

# Reactivate: Employment opportunities for economically inactive people





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## Country codes: EU Member States

AT	Austria	FI	Finland	NL	Netherlands
BE	Belgium	FR	France	PL	Poland
BG	Bulgaria	HR	Croatia	PT	Portugal
CY	Cyprus	HU	Hungary	RO	Romania
CZ	Czech Republic	IE	Ireland	SE	Sweden
DE	Germany	IT	Italy	SI	Slovenia
DK	Denmark	LU	Luxembourg	SK	Slovakia
EE	Estonia	LT	Lithuania	UK	United Kingdom
EL	Greece	LV	Latvia		
ES	Spain	MT	Malta		

# Executive summary

## 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 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.
- 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.

## 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.



# Introduction

To achieve the Europe 2020 targets on employment and poverty, it is important for policy to focus not only on those who are unemployed, as recorded in unemployment statistics, but also on those who are economically inactive. While the unemployed are a relatively well-researched and visible group in academic and policy documents, this is less the case for the inactive population. Policies to get people into employment tend to be directed at the unemployed; however, recent efforts in some Member States emphasise that some sections of the inactive population have labour market potential as well.

The main labour market indicators have been showing slow improvement since 2013, albeit with relatively large differences between Member States. In 2016, the EU employment rate for people aged 20 to 64 years stood at 71.1%, up from 70.3% in 2008, the year it peaked before falling in the wake of the economic crisis.

Policymakers at EU and national levels also continue to pay close attention to high unemployment figures throughout Europe, even though the overall EU unemployment rate peaked at 10.9% in 2013. Since then, it has been decreasing year on year, falling to 8.5% in 2016. Despite this overall downward trend, there are still significant country variations, with unemployment rates at their lowest in the Czech Republic (4.0%) and Germany (4.1%) and at their highest in Greece (23.6%) and Spain (19.6%).

In recent years, long-term unemployment rates have become one of the main concerns among stakeholders and policymakers. Overall, 4.5% of the EU labour force in 2015 had been unemployed for more than one year; more than half of these (2.8%) had been unemployed for more than two years. Since 2014, the number of long-term unemployed people has decreased – by 5% for those who have been unemployed for more than a year and by 3% for those unemployed for more than two years. Again, there are sizeable country-level differences, with the Baltic states, Croatia, Greece, Portugal and Spain battling high levels of long-term unemployment.

Apart from its financial and social effects on people's lives, long-term unemployment negatively affects social cohesion and may ultimately hinder economic growth (European Commission, 2016b). The challenge of supporting those in long-term unemployment has been recognised most explicitly in the proposal for a Council Recommendation on the integration of the long-term unemployed into the labour market. This proposal aims to provide guidance to the Member States on facilitating return to work by strengthening services offered to long-term unemployed people through individual

in-depth assessments and job-integration agreements. The assistance provided may include job search and further education, as well as housing, healthcare services and rehabilitation services (European Commission, 2016a).

The inactive population is heterogeneous. One large subgroup comprises people with health problems or disabilities, who may need additional support beyond employment activation measures to re-enter the labour market. Carers, most often women, form another subgroup; often overlooked, they may have exited the labour market to care for a child or other relative but would like to re-enter paid employment if opportunities that offered work–life balance were available. The 2008 European Commission Recommendation on active inclusion emphasises that in order to improve the employment prospects of these groups, there needs to be an inclusive labour market, as well as adequate income support and access to relevant services.

## Defining inactivity

According to the International Labour Organization (ILO) definition, a person is economically inactive if they are not part of the labour force, meaning they are neither employed nor unemployed. Specifically, they are not working and they are not seeking work or available for work. The inactive population is very broad and can include children, students, pensioners and homemakers, for example, provided that they are not in employment or registered as unemployed. This study applies the ILO definition while acknowledging its limitations and recognising, particularly from a policy perspective, the potential challenges in disentangling the inactive population from other groups such as the long-term unemployed or underemployed.

Eurostat uses the ILO definition of inactivity when compiling EU figures, and based on Eurostat data from July 2016, the long-term trend has been one of steady decrease since 2002 in the share of the inactive population in the total population of working age (15–64 years). This reached an all-time low of 27.5% in 2015, compared to 31.4% in 2002 in the EU. This decline can be attributed mainly to increasing female participation in the labour market. The share of women outside the labour market fell by 6.3 percentage points from 39.5% in 2002 to 33.2% in 2015, while the share of men outside the labour force decreased by just 1.5 percentage points – from 23.2% to 21.7% (Eurostat, 2016).

The next chapter discusses definitions in greater detail and provides more detailed information on rates of economic inactivity.

## European policy context

A range of EU policy documents refer directly to people outside the labour market and call for more inclusive policies to encourage their integration or reintegration into employment. Council Decision 2010/707/EU on guidelines for employment policies of Member States makes a clear reference to this issue and calls for policies to be put in place to increase the labour market participation of women and men and to promote the labour market participation of those furthest from it. The document explicitly refers to the role of employment services in labour market activation and matching people to jobs, as well as the need for personalised services. It goes on to say that such services should be open to all, including those furthest from the labour market. The Europe 2020 strategy set out ambitious targets on employment and poverty, which EU Member States continue to pursue, and recognised that those targets could only be achieved if efforts were made to reach out to those who are inactive (European Commission, 2010).

One of the first EU policy documents that acknowledged the need for a holistic approach to labour market participation and social protection systems was the 1992 Council Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems, which refers to the right of social beneficiaries to labour market participation.

The 2008 European Commission Recommendation on the active inclusion of people excluded from the labour market focused explicitly on the inactive population. The document defined active inclusion as enabling every citizen to fully participate in society, including having a job. In order to facilitate full participation, the recommendation stressed the equal importance of three closely interlinked pillars:

- inclusive labour markets (with the objective of making it easier for people to join the labour market);
- adequate income support;
- access to quality services.

The overall aim was to tackle a range of challenges, including high rates of poverty, social exclusion and detachment from the labour market.

During the economic crisis and in its aftermath, policy attention shifted to tackling the high levels of unemployment, and it is only recently that the policymakers have again started to look beyond the unemployment levels alone. One clear sign of this shift was the 2013 communication on social investment for growth and cohesion, often referred to as the SIP (European Commission, 2013). The communication was one of the tools that aimed to assist Member States in

designing and delivering more efficient and effective social policies. It had three main objectives:

- to ensure that social policies and systems were in place in place to address people’s needs in a timely manner;
- to promote better targeted and more sustainable social policies;
- to urge Member States to upgrade their active inclusion strategies and to pay greater attention to their implementation.

The Council Recommendation on the integration of the long-term unemployed into the labour market again stresses personalised, individual assessment as a key element in assessing and addressing the multifaceted needs of long-term unemployed people (European Commission, 2016a). The recommendation acknowledges the need to go beyond employment services and to take into account services related to housing, transport and health, reflecting the complex needs that those outside the labour market might have.

The European Commission’s 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 (European Commission, 2017a). It centres on three main dimensions: equal opportunities and access to labour market; fair working conditions; and social protection and inclusion. Within its 20 key principles, the Pillar refers in a number of ways to inactivity. One is the right to inclusive education and lifelong learning, which is particularly relevant as many of those who are economically inactive may have low educational attainment or may require upskilling following a long spell of absence from the labour market. The document stresses the importance of active support on the path to employment, where everyone should have the right to timely and tailor-made assistance to improve their employment or self-employment prospects. The document places much emphasis, in a separate proposal, on work–life balance, recognising that parents and people with care responsibilities have the right to suitable leave, flexible working arrangements and access to care services. This is of particular importance to those who have been outside the labour market due to care commitments and who would like to return to work if opportunities were available that enabled them to maintain an adequate work–life balance. One support mechanism is affordable and accessible childcare provision, a point emphasised by the Pillar, which stresses the need for good-quality childcare and care facilities. Finally, the Pillar singles out two groups who often find themselves outside the labour market: people with disabilities and people who are homeless; it highlights the need for key services that enable the social and employment inclusion of these groups.

The recently published (April 2017) European Commission staff working paper on the implementation of the 2008 Commission Recommendation on the active inclusion of people excluded from the labour market assesses the extent to which the Active Inclusion Strategy has promoted a more integrated approach at national level. It also examines the extent to which active inclusion strategies have been established and implemented by the Member States. The overall conclusion is that implementation has been mixed and that the national strategies differ greatly. This is partly explained by the economic crisis and the need to address the challenges related to the consequences of the economic slowdown. In addition, the very widely varying economic and social national contexts have had an impact on implementation. Nevertheless, the document concludes that countries with good linkages between the three strands of active inclusion have had better social outcomes in terms of rates of poverty and social exclusion (European Commission, 2017).

The active inclusion approach has also become a part of the European Semester exercise: the country-specific recommendations (CSRs) have begun to systematically address the challenges associated with implementation of active inclusion principles. In 2016, 18 CSRs explicitly addressed areas related to active inclusion, covering a broad range of topics. The largest number of CSRs (in 14 Member States) concerned labour market activation of disadvantaged groups, confirming the policy priority of this issue.<sup>1</sup> Six Member States received recommendations on access and coverage of healthcare.<sup>2</sup> Six Member States also received broader comments on the coverage and adequacy of minimum income or social assistance, while access to childcare was addressed for five countries.<sup>3,4</sup> Better coordination between social and employment services – a cornerstone of the Active Inclusion Strategy – was highlighted for five Member States.<sup>5</sup>

## Objectives of the report

The added value of the current study is that unlike many previous works in this field, Eurofound has made an effort to report on the inactive population specifically. The overall objectives are to examine:

- which groups are finding it difficult to enter or re-enter the labour market and why;
- what strategies Member States are implementing to promote the inclusion of those outside the labour market.

To this end, the study aims to:

- provide a broad picture of the social and living conditions of the inactive population – at the individual and household levels – and discuss the impacts on people’s quality of life and on broader society;
- identify and understand changes in the characteristics and circumstances of inactive subgroups over time;
- better understand the barriers to work for various subgroups of inactive people (the study provides insights from the perspectives both of service users and providers);
- provide information on the willingness or inclination of the inactive population to work;
- provide an overview of public policy measures and activation policies aimed at bringing economically inactive people back into the labour market.

## Structure of the report

The report is structured as follows.

- Chapter 1 provides an overview of relevant national policy developments, examining in particular the factors that have shaped the policy discourse at Member State level, the drivers behind the policy debate, the policy areas that are most prominent, and the key stakeholders driving the national agendas.
- Chapter 2 focuses on the characteristics of the inactive population. It classifies the different subgroups within this population according to the main underlying reasons for inactivity. Drawing from the European Statistics on Income and Living Conditions (EU-SILC) and other relevant sources, the chapter provides a broad picture of the social and living conditions of the inactive population at the individual and household levels. It discusses the impact of being economically inactive on the individual’s quality of life as well as on the broader society. It also attempts to cover, where possible, how these subgroups have changed over time.
- Chapter 3 provides information on the willingness or inclination of the inactive population to work. There is evidence that many people currently outside the labour market would like to work if conditions such as flexible working hours made it possible for them to do so.

1 Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Finland, Hungary, Ireland, Latvia, Portugal, Romania, Slovakia, Slovenia and Spain.

2 Bulgaria, Cyprus, Lithuania, Latvia, Romania and Slovenia.

3 Minimum income and social assistance: Bulgaria, Croatia, Hungary, Latvia, Lithuania and Spain.

4 Access to childcare: the Czech Republic, Ireland, Slovakia, Spain and the UK.

5 Bulgaria, Estonia, Portugal, Romania and Spain.

- Chapter 4 provides an overview of the barriers that prevent inactive people from re-entering the labour market. It also presents the views of service providers on such barriers, based on their experiences.
- Chapter 5 examines policies introduced in Member States that have been identified as key to promoting the reactivation of people furthest from the labour market. Such policies vary and include those that aim to improve human capital, provide employment incentives, support job searches and provide job assistance, and concentrate on outreach and prevention.

- The report concludes with a summary of the main findings and policy pointers to stakeholders and policymakers at national and European levels.

