

Reactivate: Employment opportunities for economically inactive people

Introduction

To achieve the Europe 2020 targets on employment and poverty, it is important that policies focus not only on those who are unemployed but also on those who are economically inactive. People are economically inactive, according to the International Labour Organization (ILO) definition, if they are not working, not seeking work and/or not available for work. While unemployed people are relatively well-studied and the principal target of many employment strategies, this is less the case for the inactive population. Recent efforts in some Member States, however, show that groups within this population have labour market potential as well.

The objectives of this report are:

- to examine the groups within the inactive population that are finding it difficult to enter or re-enter the labour market and why;
- to investigate the strategies that Member States are implementing to promote the inclusion of those outside the labour market.

Policy context

One of the first EU policy documents that recognised and focused explicitly on people outside the labour market was the 2008 European Commission Recommendation on the active inclusion of people excluded from the labour market. This document defined active inclusion as enabling every citizen, notably the most disadvantaged, to fully participate in society, including by having a job. In order to facilitate their full participation, it stressed the equal importance of three closely interlinked pillars: an inclusive labour market, adequate income support and access to quality services.

The European Commission staff working paper on the implementation of the 2008 Commission Recommendation on active inclusion, published in April 2017, assesses the extent to which Member States have pursued a more

integrated approach to active inclusion policies at national level. The overall conclusion is that progress in implementing the recommendation has varied by country and that national strategies differ greatly. Nevertheless, the document concludes that countries with good linkages between the three strands of active inclusion have had better social outcomes in terms of poverty and social exclusion rates.

The European Pillar of Social Rights sets out a number of key principles and rights to support fair and well-functioning labour markets and welfare systems, structured around three main categories: equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion. The Pillar refers to inactivity within its 20 key principles in alluding to the right to inclusive education and lifelong learning, as well as active support on the path to employment and the importance of work–life balance.

Key findings

- Eurostat data from the European Union Labour Force Survey (EU-LFS) online database show that 27.5% of people aged 15–64 years were economically inactive in 2015. However, this figure has been declining steadily, having been at 31.4% in 2002 and 29.7% in 2007, with no recorded increases between any of the years from 2002 to 2015. This is a significant decrease and should be acknowledged in any discussion of unemployment figures.
- The inactive, nevertheless, constitute a group of considerable size. This means that, in the majority of EU countries, there is a substantial section of the population that is not working and is missed by unemployment statistics but has employment potential. While employment policy tends to focus primarily on the unemployed, there is scope for policies to focus more explicitly on the labour market integration of inactive people.

- Many inactive people would like to work in some capacity; about four out of five say they would like to work at least some hours per week, and approximately half would like to work 32 hours or more. This desire to work is particularly strong among students and homemakers. However, more research needs to be done into understanding what these work preferences mean in practice, and matching preferences and skills with jobs may be a challenge.
- The willingness of inactive people to work can be increased by policy measures. The report clearly shows that providing a facilitating context, such as access to quality jobs with flexible work arrangements, would encourage more to take up employment.
- The inactive population is heterogeneous. The report focuses in particular on four subgroups within it: people who report that they are in education, homemakers, retired or disabled. These subgroups vary greatly in terms of their characteristics and the barriers they face.
 - Lack of work experience is most common among people in education and homemakers, and least common among disabled people and retirees of working age.
 - Homemakers and retirees are most likely to have a low level of education.
 - Disabled people, especially, but also retirees more often report having a health problem; being at risk of depression is more evenly spread across all inactive subgroups.
 - About half of disabled people who are inactive report a high level of social exclusion (similar to that of long-term unemployed people), as do over one-quarter of homemakers.
 - Inactive people often face more than one barrier to employment. For example, those with a low level of education and those caring for elderly relatives often have to also care for children. Inactive people who feel socially excluded often lack work experience, have health problems, provide care for elderly relatives or are at risk of depression.

Policy pointers

- The standardised ILO definition of inactive people as those who are not working, not seeking work and/or not available for work may not be entirely useful for policymaking as many within this population are willing to work, given the right conditions.
- Policymakers could reflect on whether rates of inactivity should be more visible (possibly as a complementary indicator to unemployment rates) in efforts to monitor progress and achieve the goals of Europe 2020.
- Policymakers should pay attention to the high level of heterogeneity in the inactive population and of differences between Member States, taking note of the social characteristics and living arrangements that have an impact on their labour market integration.
- There is a need for policies to address the inactive population as a specific issue; these may build on the positive and effective elements of labour market activation programmes but must take into account the specific challenges the economically inactive face. Member States should fully implement the European Commission Recommendation on active inclusion from 2008, paying close attention to the need for effective coordination between the three pillars.
- Considering the growing complexity of the labour market and the trend towards more high-skilled professions, a policy priority should be to invest in the education of people who have been outside the labour market for a long time and whose skills may be outdated.
- Policymakers could reflect on investing resources to build enabling attitudes and conditions for people to work before developing policies aiming to activate them. They should take into account and address the fact that many economically inactive people may not seek work because they feel that they are not needed or wanted by the labour market.
- Many inactive people may need extra time to prepare themselves for the job market, so policy measures that facilitate a transition from inactivity to employment (such as the ability to keep some social benefits after one has started work, mentoring or on-the-job training) should be encouraged.

Further information

The report *Reactivate: Employment opportunities for economically inactive people* is available at www.eurofound.europa.eu/publications.

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