persons 16-64 years of age):

- Had not looked for work; but
- Needed or wished to have paid work (a response of yes, or yes on certain conditions); and
- Had not looked because of the belief that:
 - a) Suitable work was not available.

Sweden

Labour Force Survey

1981-1986 (persons 16-64 years of age):

- Had not looked for work within the last 60 days; but
- Would have liked to have had a job last week;
- Could have taken a job last week; and
- The main reason for not looking was:
 - a) No suitable job opportunities in the area;
 - b) Person rated the chance of obtaining employment as small.

1987-1991

- Had wanted to work and could work; but
- Had not looked for work during the reference week because of the belief that:
 - a) No suitable work was available locally;
 - b) The chance of getting a job was small;
 - c) Considered young people to have priority;
 - d) No work was available;
 - e) Other.

Turkey

Household Labour Force Survey (persons 15-64 years of age):

- Available for work but not seeking a job because:
 - a) Belief that no job is available in the region;
 - b) Does not know where to search for a job.

United States

Monthly Current Population Survey (persons 16 years of age and over):

- Had not looked for work in the last four weeks; but
- Wanted a regular job now (a response of yes or maybe, it depends); and
- The reasons for not looking were one or more of the following:
 - a) Belief that no work is available in line of work or area;
 - b) Could not find any work;
 - c) Lacks necessary schooling, training, skills or experience;
 - d) Employers think too young or too old;
 - e) Other personal handicaps in finding a job (such as discrimination or criminal record).

Table I.A.1. Shares of discouraged workers by age and sex in OECD countries"

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Australia (September)^b											
Total (000s)	73.4	84.3	105.1	83.1	76.9	74.9	85.0	76.8	68.3	89.2	127.7
Total %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Men	11.3	12.5	17.6	16.4	16.9	17.2	20.1	21.2	20.4	19.6	21.5
15-24	3.3	3.8	4.4	6.0	5.9	5.2	5.2	6.0	5.4	5.3	8.1
25-54	4.8	4.7	6.3	5.1	5.1	3.9	6.1	6.6	7.8	7.0	6.1
55-64	3.3	3.9	6.9	5.3	6.0	8.1	8.8	8.6	7.2	7.4	7.2
Women	88.7	87.5	82.4	83.6	83.1	82.8	79.9	78.8	79.6	80.4	78.5
15-24	10.8	11.5	7.9	10.2	8.1	8.3	6.4	9.1	7.9	8.4	8.8
25-54	60.1	62.6	62.0	58.6	58.6	56.5	55.2	49.2	49.3	52.2	54.6
55-64	17.8	13.4	12.5	14.8	16.4	18.0	18.4	20.4	22.4	19.7	15.1
Belgium											
Total (000s)			11.0	41.0	41.0	36.0	27.0	31.0	43.0	74.0	71.0
Total %			100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Men			36.4	34.1	43.9	50.0	55.6	51.6	53.5	50.0	43.7
Women			63.6	65.9	56.1	50.0	44.4	48.4	46.5	50.0	56.3
Canada (March)											
Total (000s)	101.0	161.0	199.0	149.0	122.0	102.0	91.0	68.0	70.0	..	92.0
Total %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	..	100.0
Men	45.5	51.6	43.7	50.3	47.5	47.1	45.1	44.1	48.6	..	47.8
15-24	17.8	18.0	15.6	13.4	13.1	11.8	12.1	11.8	11.4	..	10.9
25-44	12.9	16.8	14.6	19.5	15.6	16.7	15.4	13.2	15.7	..	19.6
45 and over	14.9	16.8	13.6	17.4	18.9	18.6	17.6	19.1	21.4	..	17.4
Women	54.5	48.4	56.3	49.7	52.5	52.9	54.9	55.9	51.4	..	52.2
15-24	13.9	14.3	13.6	11.4	10.7	8.8	8.8	8.8	11.4	..	6.5
25-44	26.7	21.1	26.1	25.5	23.0	23.5	23.1	27.9	25.7	..	27.2
45 and over	13.9	13.0	16.6	12.8	18.9	20.6	23.1	19.1	14.3	..	18.5
Denmark											
Total (000s)				18.0	18.0	10.0	10.0	8.0	10.0	9.0	7.0
Total %				100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Men	..	..	..	38.9	27.8	20.0	30.0	37.5	20.0	33.3	28.6
Women	..	..	..	61.1	72.2	80.0	70.0	62.5	80.0	66.7	71.4
Finland (Autumn)											
Total (000s)	..	..	..	..	..	..	..	..	24.6	..	46.9
Total %	..	..	..	..	..	..	..	..	100.0	..	100.0
Men	..	..	..	..	..	..	..	..	39.2	..	44.1
15-24	..	..	..	..	..	..	..	..	25.3	..	36.5
25-44	..	..	..	..	..	..	..	..	0.0	..	3.4
45-64	..	..	..	..	..	..	..	..	13.9	..	4.3
Women	..	..	..	..	..	..	..	..	60.8	..	55.9
15-24	..	..	..	..	..	..	..	..	31.0	..	35.0
25-44	..	..	..	..	..	..	..	..	16.7	..	11.9
45-64	..	..	..	..	..	..	..	..	13.1	..	9.0
France											
Total (000s)										37.0	35.0
Total %										100.0	100.0
Men										13.5	17.1
Women										86.5	82.9
Ireland											
Total (000s)			2.0	8.0	8.0	6.0	8.0	11.0	10.0	8.0	7.0
Total %			100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Men			0.0	12.5	12.5	16.7	25.0	18.2	30.0	25.0	28.6
Women			100.0	87.5	87.5	83.3	75.0	81.8	70.0	75.0	71.4