Chapters 3, 4 and 5 include information collected by Eurofound's Network of European Correspondents. The network covers all 28 EU Member States plus Norway. A questionnaire was circulated to all correspondents in January 2017 (see Annex 1), and the report is based on contributions from the national correspondents submitted through this questionnaire. Note that the information in the report refers to the situation in the Member States at the time of data collection.

# 1 | Policy context in Member States

## General context

All EU Member States subscribe to the European Employment Strategy and the Europe 2020 targets, specifically regarding raising employment rates for men and women. However, the focus of policy initiatives and action is largely, if not exclusively, on reducing unemployment, particularly long-term unemployment. It is hardly surprising to learn that in Spain the reactivation of the inactive population is not a priority in national employment policy as the country is still affected by high unemployment rates; people already in the labour market are the main concern. Even where unemployment is relatively low and employment rates high, as in the Czech Republic, inclusion of inactive people who are not ‘actively seeking work’ is not a priority of employment policy, even if more attention is being paid to the inclusion of certain groups, such as women with young children and older workers.

In some countries, such as Cyprus and Poland, there appears to be no policy debate regarding the reactivation of people outside the labour market. In many others, policy statements and reforms aim to increase participation in the labour market – for example, of older people in Germany. However, these reforms have not been discussed in terms of reactivation but rather are linked to prolonging the working lives of those already employed, or at least in the labour market.

Direct initiatives to promote employment of the inactive population as a whole are most evident in the UK and Ireland. The UK experience largely centres on bringing economically inactive welfare benefit recipients into the labour market. Groups who were traditionally not obliged to actively seek work, such as single parents and people with disabilities, have been increasingly required to be assessed for work capacity as a condition of receipt of benefits. In Ireland, the Pathways to Work 2016–2020 strategy aims to integrate those who are long-term excluded from the labour market into employment. This labour market activation is targeted not only at people registered as unemployed but also extends to encouragement of other groups to participate in the labour market: ‘This may be by means of supportive services (training, job search assistance, financial incentives, etc.), by means of increased conditionality in relation to welfare entitlements or by a combination of both’ (Department of Social Protection, 2016, p. 14). The strategy emphasises improved coordination between employment and social welfare services and explicitly applies the concept of active inclusion as a guiding principle.

Rather than global strategies for the inactive population, it is more common to find programmes and policies that prioritise specific groups within the inactive population. In Lithuania, for example, the National Progress Programme for 2014–2020 has developed incentives and opportunities for people furthest from the labour market to participate in active inclusion measures; these include measures directed at people with disabilities, those out of work for a long time due to childcare responsibilities, and young people not in education, employment or training (NEETs). There are plans to develop a system of information and consultancy services for these groups to offer social and vocational rehabilitation, enhance motivation for employment, and create opportunities for integration into the labour market. The Lithuanian Employment Enhancement Programme 2014–2020 also provides for increased labour market participation of vulnerable groups. Targets include raising the employment rate of young people aged 15–24, reducing the share of NEETs within the youth population, and increasing the employment rates of older workers (aged 55–64) and people of working age with disabilities.

This set of ‘vulnerable groups’ is quite typical of those identified across many Member States. Clearly, the most vulnerable groups within a Member State vary, depending on social and economic factors. In Bulgaria and Slovakia, for example, priority is given to programmes for Roma citizens; in Denmark and Sweden, new policies emphasise the inclusion of recent migrants and refugees. In Croatia and elsewhere, there is concern about the low rate of female participation in the labour market. In 2014, Croatia’s national labour market policy set out packages of measures for specific target subgroups among the unemployed and inactive, such as: single parents; domestic violence victims; young people leaving children’s homes; Croatian war veterans; parents of four or more young children; parents of children with special needs; asylum seekers; and those who have received treatment for substance addiction. A second set of measures targeted inactive members of the Roma community.

Groups who are well defined as recipients of specific benefits, such as people with disabilities or ex-prisoners, are more likely to be singled out in tailored programmes than are broader but less well-identified groups, such as carers. The ‘visibility’ of the inactive population to policymakers in the employment field is an obvious barrier to the development of policies. In some Member States, it seems that distinctions made between the unemployed and the inactive are inconsistent across different policy documents.

In Austria, for example, the term ‘people far from the labour market’ (*arbeitsmarktfern*) is sometimes used to refer to the inactive population but is sometimes also applied to long-term unemployed people or to both together (for example, the long-term unemployed, older people and female returnees). The outcome of this is that the inactive population is rarely presented in the employment debate. At the same time, efforts have been made to introduce a labour market integration component into policy relating to the inactive population. The reform of the Austrian social assistance scheme (9/2010) envisages that the beneficiaries are encouraged to enter the labour market by means of coaching and other activation programmes (Ministry of Social Affairs, 2016). In Portugal, the 2016 National Reform Programme includes an explicit reference to those ‘furthest away from the labour market’, but unemployed and inactive people are considered together with regard to the definition of measures and priorities.

This lack of distinction between unemployed and inactive people may mean that inactive people can access certain measures and services aimed at the unemployed. In Portugal, for example, the public employment services’ network of offices is intended to support people who are unemployed or inactive to enter or re-enter the labour market. In Estonia, inactive people who register as unemployed with the public employment services have access to activation measures even if they do not qualify for benefits or are not immediately available for work. In practice, some measures may be offered by these services to people regardless of labour market status; these include career counselling, job mediation and job search advice. However, the public employment services in Estonia do not actively reach out to those outside the labour market as they do in some other Member States.

In Bulgaria, there is a national programme to ‘activate inactive people’, implemented by Directorate of Labour offices at municipal level. The goal is to train mediators who are responsible for finding inactive people and encouraging them to register at these offices so they can be eligible for employment programmes. Initial priorities are to engage inactive young people and members of the ethnic minority Roma community, though it is relatively difficult to target members of this community because ‘ethnicity’ is based on self-reporting. Prompted in part by EU policy targets, several Member States are paying greater attention to reaching groups furthest from the labour market. This is the case in Latvia, where specific groups include people with care responsibilities, people with disabilities and mothers of young children.

## Drivers of recent focus on inactive groups

In many Member States, and most evidently in southern and eastern Europe, concern about poverty has been an important driver of policy attention on the inactive population. In Bulgaria, Greece, Hungary and Italy, inactive people, particularly those living alone, have been identified as being at high risk of poverty and social exclusion. National action plans or strategies for social inclusion (such as in Greece) underline the importance of active inclusion measures to improve employment opportunities for marginalised groups and those at higher risk of poverty. National action plans for employment (such as in Bulgaria) highlight the potential role of inactive people in increasing the labour supply for formal employment. Hence, the activation of inactive people is motivated by both the need to increase the workforce to sustain economic growth and the need to combat social exclusion.

Concerns about the declining size of the workforce have been a driving factor for employment policies in Germany, even if such policies have not yet addressed the inactive population in general. The Federal Employment Agency has forecast that by 2030 the active population in Germany will have shrunk by 6.5 million, and some industries (IT, engineering, and health and social care) are already experiencing skilled labour shortages. The pronounced increase in the retention of older workers in Germany and elsewhere has pushed governments to more actively develop policies for an ageing workforce, but the ageing of the general population has been a factor in drawing attention to the inactive population of working age in countries as diverse as Estonia, Finland and Portugal. This is related to concerns about the sustainability of welfare systems, the relative size of the working-age population and the need to increase employment rates at all ages (Eurofound, 2012b).

The EU has been promoting initiatives across all Member States to increase the employment of younger people, addressing NEETs as well as registered unemployed young people (Eurofound, 2015a). The many and various measures in the Youth Guarantee schemes have given specific attention to inactive young people. In many Member States, young women with children are a high-priority group. This is linked to the ongoing discussion about female participation in the labour market, related in part to the caring responsibilities that fall more often to them and the wider agenda of the low return on investment in education and issues such as lower tax income. It also

reflects concerns about the situation of single parents and their children but more generally is about helping parents to re-enter employment. In Austria, the policy debate regarding the inactive population is essentially about childcare, as care responsibilities for other dependants are not high on the agenda. The focus on gender equality is also related to the aim of preventing long career breaks with a potentially negative impact on income, both in working life and in old age. These concerns are the same in other countries such as the Czech Republic, where the policy debate highlights the overall lower employment rates of women and a range of issues around work–life balance.

In the last few years, the movement of refugees and asylum seekers across Europe has generated policy initiatives to expedite their labour market integration (Eurofound, 2016a). This is partly because this increase in numbers presents an opportunity to address labour shortages, but it also reflects the fact that integration is a slow process for refugees and that many are likely to be economically inactive for several years. In Sweden, it is estimated to take seven years after arrival, on average, for a refugee to secure their first job. In general across Member States, migrants are at greater risk of unemployment and inactivity.

This is also the case for some ethnic minority groups, most notably the Roma community. In Slovakia, for example, Roma are more likely to experience discrimination, job insecurity and a lack of suitable jobs. In Hungary, the majority of the Roma population is concentrated in the poorest regions – the east and

north-east and the region of Southern Transdanubia (even so, most of those in poverty are not Roma). In Bulgaria, the National Strategy for Roma Integration estimates that, in 2011, three out of five Roma of working age were inactive. All Member States have made a commitment to promoting Roma inclusion; in 2011, the Commission adopted an EU Framework for National Roma Integration Strategies, focusing on healthcare, housing and education as well as employment (European Commission, 2015).

## Conclusion

To a large extent, the inactive population remains relatively unserved by policymakers, especially in relation to information on employment preferences. Non-government organisations (NGOs) often play an important role in the implementation of employment-related policies, but they typically have other priorities regarding benefits and services for their constituencies. The social partners may have little direct input to policy development for inactive people, as, by definition, they are not in paid jobs. However, the social partners do contribute to the development of public policies and policy reforms, which clearly have the potential to offer employment opportunities to inactive people. This applies not only to policy developments in Member States but also to the significant strategies and frameworks for social and economic inclusion of disadvantaged groups that are in place at EU level, such as the European Commission Recommendation on active inclusion, which in many countries has yet to be fully implemented.





## 2 Characteristics of the inactive population

In order to design and implement policies aimed at integrating economically inactive people into the labour market, it is important to first understand who these people are, what their living circumstances are, why they are inactive, whether they want to work, and what barriers may need to be removed for them to gain employment.<sup>6</sup>

While the unemployed are a relatively well-studied group, this is less the case for the inactive population. An important exception is a study by the World Bank and the European Commission, which draws on EU-SILC data to identify and characterise both inactive and unemployed people in six EU Member States: Bulgaria, Estonia, Greece, Hungary, Lithuania and Romania (Sundaram et al, 2014). A follow-up study by the OECD, World Bank and European Commission is ongoing at the time of writing, covering 12 Member States; it includes the original 6 countries as well as Croatia, Ireland, Italy, Poland, Portugal and Spain. Initial results show that

*‘short-hand’ groupings that are often highlighted in the policy debate, such as ‘youth’ or ‘older workers’, are in fact composed of multiple distinct subgroups that face very different combinations of employment barriers and likely require different policy approaches.*

(Fernandez et al, 2016, p. 4)

Several subgroups of economically inactive people have also received attention separately. For example, Eurofound’s research has produced information on inactive people who are young (Eurofound, 2016b) and who are aged 50 years and over (Eurofound, 2014a). Other studies have touched upon aspects of the inactive population when examining the broader non-working population as a whole, sometimes including people with low work intensity, such as a recent study by Eurofound based on analysis of European Union Labour Force Survey (EU-LFS) data (Eurofound, 2017), the studies mentioned above, and a recent report by the European Commission (2016a).

This chapter and the two that follow build on previous research, adding to it in multiple ways. In particular, the analysis:

1. includes all 28 EU Member States;
2. focuses exclusively on the inactive population;
3. is not restricted to one subgroup of inactive people (albeit the main focus is on inactive people of working age);
4. does not map only the personal characteristics of inactive people and their activation potential but also describes their living conditions (using EU-SILC data particularly);
5. contributes with data from the European Quality of Life Survey (EQLS) on the work preferences of inactive people;
6. acknowledges and discusses the complexity in defining inactivity by exploring multiple approaches, within the constraints set by the data, rather than imposing a standard definition up front (discussed below);
7. provides an updated picture, paying some attention to changes over time (discussed below).

With regard to the definition of inactivity (point 6), the following approach is used.

Eurostat, for the EU-LFS, operationalises the ILO definition of an ‘inactive person’ as someone aged 15–74 years who reports:

- not having a job and not having actively looked for a job in the previous four weeks; or
- not having a job and having been actively looking for a job but not being available for work in the next two weeks.<sup>7,8</sup>

When reporting EU-LFS data, this definition is generally used, albeit restricted to the working-age population. While the meaning of working age may be changing (European Commission, 2016c), in this and the following two chapters, it is defined as people aged 18–64 years in the EQLS and EU-SILC. A lower age limit of 18 has been

<sup>6</sup> From this point on, the term ‘economically inactive’ will often be shortened to ‘inactive’, even if those concerned are active in volunteering, caring or other unpaid activities.

<sup>7</sup> In Italy, Spain and the UK, the age range is 16–74 years.

<sup>8</sup> The definition may include some of those who are registered unemployed, so some people who are labelled inactive in the EU-LFS may actually be ‘unemployed’ according to the benefit administration system, and vice versa.

chosen (instead of the more usual 16) because most inactive people aged 16 or 17 in the EU are in education and therefore of less interest to policymakers in terms of labour market activation.<sup>9</sup> Furthermore, the EQLS does not include people younger than 18 in its sample. For EU-LFS data, the age range of 15 (or 16) to 64 is often used because 18–64 years is not always readily available in the online macrodata.

When reporting EU-SILC and EQLS data, self-defined activity status is used (as in Sundaram et al, 2014). Where relevant and possible, the chapters make explicit the different elements of the ILO definition of inactivity (not working, not job-seeking and/or unavailable). Self-defined activity status is used mainly for pragmatic reasons. First, information on whether respondents have worked an hour or more in the previous week – which Eurostat uses to define people as employed – is missing for several countries in the EU-SILC microdata, and sample size gets small when focusing only on individuals for whom all three variables (work status, job-seeking activity and availability) are validly recorded. Second, self-reported activity status allows for analysis of various self-identified types of inactivity statuses (such as being in education, retired or a homemaker). From some perspectives, the self-reported ‘inactivity’ may be more policy-relevant than the standard statistical definition. For example, people may not be working but may be seeking work and may be available. They would thus be defined statistically as ‘unemployed’, even if they identified themselves as inactive, for example, retired or disabled, respectively, if they receive some small early old age or disability pension. They may not receive an unemployment benefit and would not self-define as unemployed.<sup>10</sup> Similarly, self-reported ‘inability to work due to disability or chronic illness’ may not coincide with the focus of policies, which is more often based on receipt of a certain benefit – for example, the UK Pathways to Employment programme focused on people receiving an incapacity benefit (DWP, 2010). While these groups may have activation potential, they may not be on the radar of public employment agencies or policymakers, because they do not receive an unemployment benefit. Including them in the definition of inactive applied in this study may contribute to taking them into consideration in policy and practice.

More specifically, when analysing microdata from the EQLS and EU-SILC, the self-reported status *at the point of interview* is used. Other studies drawing on the

EU-SILC use status during the 12 months preceding the interview. In contrast to studies that focus on income, most variables of interest to this analysis are measured as they were at the point of interview (such as neighbourhood problems, the financial burden of housing costs and deprivation). It thus seems a reasonable approach to focus on the self-reported status at the time of the interview when seeking to map the living conditions of inactive people at a particular point in time.

With regard to the periods covered (point 7), when drawing on EU-SILC microdata, the analysis uses 2014, the latest year for which data for all EU countries were publicly available in January 2017, with some exceptions. The annual macrodata from Eurostat’s online databases for the EU-LFS and EU-SILC allow for 2015 data to be used (and for EU-LFS quarterly data, the third quarter of 2016). For this reason, in instances where data come from the online database rather than from the microdata, the latest data available at the time of writing is used instead of that for 2014. When describing changes over time, microdata from 2007 onwards are generally used to describe developments during the economic crisis; the analysis does not go back further because of data comparison complexities (such as changes in measurement) and varying levels of availability, in particular for the Member States that have most recently joined the EU. When comparisons in time are made between the 2014 data and the EU-SILC microdata, the analysis restricts itself to two points in time: 2007 and 2011. The reason for this is that in 2007 the economic crisis had not yet had an impact, as reflected in the data; most of the variables of interest concern questions about the previous 12 months, so it can be seen as a ‘high point’. While the 2007 data may capture initial impacts of the crisis in some countries, the 2006 data do not capture the growth that continued in most of the EU in the first half of 2007. The year 2011 can be seen as a ‘low point’, capturing many of the impacts of the crisis. It should be noted that some impacts were not always felt until later, such as reduced access to healthcare services (Eurofound, 2014b). With regard to the EQLS, the research restricts itself to 2011, when – in contrast to earlier versions – inactive respondents were asked how many hours they would prefer to work, taking into account financial need. If EU-SILC and EQLS data for 2014 or 2011, respectively, are used, the year is not always mentioned; if the data from other years are used, the year is always specified.

<sup>9</sup> For that same reason, some researchers set the threshold even higher, at 20 years (Nestić and Tomić, 2017).

<sup>10</sup> For example, because of the limited duration of unemployment benefits, non-take-up among people who are entitled (for example, because of lack of information), non-coverage, or not fulfilling conditionality requirements, such as providing proof of active job search (Eurofound, 2015; ILO, 2016). To illustrate this point, in the fourth quarter of 2015, 57% of statistically defined unemployed people in Spain received an unemployment benefit (data provided by Pau Miret-Gamundi of the Centre d’Estudis Demogràfics, Barcelona); unemployment benefits can be claimed for a maximum of two years. At the same time, unemployment benefit recipients may, in practice, report they are not seeking or available for work, and thus be statistically inactive.

The next section of this chapter provides a general picture of the size and character of inactive populations across the EU. After that, the chapter provides a broad picture of the social and living conditions of the inactive population.

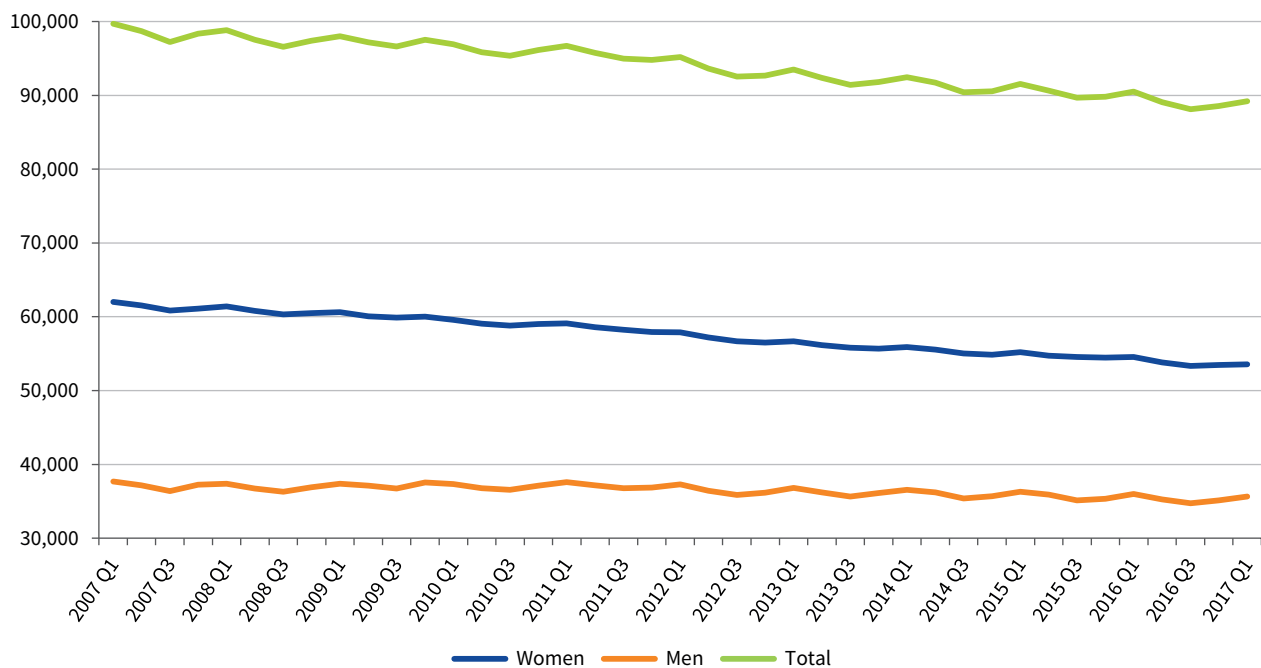
## Size of the inactive population: Trends and country differences

Eurostat data from the EU-LFS online database show a decrease in the proportion of people aged 15–64 who are inactive from 31.4% in 2002 to 29.7% in 2007 and to 27.5% in 2015. The decrease has been steady, with no recorded increases between any of the years from 2002 to 2015. Quarterly data provide a more recent and more detailed picture. Figure 1 shows changes in the number of inactive people by quarter and demonstrates that inactivity also fluctuates within years. However, the overall trend is downwards, even during the recent crisis. Fluctuations within years appear to be seasonal, with the third quarter tending to have the lowest number of inactive people, probably mainly due to seasonal work in agriculture and tourism. Overall, there were 10.5 million fewer inactive people of working age in the first quarter of 2017 than there were in the first quarter of 2007, representing a fall of 11%, from 99.7 million to 89.2 million.

The decrease in inactivity rates can be explained in large part by the integration of women into the labour market, with increases in both employment and unemployment levels among women. The fall in inactivity was particularly marked for older women, down from 46.4% in 2002 to 33.5% in 2015 among women aged 55–64. This mainly reflects the higher proportions of women from younger generations in the labour market and their movement through the age brackets over time, rather than older inactive women being activated. However, inactivity remains relatively high among women and among people aged 55–64. The likelihood of being inactive is more than three times greater for those with a low level of education than it is for highly educated people. This relationship between education and inactivity applies regardless of sex and age (Eurofound, 2014 a; Eurostat, 2016).

Increases in the age at which people retire have also contributed to decreased inactivity rates among the working-age population. This is largely due to discouragement of early retirement and increases in occupational and national pension ages, which in some countries were or are below 65 years. Sometimes legal pension ages that had been lower for women than for men were equalised by steeper increases in the pension age for women, further contributing to increases in employment rates among older women (Eurofound, 2014a; Eurofound, 2016c; Eurostat, 2016).