Table I.A.1. Shares of discouraged workers by age and sex in OECD countries¹ (Cont.)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Italy											
Total (000s)	..	..	253.0	681.0	622.0	631.0	634.0	628.0	571.0	474.0	630.0
Total %	..	..	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Men	..	..	6.7	20.6	19.0	20.6	20.7	21.0	21.0	24.1	21.1
16-24	..	..	2.0	12.3	12.7	13.8	12.1	12.3	11.7	14.3	12.7
25-54	..	..	0.8	5.0	3.5	4.1	5.2	5.4	5.3	7.2	6.3
55-64	..	..	4.0	3.2	2.7	2.7	3.3	3.3	4.0	2.5	2.1
Women	..	..	93.3	79.4	81.0	79.4	79.3	79.0	79.0	75.9	78.9
16-24	..	..	20.9	24.5	23.8	20.3	20.5	21.2	20.8	19.6	20.6
25-54	..	..	58.9	50.8	52.7	55.3	54.1	53.3	53.9	53.0	53.7
55-64	..	..	13.4	4.1	4.5	3.8	4.7	4.5	4.2	3.4	4.6
Japan (February)											
Total (000s)	..	1 070.0	3 020.0	2 640.0	1 860.0	1 750.0	1 980.0	1 740.0	1 590.0	1 370.0	1 230.0
Total %	..	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Men	..	9.3	11.6	11.7	19.9	21.1	20.7	21.8	23.9	21.2	22.0
Women	..	90.7	88.4	88.3	80.1	78.9	79.3	78.2	76.1	78.8	78.0
Netherlands											
Total (000s)	..	..	9.0	..	18.0	..	59.0	54.0	49.0	55.0	41.0
Total %	..	..	100.0	..	100.0	..	100.0	100.0	100.0	100.0	100.0
Men	..	..	33.3	..	33.3	..	28.8	20.4	24.5	27.3	17.1
Women	..	..	66.7	..	66.7	..	71.2	79.6	75.5	72.7	82.9
New Zealand											
Total (000s)	..	..	..	..	..	7.9	7.6	8.0	10.6	11.4	14.4
Norway											
Total (000s)	..	..	..	..	..	..	..	..	29.0	32.0	29.0
Total %	..	..	..	..	..	..	..	..	100.0	100.0	100.0
Men	..	..	..	..	..	..	..	..	31.0	31.3	41.4
16-24	..	..	..	..	..	..	..	..	10.3	9.4	10.3
25-54	..	..	..	..	..	..	..	..	10.3	9.4	17.2
55-74	..	..	..	..	..	..	..	..	10.3	12.5	13.8
Women	..	..	..	..	..	..	..	..	69.0	68.8	58.6
16-24	..	..	..	..	..	..	..	..	13.8	12.5	10.3
25-54	..	..	..	..	..	..	..	..	37.9	40.6	34.5
55-74	..	..	..	..	..	..	..	..	17.2	15.6	13.8
Portugal											
Total (000s)	..	..	..	..	..	40.0	28.0	29.0	15.0	15.0	19.0
Total %	..	..	..	..	..	100.0	100.0	100.0	100.0	100.0	100.0
Men	..	..	..	..	..	17.5	21.4	20.7	0.0	13.3	15.8
Women	..	..	..	..	..	82.5	78.6	79.3	100.0	86.7	84.2
Spain											
Total (000s)	..	..	..	..	..	417.0	113.0	46.0	27.0	26.0	13.0
Total %	..	..	..	..	..	100.0	100.0	100.0	100.0	100.0	100.0
Men	..	..	..	..	..	4.6	15.0	21.7	14.8	19.2	23.1
Women	..	..	..	..	..	95.4	85.0	78.3	85.2	80.8	76.9
Sweden											
Total (000s)	37.8	47.3	51.4	43.4	29.8	27.1	45.6	30.3	28.7	32.6	55.4
Total %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Men	33.1	34.9	33.5	33.4	38.3	35.1	42.3	43.6	43.6	45.7	47.3
16-24	22.5	22.4	21.6	21.4	25.2	17.0	21.9	24.8	26.5	33.7	29.1
25-54	7.4	8.2	7.6	8.3	8.7	11.1	12.7	10.2	9.1	5.8	12.3
55-64	3.2	4.2	4.3	3.7	4.4	7.0	7.7	8.6	8.0	6.1	6.0
Women	66.9	65.1	66.5	66.6	61.7	64.9	57.7	56.4	56.4	54.3	52.7
16-24	21.4	22.8	24.9	24.0	21.8	22.1	25.4	27.7	29.3	32.2	29.6
25-54	35.2	31.9	31.7	32.7	29.5	29.5	21.1	18.2	15.3	13.5	16.8
55-64	10.3	10.4	9.9	9.9	10.4	13.3	11.2	10.6	11.8	8.6	6.3