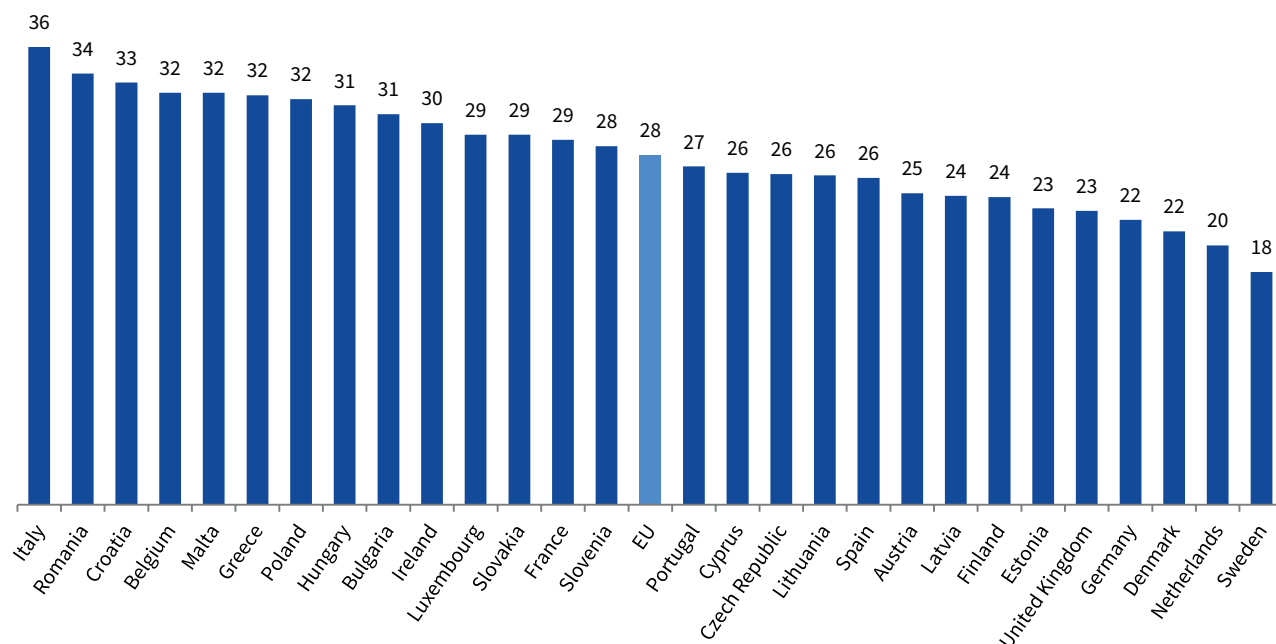
**Figure 1: Number of economically inactive people (in thousands), by sex, EU, 2007–2017**



**Note:** People aged 15–64 years; figures for Italy, Spain and the UK refer to those aged 16–64 years.

**Source:** EU-LFS quarterly data, from online database, extracted 26 July 2017

Figure 2: Inactivity rates (%), by Member State, 2015



Note: People aged 15–64 years; figures for Italy, Spain and the UK refer to those aged 16–64 years. Due to rounding, bars of different heights show the same values.

Source: Eurostat website, EU-LFS macrodata, extracted September 2016

According to EU-LFS data, it is twice as common to be economically inactive in Italy (36%) as it is in Sweden (18%) for people aged 15–64. The other 26 EU Member States lie somewhere between these two extremes (Figure 2).

## Characterising the inactive population

### Types of inactivity and country differences

#### Types of inactivity

When looking at self-defined inactivity in the EU-SILC (the main data source for understanding the living conditions of the inactive population), a starting point is that two-thirds (66%) of the EU population aged 18–64 report being employed, either as an employee, a self-employed person or a family worker (part time or full time). One-tenth (10%) reports that they are unemployed. The five remaining self-reported categories, listed in Table 1, are grouped in the current analysis as ‘inactive’ and constitute 24% of 18–64-year-olds.<sup>11</sup> While Table 1 uses the same wording as the 2014 EU-SILC guidelines (European Commission, 2014), these

category names are abbreviated in the rest of the report to: people in education, retirees, disabled people, homemakers and ‘other inactive’. It should be stressed that these labels are self-identified and that they are simplifications to enhance readability, summarising the different labels used by the diverse national surveys collecting data for the EU-SILC. As measurement and definitions differ, one should not expect the same result for the EU-LFS as those estimates presented above. However, large variation would raise doubts over the validity of the data, and, in fact, the results are similar in terms of overall proportions of inactive and broad Member State ranking; this can be seen by comparing the EU-LFS results based on the ILO definition of ‘inactive’ in Figure 2 with the EU-SILC results based on current self-reported status in Figure 3.

According to EU-SILC data, among the inactive population aged 18–64 years, most (31%) are in education (Table 1). Many others identify themselves as homemakers (25%), retired (23%) or disabled (14%). A fifth group (7%) comprises people who see themselves as economically inactive rather than unemployed but who do not feel any of the other four categories of inactivity describes their situation accurately. This last

11 The proportion of inactive is estimated at 24% among 18–64-year-olds in 2014 in the EU-SILC, based on Eurofound’s categorisation of self-reported employment status, 26% in 2011 in the EQLS among the same age group, again based on Eurofound’s categorisation of self-reported employment status, and 28% in 2015 in the EU-LFS among 15/16–64-year-olds, based on the EU-LFS/ILO definition.

**Table 1: Breakdown of inactive by self-defined status and proportions actively looking for a job, EU, 2014**

	%	% actively looking for a job (of which directly available)
Pupil, student, in further training or in unpaid work experience	31	9 (77)
Fulfilling domestic tasks and care responsibilities	25	9 (89)
In retirement or in early retirement or has given up business	23	1 (90)
Permanently disabled and/or unfit to work	14	2 (89)
Other inactive persons	7	15

**Notes:** People aged 18–64 years. 'Inactive' are defined here as those who self-identify as belonging to any of the five categories indicated. EU-SILC guidelines consider people 'in compulsory military or community service' also inactive; for the purpose of this report, this group has been excluded, and in any case, it is too small in size to influence results (European Commission, 2014).

**Source:** Eurofound analysis of EU-SILC 2014 cross-sectional microdata, July 2016 release

group may include students who have finished their education but who have not yet actively begun to seek employment. However, a closer look at the data shows that there is also a large group of middle-aged people in this category, which may suggest other subgroups – for example, people who have been unemployed for a while and who have given up looking for a job.

It is less common for inactive people to be actively looking for a job (7%) than it is for the unemployed (71%). However, among those who are, the majority are directly available (84%), but somewhat less than is the case among the unemployed (96%). There are differences between groups of inactive, with 'other inactive' (15%), homemakers (9%) and people in education (9%) more often reporting that they are looking for a job (Table 1). Students are less often directly available if they are looking for a job.

Eurostat's standard definition classifies people as 'working' if they worked one hour or more during the week prior to interview. Using a self-defined measure for unemployed and inactive instead, it is likely that people who work few hours are actually included in these 'non-working' categories (Sundaram et al, 2014). The available EU-SILC 2014 microdata do not generally include information on whether self-defined inactive groups had worked at least one hour during the week prior to the interview for most countries, but such data are available for Austria, Croatia, Germany, Hungary and Poland. Overall, 2% (Poland), 3% (Hungary), 4% (Croatia), 9% (Austria) and 16% (Germany) of the self-defined inactive had worked one hour or more in the week prior to the interview. In Germany, it is

particularly common for people who see themselves as unemployed to have worked for at least one hour during the week prior to the interview (14%), thus being statistically categorised as 'employed'. There are also unemployed people who worked at least one hour in the week prior to the interview in Croatia (5%), Austria (4%) and Hungary (4%). Among the inactive, people who see themselves as being in education often have worked in the week prior to the interview, specifically in Germany (30%) and Austria (21%). Among other inactive categories, there are also proportions who have worked in the week prior to the interview: retirees (12% in Germany, 4% in Croatia and Hungary), people with disabilities (9% in Germany, 5% in Hungary), homemakers (7% in Germany and Austria, 6% in Croatia), and 'other inactive' (12% in Croatia).<sup>12</sup>

Within the group of non-working people, differences also occur, depending on the definition used. Some people who say they are economically inactive (rather than unemployed) would have been classified statistically as unemployed if judged by whether they are looking for a job and available. For example, 9% of self-defined students and homemakers are actively looking for a job, among whom 77% and 89%, respectively, are available (Table 1). If they are without work (as mentioned above, hours worked in the week prior to the interview are not recorded for most countries in the dataset), they would be labelled 'unemployed' rather than 'inactive', according to the ILO definition. Looking at this another way, 29% of those who see themselves as unemployed would have been classified as inactive in the ILO definition as they are not actively looking for a job.

12 Weighted with PB060 variable for selected respondent countries and PB040 for others.

As in the EU-SILC, EQLS respondents are asked to self-identify with one of several activity statuses. The groups are similar to those recommended by the EU-SILC framework but are not exactly the same. Four of these groups are designated as inactive for the purposes of this report:

- unable to work due to long-term illness or disability;
- full-time homemaker/responsible for ordinary shopping and looking after the home;
- in education (at school, university, etc.)/student;
- retired.

The EQLS does not specify for the ‘other’ group that respondents need be inactive so this group is excluded in the current study.<sup>13</sup>

In 2011, just over one-quarter (26%) of the EU population of working age (18–64 years) in the EQLS self-identified as one of four groups (as previously mentioned, this compares to 24% in the EU-SILC 2014 data).<sup>14</sup> In terms of size, the groups break down as follows: retirees (8% of the total working-age population in the EU), those in education (8%), full-time homemakers (7%), and those unable to work due to disability or illness (3%).

Again, it may well be that some people self-identify as retired because they draw a pension or have retired from their main job but still work some hours (Eurofound, 2012b); many of those who principally self-identify as students may also actually work some hours. The EQLS only asks the economically active population how many hours they currently work; this question is not posed to the inactive population. Some economically active people (who work some hours) may thus be characterised as inactive in the analysis below. However, the EQLS does ask inactive respondents only, ‘Did you work last week? Even just an hour of paid work

is enough to answer yes’. Among the total inactive population, 11% said they worked at least one hour during the week prior to the interview. The highest proportion is among people in education (24%); homemakers (8%), retirees (6%) and people unable to work due to disability or illness (5%) are considerably less likely to have worked the previous week.

### Country differences

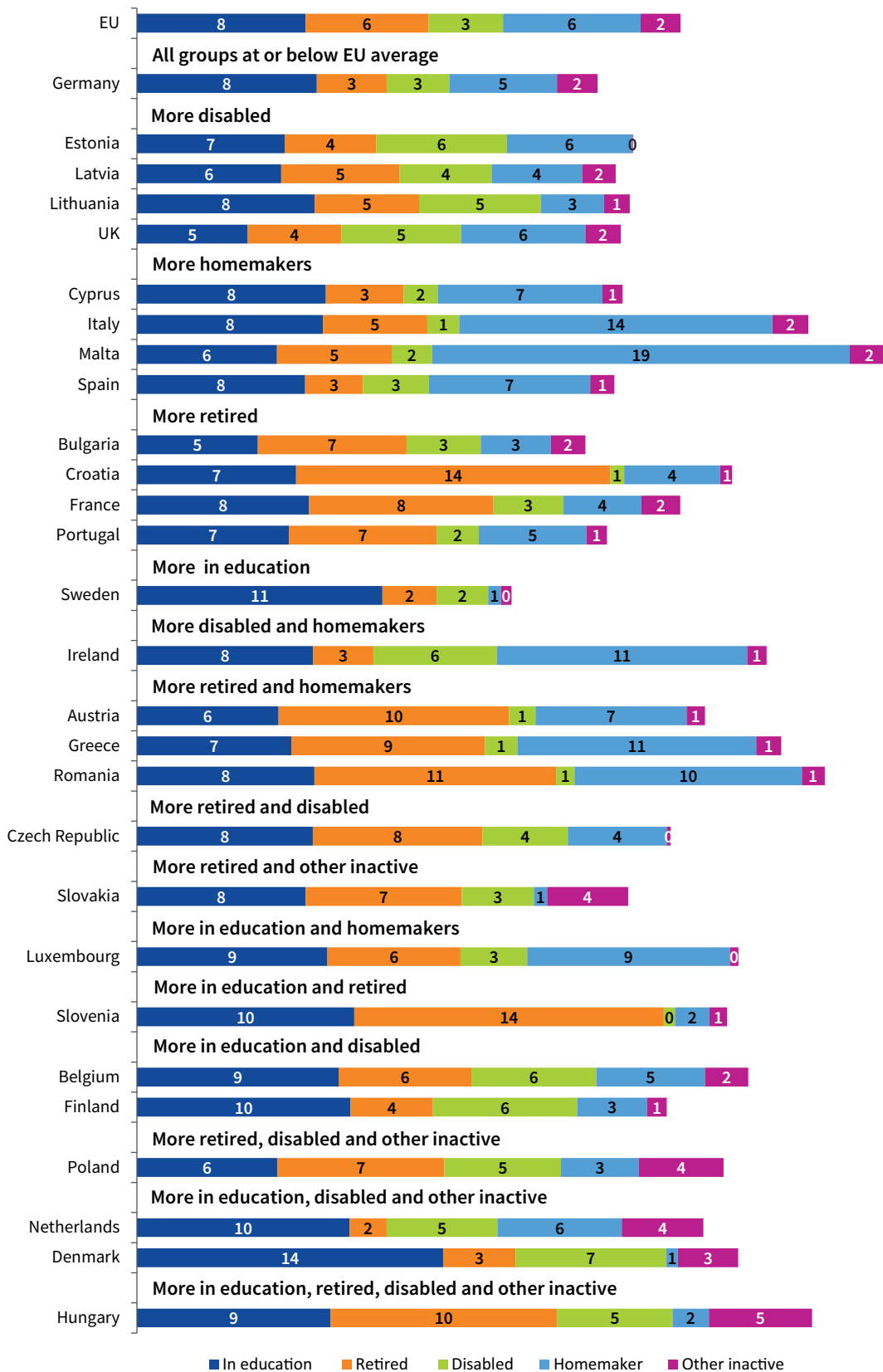
Figure 3 presents an overview of country-level differences among inactive groups. It should be noted that some people may identify themselves as retired if they receive a pension or as disabled if they receive a disability benefit, which is dependent on the institutional framework in the different countries. In some countries, several of the groups are relatively common, while in other countries no group (Germany) or only one group is more common than elsewhere. In relation to pressure for activation, people in education may be seen as being the least urgent as they are building up their human capital, so some countries with high proportions of inactive in education (Denmark and Sweden) may be regarded as less in need of activation measures than countries that have particularly large proportions of people in other categories (Hungary, Malta, Italy and Romania). However, the extent to which activation is needed in other groups could also be disputed; further investigation of reasons for inactivity and work preferences in Chapter 3 will shine more light on this.

In some countries, homemakers form a particularly large group (Austria, Cyprus, Greece, Ireland, Luxembourg, Malta, Italy, Romania and Spain). In one of these countries (Ireland), and in several other countries (Belgium, the Czech Republic, Denmark, Estonia, Finland, Hungary, Latvia, Lithuania, the Netherlands, Poland and the UK), people with a disability comprise a particularly large proportion of the inactive population.

13 Analysis of the results confirms that it makes sense to exclude the small group of ‘other’ from the inactive population as 44% say that they worked in the week prior to the interview. While the inclusion of the other 56% as ‘other inactive’ might be considered, this was not done because this group would be too small for most of the analyses, and it is somewhat arbitrary then to exclude some of the ‘other’ who did work the previous week (but may actually be inactive). As the answer category does not ask respondents to be ‘inactive’, this category may well include ‘active’ people who do not see themselves fitting in the other ‘active’ answer categories.

14 Some self-employed people, maybe because of lack of demand for their work or because of a break, report having worked zero hours; the focus here is not on them.

Figure 3: Breakdown of the inactive population as percentage of total population, by Member State, 2014



Notes: People aged 18–64 years. Weighted with PB040 variable, age on date of interview. No significance test was carried out; subgroups are judged more prevalent if the rounded full percentage was at least one percentage point above the EU average. 'Inactive' are defined here as those who self-identify as belonging to any of the five categories indicated.

Source: Eurofound analysis of EU-SILC 2014 cross-sectional microdata, July 2016 release

**Table 2: Country illustrations of differences in EU-SILC answer categories for self-defined economic status in 2014 surveys**

Poland	Spain	United Kingdom
Pupil, student, on an unpaid traineeship	Student, pupil, or in training	Student (incl. pupil at school, those in training)
Pensioner, including early retirement	Pensioner, retiree, early pensioner or business has closed	Retired from paid work
Pensioner (disability), unable to work due to health	Permanently disabled from work	Long-term sick or disabled
I run a household, caring for others	Dedicated to homework, care for children or other persons	Looking after family home
Professionally inactive for other reasons	Other type of economic inactivity	Not in paid work for some other reason

Source: Compiled by Eurofound based on national questionnaires provided by Member States to Eurostat

These country-level differences give a useful overview, but they should be interpreted with caution, in particular when cross-national comparisons are made. For example, in the various national questionnaires through which EU-SILC data are collected, there are country-level differences in the response categories comprising the various groups of inactive people. Table 2 gives an illustration, based on observations regarding the survey question through which the data in Poland, Spain and the UK were gathered. The following are examples of the differences.

- In the UK, the ‘disabled’ category does not depend on being able to work, while in the other two countries a connection with work is made (and in the Polish case, it is connected to receiving a disability pension).
- In the Spanish survey, under the category in this report labelled as ‘in retirement’, ‘business has closed’ is explicitly included, while in the category applied in Poland and the UK, it is not.
- In Poland, being in a paid traineeship is explicitly excluded from being in education, while in Spain and the UK, it is not.
- In Spain, ‘care for children or other persons’ is explicitly mentioned for homemakers, in the Polish case, the more general ‘caring for others’ is used, while in the UK, caring for people is not explicitly included.

There are other differences, for example in the order of the categories and their placement within the questionnaire. Furthermore, as EU-SILC data do not need to be collected through a single survey, questionnaire topics that contain this specific EU-SILC question differ widely. All this is likely to influence outcomes and limits comparability.

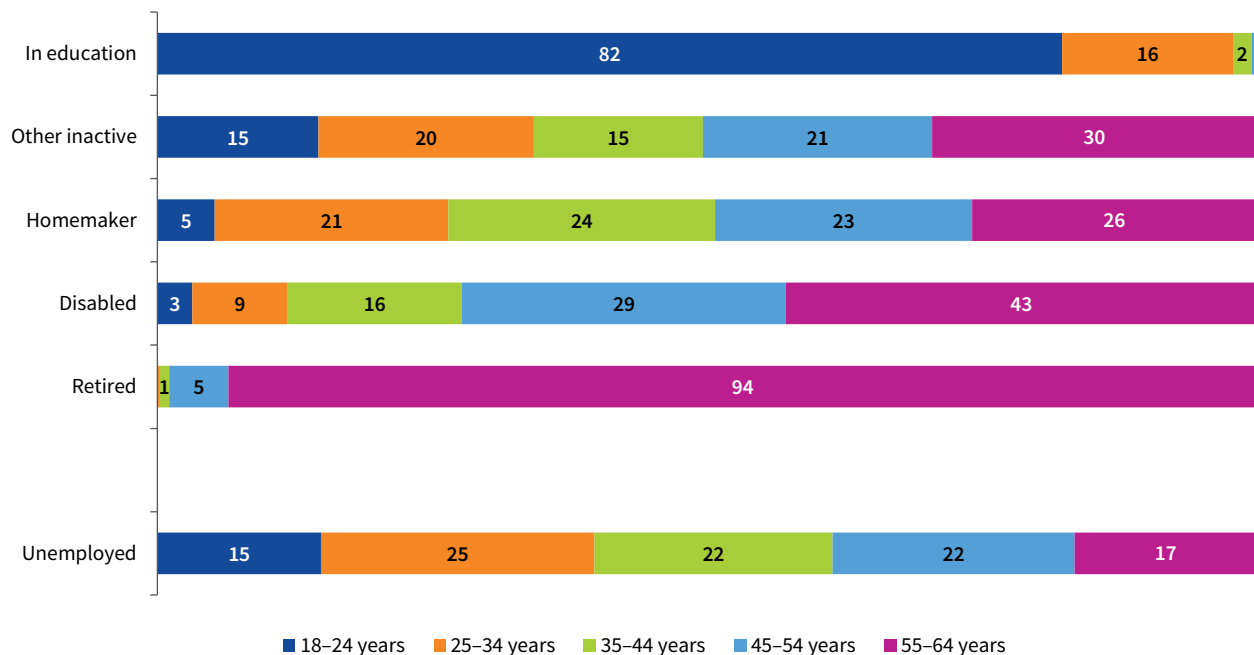
The EQLS takes a homogeneous approach across countries, but its sample size does not allow for reliable estimates of the various inactive groups by Member State. Despite these issues, however, the country

rankings of the EQLS and EU-SILC broadly coincide. For example, the nine countries identified above as having a particularly large group of homemakers are also the nine countries where, according to the EQLS, homemakers comprise the largest group among the inactive population aged 18–64 years. Similarly, the nine countries with the highest self-reported disability rates in the EQLS are all among those with the highest estimates of this according to the EU-SILC. However, differences do occur: according to the EQLS, the Czech Republic, Denmark and Finland have average ratings regarding disability, yet according to the EU-SILC, the rates are higher.

### Household composition

People who are inactive and disabled and those who are in retirement often live in one-person households (25% and 19%, respectively). Retirees often live in two-adult households without dependent children (35%), and homemakers and people in education often live in two-adult households with dependent children (45% and 46%, respectively); in the latter case, the person in education is probably, in most cases, one of the dependent children. There is diversity in household composition among the various groups of inactive, with no single type of household characterising half of the group or more. National census data from Ireland suggest that one in seven single parents is male; while mothers often become single due to divorce, fathers more often become single due to the death of a partner (CSO, 2012). In the UK, 9% of single parents were male in the 2013 census (ONS, 2014), while data from the EQLS confirm that for the EU as a whole, 12% of single parents are male. Single fathers are more often in employment than single mothers. Relevant factors here might include the greater likelihood of fathers being in employment generally and that single fathers may lack other sources of income such as maintenance payments. To be effective and fair, policies aiming to integrate inactive single parents into the labour market should not be targeted only at single mothers as there are significant shares of inactive single fathers as well.



**Figure 4: Inactive groups and unemployed people (%), by age group, EU, 2014**


**Notes:** People aged 18–64 years. Weighted with PB040 variable, age on date of interview. ‘Inactive’ are defined here as those who self-identify as belonging to any of the five economically inactive categories indicated. Due to rounding, values in some bars do not add up to 100% exactly.  
**Source:** Eurofound analysis of EU-SILC 2014 cross-sectional microdata, July 2016 release

## Age and sex

Unsurprisingly, there are large differences in the age composition of the various self-defined groups of inactive (Figure 4). In particular, the vast majority (94%) of retirees are aged 55–64 years, and most people in education (82%) are 18–24 years. The other groups show more mixed age profiles: disabled people are more likely to be older (43% are 55–64 years), and small percentages of disabled people (3%) and homemakers (5%) are in the 18–24 years age group.

There are also some marked gender differences: while men are over-represented among the unemployed (54% versus 46%), women are overrepresented among the inactive (64% versus 36%). Women are also overrepresented within most subgroups of inactive people (Figure 5). An exception is disabled people, where shares of men and women are equal. For people in education (51% female, 49% male) and in retirement (52% female, 48% male), the differences are relatively small. Women are particularly overrepresented in the categories of homemaker (97% versus 3%) as well as ‘other inactive’ (62% female versus 38% male).

## Movement into and out of inactivity

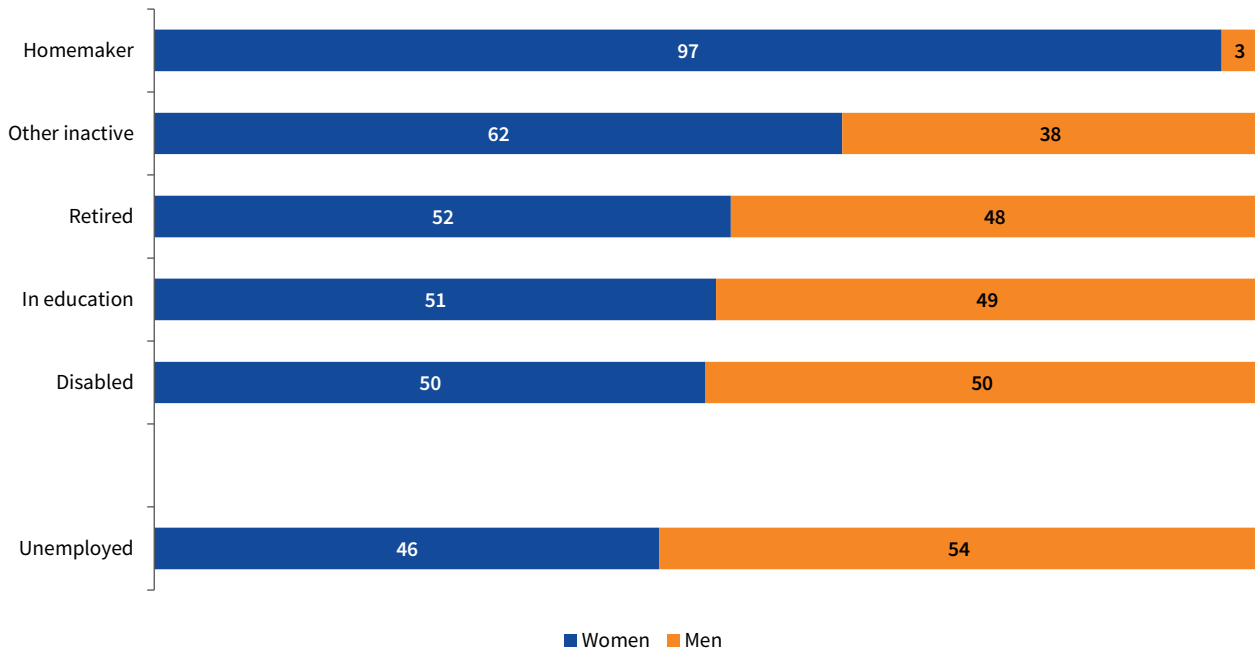
In the year prior to the 2014 data collection for EU-SILC, 7% of people in the EU experienced a change in their economic activity status.<sup>15</sup> (When looking at the types of changes in this section, it should be noted that for those whose status changed more than once, only the most recent change is mentioned.)