Table I.A.I. Shares of discouraged workers by age and sex in OECD countries^a (Cont.)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Turkey (October)											
Total (000s)	..	..	..	..	..	..	..	345.0	61.2	194.5	151.6
Total %	..	..	..	..	..	..	..	100.0	100.0	100.0	100.0
Men	..	..	..	..	..	..	..	33.6	37.0	53.1	44.6
15-24	..	..	..	..	..	..	..	19.3	27.0	37.8	22.4
25-54	..	..	..	..	..	..	..	9.3	5.8	14.7	18.5
55-64	..	..	..	..	..	..	..	5.0	4.2	0.6	3.7
Women	..	..	..	..	..	..	..	66.4	63.0	46.9	55.4
15-24	..	..	..	..	..	..	..	33.3	35.4	24.3	36.4
25-54	..	..	..	..	..	..	..	31.8	26.4	21.1	18.9
55-64	..	..	..	..	..	..	..	1.3	1.2	1.5	0.1
United Kingdom											
Total (000s)	..	..	327.0	432.0	289.0	234.0	188.0	153.0	127.0	114.0	112.0
Total %	..	..	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Men	..	..	62.7	53.9	56.1	46.2	46.3	43.8	45.7	39.5	61.6
16-24	..	..	13.1	7.2	8.0	5.6	2.7	3.9	1.6	0.9	4.5
25-54	..	..	25.4	22.0	20.8	19.7	19.7	15.7	15.0	17.5	15.2
55-64	..	..	24.2	24.8	27.3	20.9	23.9	24.2	29.1	21.1	42.0
Women	..	..	37.3	46.1	43.9	53.8	53.7	56.2	54.3	60.5	38.4
16-24	..	..	6.1	5.8	4.2	4.3	4.8	3.3			
25-54	..	..	21.7	22.7	21.5	20.5	15.4	14.4	14.2	14.9	14.3
55-64	..	..	9.5	17.6	18.3	29.1	33.5	38.6	35.4	41.2	22.3
United States											
Total (000s)	1 082.0	1 567.0	1 640.0	1 283.0	1 204.0	1 123.0	1 025.0	956.0	860.0	935.0	1 026.0
Total %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Men	36.2	37.4	39.6	38.1	41.9	38.9	41.4	45.9	45.5	47.8	42.4
16-24	15.0	14.4	14.8	14.5	13.2	11.8	13.1	12.2	13.3	11.7	11.0
25-59	12.8	15.6	18.0	17.0	19.8	19.9	20.7	25.3	22.6	20.4	22.5
60 and over	8.4	7.4	6.8	6.6	9.0	7.1	7.6	8.4	9.7	15.7	8.9
Women	63.8	62.6	60.4	61.9	58.1	61.1	58.6	54.1	54.5	52.2	57.6
16-24	17.1	16.2	15.1	16.0	13.0	13.0	12.8	10.6	10.7	11.1	10.3
25-59	38.4	38.6	39.2	38.0	36.4	38.6	36.2	35.0	34.0	32.5	37.1
60 and over	8.3	7.8	6.1	8.0	8.6	9.4	9.7	8.5	9.9	8.6	10.1

* Data not available.

† Sample size is too small to be significant.

| Indicates a break in the series.

a) See Annex I.A for the age breakdowns and the precise definitions of discouraged workers in each country.

b) Data prior to 1983 refer to persons 15 to 64, while data from 1983 on refer to persons 15 years old and over.

Sources: *Australia*: Compilation of the September's *Persons Not in the Labour Force* provided by the Australian Bureau of Statistics.*Canada*: Compilation of March's supplement *Survey of Job Opportunities* provided by Statistics Canada, the survey was not conducted in 1990.*Eurostat*: On the basis of each country's Labour Force Sample Survey, annual averages.*Finland*: Statistics Finland, Supplemental Survey of the Labour Force Survey, Autumn.*Japan*: Report on the Special Survey of the Labour Force Survey, Statistics Bureau, Management and Coordination Agency, March 1982, February 1983-1991.*New Zealand*: Customer Services, New Zealand Department of Statistics, annual averages.*Norway*: Norway Central Bureau of Statistics, annual averages.*Sweden*: AKU, Statistics Sweden, annual averages.*Turkey*: State Institute of Statistics, Household Labour Force Surveys, October.*United States*: Compilation of January's *Employment and Earnings* provided by the U.S. Bureau of Labor Statistics, annual averages.

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