Overall, the most common changes were going from unemployment to employment (30%) and vice versa (25%). Many moved from ‘other inactive’ to employment (16%). Others entered inactivity, mainly going from employment to ‘other inactive’ (12%). Other changes included going from unemployment to ‘other inactive’ (5%), from ‘other inactive’ to unemployment (5%) and from employment to retired (3%).

Of those aged 18–64 years who became inactive, most had been employed prior to this change and were categorised as ‘other inactive’ (48%) – these may have been, for example, people who were between jobs. Another large group (23%) went from unemployment into the ‘other inactive’ category. It is possible that these people no longer considered themselves to be unemployed because they stopped receiving an unemployment benefit or had given up looking for a job. Many also went from employment to retirement

<sup>15</sup> Weighted with PB060 for selected respondent countries and PB040 for others, age on date of interview.

Figure 5: Inactive groups and unemployed people (%), by sex, EU, 2014



**Notes:** People aged 18–64 years. Weighted with PB040 variable, age on date of interview. ‘Inactive’ are defined here as those who self-identify as belonging to any of the five economically inactive categories indicated.

**Source:** Eurofound analysis of EU-SILC 2014 cross-sectional microdata, July 2016 release

(14%), while a much smaller number went from unemployment (4%) or ‘other inactive’ (4%) to retirement. This last figure lends credence to the idea that some ‘other inactive’ may comprise older people who have given up looking for a job or do not receive any unemployment or disability benefits.

Previous panel data analysis combining data from 2010 to 2013 showed that from one year to the next (2010–2011, 2011–2012 and 2012–2013), around 60% of unemployed people in the EU remained unemployed and 14% moved to inactivity (European Commission, 2016a). Less than 10% of the inactive individuals in the EU became employed (including self-employed) in the one-year time frame. The study also investigated the situation of temporary full-time and part-time workers. Over one-fifth (22%) of temporary full-time employees obtained a permanent full-time contract. At the same time, 14% of temporary full-time employees lost their jobs, and 4% became inactive; these are higher proportions than those found among permanent workers. Temporary part-time workers were more likely to become unemployed (15%) or inactive (8%) and less likely to get a permanent full-time job (5%).

## Living conditions

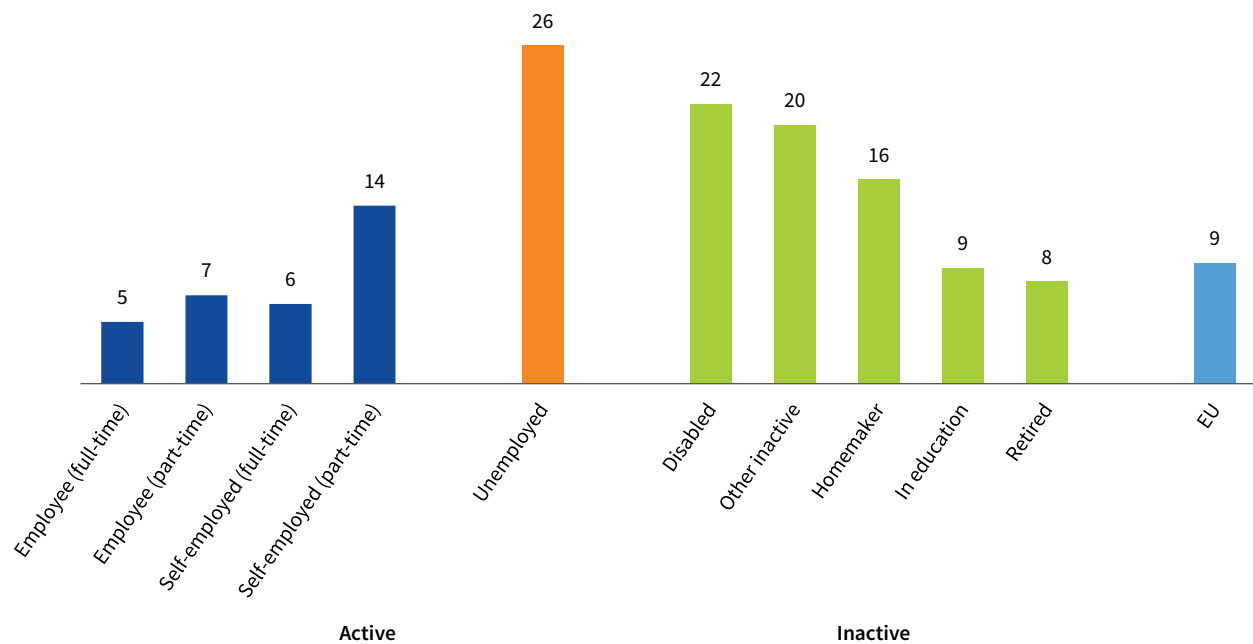
### Material deprivation

The EU-SILC provides information on households’ ability to afford certain costs such as replacing worn-out furniture and possession of certain goods, such as a washing machine. If a respondent reports that their household cannot afford three or more such items out of a list of nine, they are considered ‘severely materially deprived’.<sup>16</sup>

Overall, 26% of unemployed people aged 16–64 years in the EU live in a severely deprived household (Figure 6). This is higher than for any of the groups of inactive people. Among inactive people aged 16–64, the highest deprivation rate occurs for disabled people (22%). Two groups of inactive people are particularly unlikely to live in severely deprived households: those in education (9%) and retirees (8%). However, more retirees aged 16–64 live in severely materially deprived households than those aged 65 years and older (6%).

<sup>16</sup> The nine items are inability to pay rent, mortgage or utility bills; to keep one’s home adequately warm; to meet unexpected expenses; to eat meat or proteins regularly; to go on holiday; to own a television set; to own a washing machine; to own a car; and to own a telephone.

Figure 6: Prevalence of severe household material deprivation (%), by economic activity category, EU, 2014



**Notes:** People aged 16–64 years. Weighted with PB060 for selected respondent countries and PB040 for others, age on date of interview. 'Inactive' are defined here as those who self-identify as belonging to any of the five economically inactive categories indicated.

**Source:** Eurofound analysis of EU-SILC 2014 cross-sectional microdata, July 2016 release

Among all people aged 16–64, women (9.4%) are somewhat more likely to live in a severely deprived household than men (9.2%).<sup>17</sup> However, disaggregating the data by labour market status and groups of inactive persons reveals a more complex picture, with larger differences by sex. Men in full-time employment live less often in a materially deprived household (4.6%) than women in full-time employment (4.9%). While it is more common for women to be employed part time, men who are employed part time are 54% more likely to be in a deprived household (9.5%) than women who are employed part time (6.2%). Among unemployed people, severe material deprivation is also more common among men (28.5%) than women (23.1%).

What about the inactive population? Disabled men (22.0%), male homemakers (20.0%) and 'other inactive' men (26.4%) more often live in severely deprived households than disabled women (21.0%), female homemakers (15.6%) and 'other inactive' women (15.9%). For retirees of working age, the gender difference is more pronounced and reversed: women (8.7%) are more often materially deprived than men (6.9%).

These data should be seen in the household context. For example, inactive men (excluding retirees) may be more likely to live in a materially deprived household because

they are more likely to have a partner who is also inactive, when compared to inactive women. This may explain why there is little gender difference among students, with 9.0% of male and 8.9% of female students living in severely deprived households – for this group, the income of a partner plays a smaller role as many students live in single households or with their parents.

Economically inactive people aged 18–64 are more likely to be materially deprived in some countries than in others (as of 2015). Among retirees, material deprivation is most common in Bulgaria (33%), Romania (26%) and Latvia (24%), and least common in Luxembourg, the Netherlands and Finland (all three below 0.4%). The other inactive groups are too small in several countries to yield reliable estimates, but Eurostat's online database groups 'non-retirees' together and indicates that among these 'non-retired inactive', it is most common to live in a severely materially deprived household in Bulgaria (40.3%), Romania (30.3%) and Greece (29.0%) and least common in Sweden (2.0%), Luxembourg (3.5%) and the Netherlands (4.4%). A closer look at the 2014 microdata does reveal some information about two, generally larger, non-retired inactive subgroups: students and disabled people. Among students, the highest

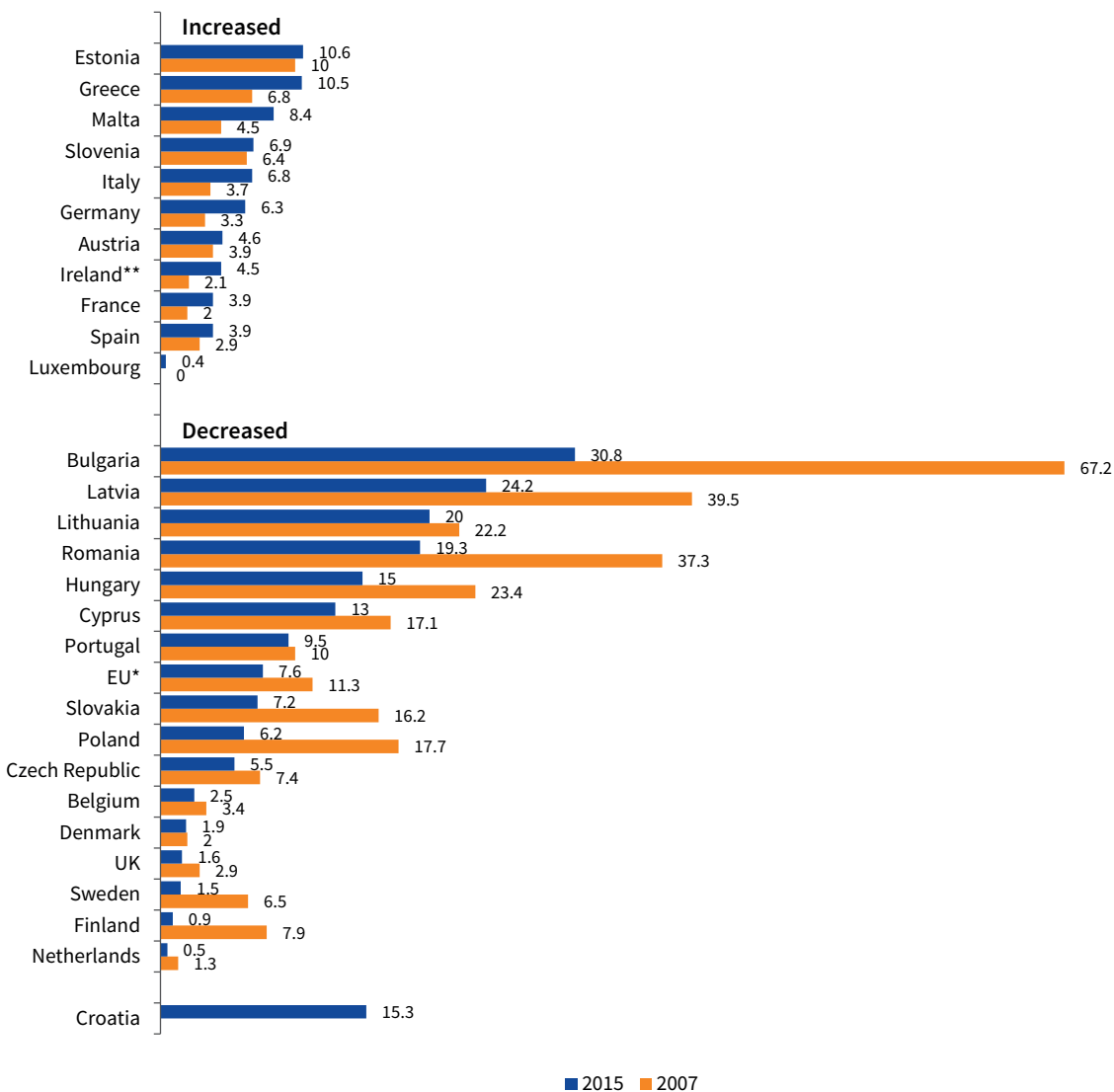
<sup>17</sup> Generally, figures in this report are shown with no decimal places to temper expectations of the estimate's accuracy, but an exception is made here to allow for comparison at EU level between large subgroups.

proportions live in severely deprived households in Greece (27%), Bulgaria (22%) and Hungary (20%), and the lowest proportions in Austria (3%), Luxembourg and Sweden (both 1%). Regarding the disabled inactive subgroup, severe deprivation is most common in Bulgaria (57%), Romania (49%) and Latvia (43%), and least common in Denmark (11%), Luxembourg (8%) and Sweden (5%).

There have been changes since 2007: among those who are inactive and aged 18–64 years, the situation has generally improved for retirees and worsened for non-retirees (Figures 7 and 8). In the EU as a whole, the likelihood of retirees being materially deprived fell between 2007 and 2015 (from 11.3% to 7.6%). For the other inactive groups, the opposite is true, with the rate

going from 11.7% to 12.7%. However, it is important to look beyond this broad picture. Some Member States show a different trend. In some cases, severe material deprivation has become more common among both retirees and inactive people who are not retirees (in particular – in percentage point increases – in Greece, Ireland, Italy and Malta). In other cases, severe material deprivation became more common only among non-retired inactive people (in particular, in Cyprus, Hungary, Portugal, the Netherlands and the UK). There are also countries where the proportion experiencing severe material deprivation has declined for both groups of inactive people (in particular, Bulgaria, Finland, Latvia, Lithuania, Poland, Romania, Slovakia and Sweden).

Figure 7: Prevalence of severe material deprivation among inactive retirees (%), EU Member States, 2007 and 2015

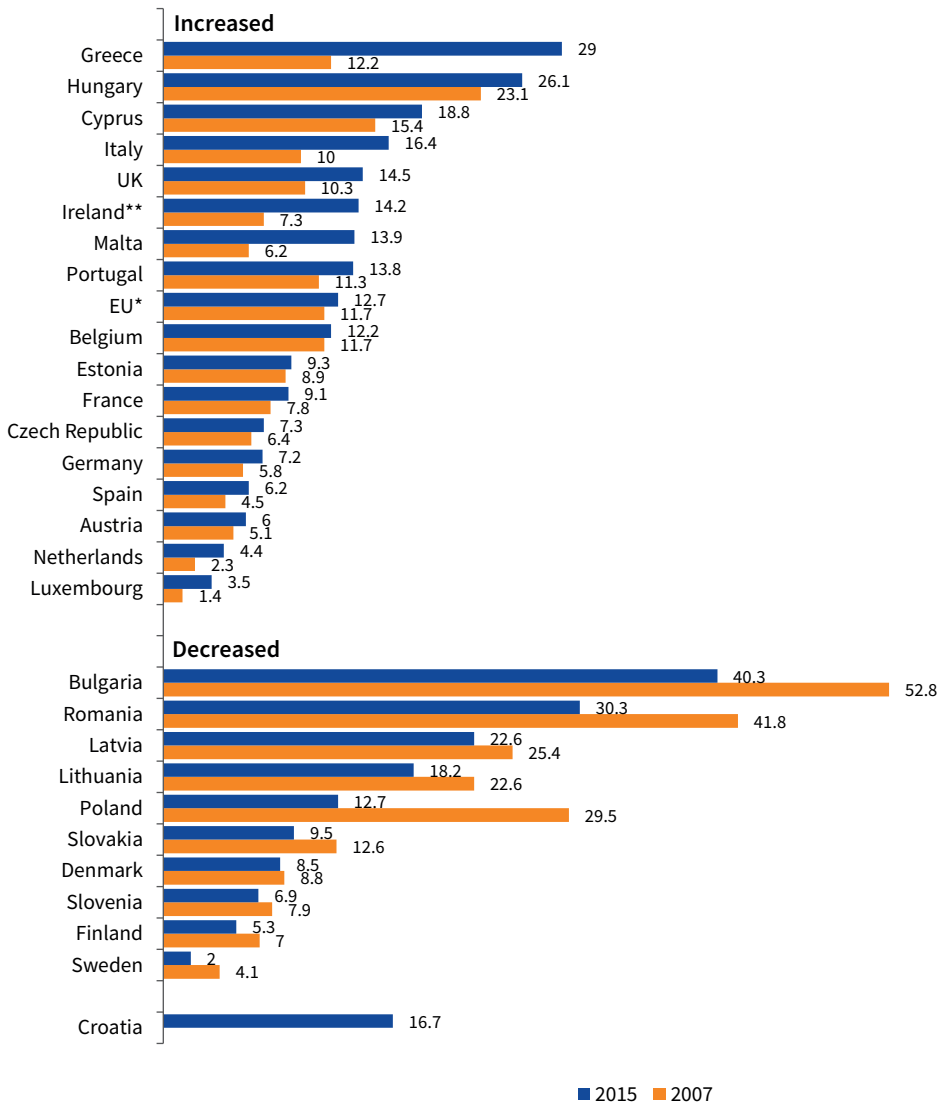


\* Excludes Croatia for 2007. \*\* 2015 data not available, so 2014 data used instead.

Notes: People aged 18–64 years. No significance tests were conducted, so the reader should exercise caution when interpreting the chart, in particular regarding small changes such as occurred in Slovenia, Luxembourg, Denmark and Portugal.

Source: Eurostat online database, extracted 14 November 2016

Figure 8: Prevalence of severe material deprivation among inactive people excluding retirees (%), EU Member States, 2007 and 2015



\* Excluding Croatia for 2007; \*\* 2015 data not available, so 2014 data used instead.

Notes: People aged 18–64 years. No significance tests were conducted, so the reader should exercise caution when interpreting the chart, in particular regarding small changes such as occurred in Belgium, Denmark and Estonia.

Source: Eurostat online database, extracted 14 November 2016

For these reasons, a reactivation policy that seeks to address severe material deprivation should reflect an awareness of differences, both between Member States and within Member States, and between retired and non-retired inactive people. Overall, inactive people who do not identify themselves as retirees are more likely to live in a severely materially deprived household than retirees. Furthermore, this gap has widened; in the EU as a whole, it went from 0.4 percentage points (11.3% versus 11.7%) in 2007 to 5.1 percentage points (7.6% versus 12.7%) in 2015. Neither this difference nor the trend holds for all Member States, however, which

shows that the focus of policy in this field should depend on the local context.

### Household work intensity

If an inactive person lives in the same household as someone in paid employment, this can be expected to act as a buffer against material deprivation. In such circumstances, inactivity may also more likely be a choice. One Eurostat indicator is of particular interest here: whether an inactive person’s household has low work intensity or not. The work intensity of a household is defined as ‘the ratio of the total number of months

that all working-age household members have worked during the income reference year and the total number of months the same household members theoretically could have worked in the same period'.<sup>18</sup> In this report, work intensity is considered low when it falls below 0.20.<sup>19</sup>

Households composed only of children, of students aged below 25 years, and/or of people aged 60 years or over are excluded from the indicator calculation and labelled as 'not applicable'. As would be expected, and as Figure 9 shows, this is often the case for households comprised of people in retirement, often consisting of only adults over 60. The majority of inactive people who are in education (80%) and who are homemakers (65%) do not live in households with low work intensity, frequently living with working parents, in the case of students, or partners, in the case of homemakers.

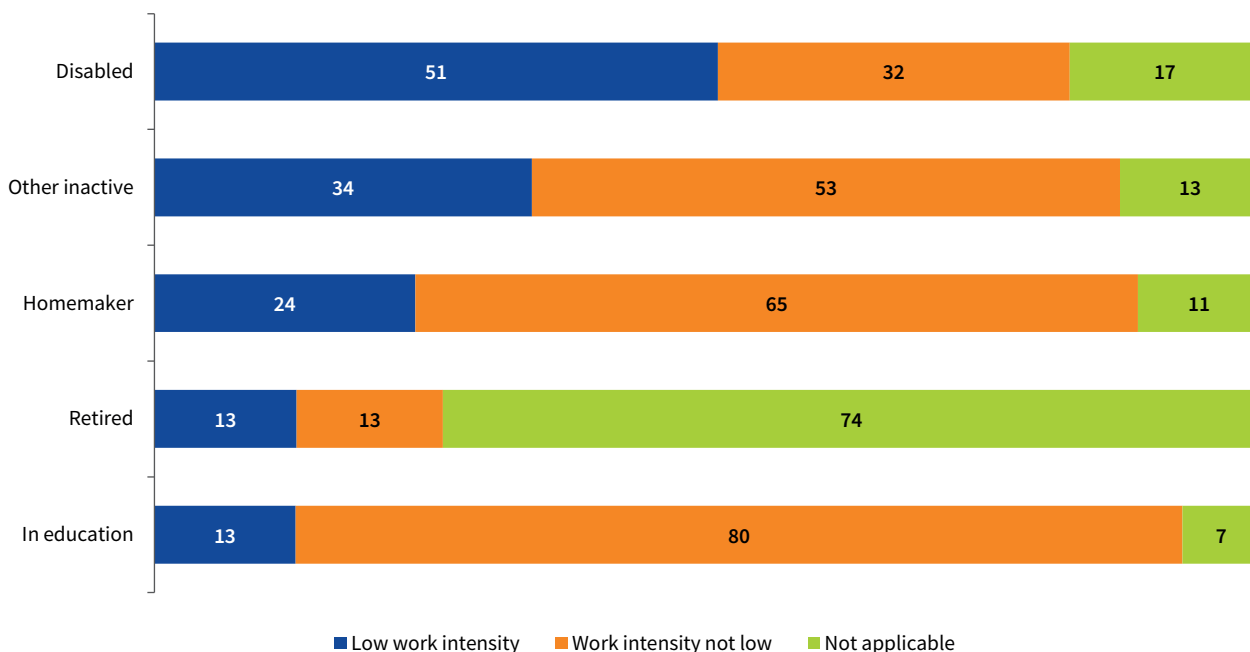
Severe material deprivation is more than twice as common for inactive people living in households with low work intensity as it is for those who do not. The figures show that 29% of homemakers and disabled people in low-work-intensity households are severely materially deprived (compared to 12% of homemakers and 13% of disabled people in other households) and

31% of 'other inactive' people (compared to 13% who live in households where work intensity is not low).<sup>20</sup> The difference is most marked for inactive people in education: of those who live in a low-work-intensity household, 23% are severely deprived compared to 7% who do not live in this type of household. This may be because the category of those living in a low-work-intensity household frequently includes students who do not live with their parents. For retirees, the difference between households with and without low work intensity is less pronounced. Among this group, as with others, households are more likely to be severely deprived if they have low work intensity (14%) than if they do not (9%), but the difference is smaller than it is for the other groups of inactive people, probably because of pension income.

### Housing-related costs

An important issue is whether people are struggling to pay rent or make mortgage repayments, or to pay housing-related costs more generally (Eurofound, 2013). Utility arrears are an important type of arrears among low-income households, and in particular among people who spend most of their time at home because of lack of employment. People may default on housing-

Figure 9: Prevalence of low work intensity in households of inactive groups (%), EU, 2014

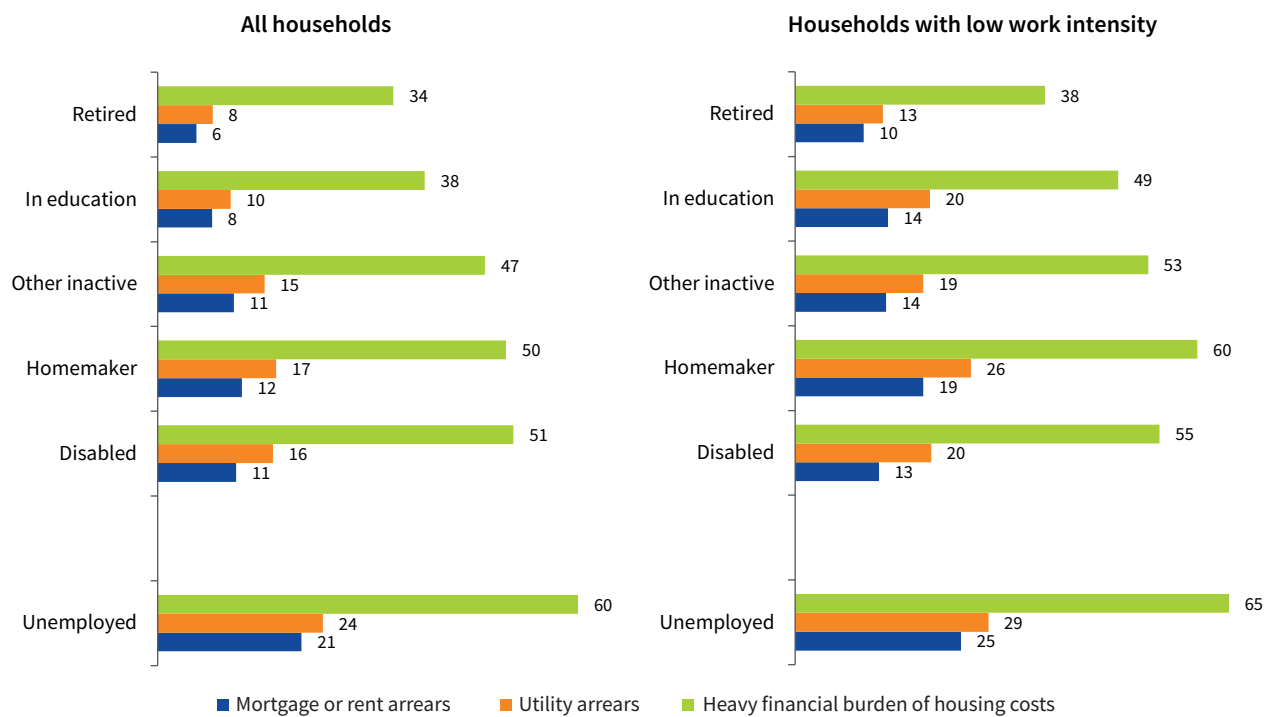


**Notes:** People aged 16–64 years. Weighted with PB040 variable, age on date of interview. Low work intensity refers to a work intensity level between 0 and 0.2. 'Inactive' are defined here as those who self-identify as belonging to any of the five categories indicated.  
**Source:** Eurofound analysis of EU-SILC 2014 cross-sectional microdata, July 2016 release

18 Working age in this context is defined as 18–59 years, excluding students aged 18–24 years (Eurostat, 2017).

19 This corresponds to 'very low' according to Eurostat's definition, but for readability reasons it is labelled 'low' here.

20 Eurofound analysis of EU-SILC 2014 cross-sectional microdata, July 2016 release; weighted with PB060 for selected respondent countries and PB040 for others, age on date of interview.

**Figure 10: Prevalence of arrears and housing cost burden among unemployed and inactive groups (%), EU, 2014**


**Notes:** People aged 18–64 years with arrears at least once in the past 12 months. Weighted with PB040 variable, age on date of interview. ‘Inactive’ are defined here as those who self-identify as belonging to any of the five economically inactive categories indicated.

**Source:** Eurofound analysis of EU-SILC 2014 cross-sectional microdata, July 2016 release

related costs as a way to ‘get by’, prioritising expenditure on food, for example.

This study looked at three types of housing costs: arrears in utility bills, arrears in mortgage or rent payments, and experiencing housing costs as a heavy financial burden. As with material deprivation, such problems are more common among unemployed people than they are among any of the inactive groups (Figure 10, left-hand panel). This may be because some unemployed people have left employment relatively recently, perhaps unexpectedly, and may not have been able to adjust their living standards to their new situation. Inactive people are more likely to have been out of employment for longer, and it may be more likely that their living standards have already adjusted. Another explanation is that people in education or homemakers are more likely than unemployed people to live in households where other members are employed (as discussed in the previous section).

Even when only low-work-intensity households are considered, unemployed people are still the most likely to experience any of the three housing-cost pressures (Figure 10, right-hand panel). The situation changes strikingly for homemakers, however. Three-fifths (60%) of homemakers in a household with low work intensity (which often implies that they have no working partner) have a heavy housing cost burden. The proportion with utility arrears (26%) is greater compared to the unemployed as a whole (24%) but less compared to the unemployed in low-work-intensity households (29%).

## Neighbourhood

What about other aspects of living conditions, such as the areas where inactive people live? Are they more likely to experience crime, pollution or noise? It is apparent that place matters, with inactivity being more common in some areas than others in Europe. However, the causal link between inactivity (and the living conditions when one is inactive) and quality of the local area (or neighbourhood) is less straightforward (see, for example, Van Ham et al, 2017). Inactivity may not only play a role in confining people to lower-quality local areas, but lower-quality local areas may also fuel unemployment and eventually inactivity when people give up looking for work. Bad neighbourhoods may also trap people into inactivity due to a lack of nearby jobs, stigmatisation, and disinclination of employers to hire people from specific localities. They may contribute to ill health through pollution, noise and poor access to healthy food, or even to poor mental health, with a negative environment encouraging people to ‘give up’.

Generally, unemployed people seem to experience neighbourhood problems more frequently than the inactive. However, this is not true for all groups of inactive people (as it was for material deprivation and issues related to housing costs). In particular, those unable to work due to long-term illness or disability who live in densely populated areas are more likely to report problems with crime, pollution and noise than any of the other groups of inactive people or unemployed people (Table 3).

**Table 3: Prevalence of neighbourhood problems among inactive groups and unemployed people, according to neighbourhood population density, EU, 2014**

	Crime violence or vandalism in the area %			Pollution, grime or other environmental problems %			Noise from neighbours or from the street %		
	Dense	Moderate	Thin	Dense	Moderate	Thin	Dense	Moderate	Thin
Unemployed	24	15	8	23	15	9	29	20	13
In education	20	11	7	22	14	8	27	18	11
Retired	20	12	8	18	14	9	22	16	12
Disabled	28	14	9	24	14	10	32	22	13
Homemaker	23	13	8	21	15	8	24	19	12
Other inactive	22	12	8	22	15	11	27	19	14

**Notes:** People aged 18–64 years. Weighted with PB040 variable, age on date of interview. ‘Inactive’ are defined here as those who self-identify as belonging to any of the five categories of economically inactive indicated. Population density according to Eurostat’s DEGRUGA categorisation.

**Source:** Eurofound analysis of EU-SILC 2014 cross-sectional microdata, July 2016 release



# 3 Unmet needs – Reasons for inactivity and willingness to work

## Reasons for inactivity

The self-identified inactive categories analysed in the previous chapter (in the section ‘Types of inactivity’) provide some indication of the reasons for inactivity as captured by the EU-SILC. However, this information may be misleading. For example, someone may have retired (and thus self-identify as a retiree) because of an illness, and people may be homemakers because they think that paid work is not available.

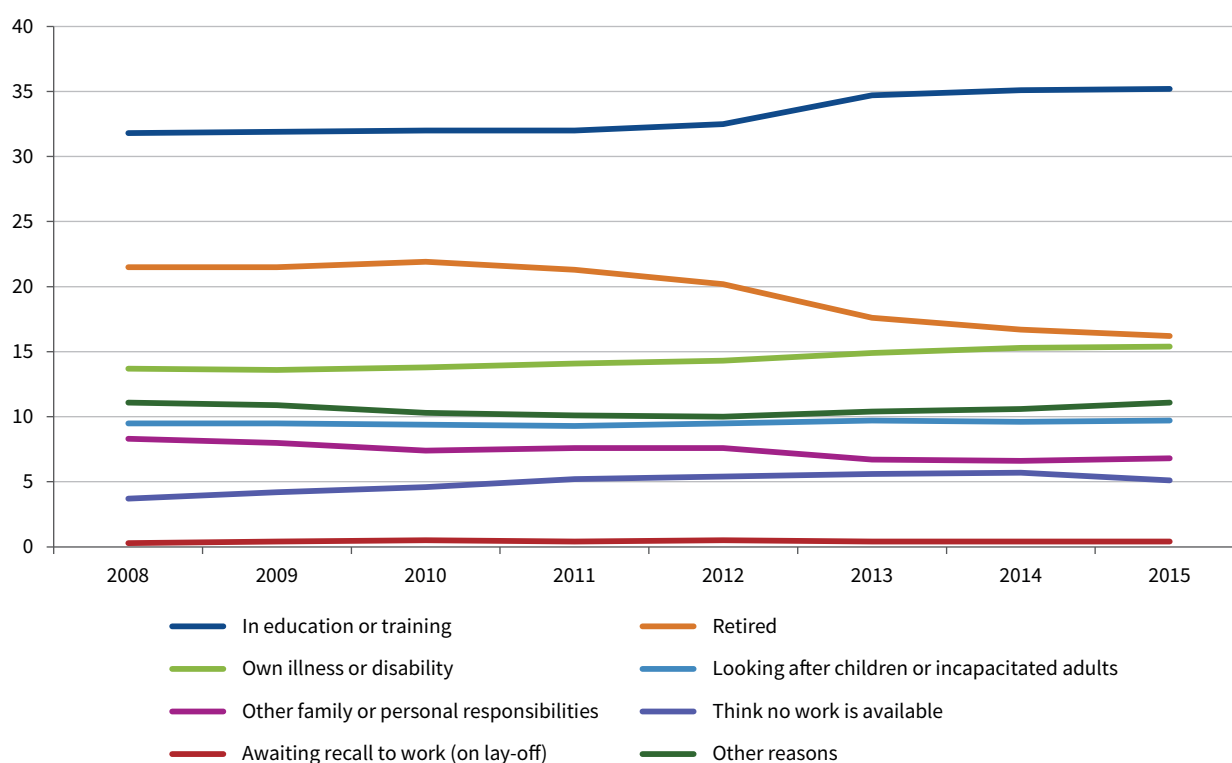
The EU-LFS asks respondents more explicitly about the reasons for their economic inactivity. Overall, the most common reason for economic inactivity among 15–64-year-olds is being in education, followed by retirement (Figure 11). Since 2010, education has become a more commonly stated reason, while retirement has become less common. At the beginning of the economic crisis, retirement was clearly a more frequently cited reason for inactivity than being ill or disabled. In 2015, however, these two reasons were given with almost equal frequency; this was because of a steep decrease (from 2010 to 2013) in retirement

alongside a more gradual increase in illness or disability as reasons for inactivity.

These aggregate developments, however, hide important age-related differences. The increase in inactivity because of education or training can largely be explained by the increase in inactivity mainly among 15–39-year-olds. For this group, being in education or training is clearly the most common reason for inactivity (Figure 12, left-hand panel). Education or training has become a more common reason for inactivity among people aged 15–39, possibly because of tight labour markets, with education being seen as an alternative to unemployment or as a way to increase one’s chances of finding employment.

Among 40–64-year-olds, the increase in the proportion of people who are inactive due to illness or disability has been as marked as the decrease in the proportion of those who are inactive due to retirement (Figure 12, right-hand panel). This is likely to be a reflection of early retirement having become less accessible, leading to more people dropping out of the labour market before

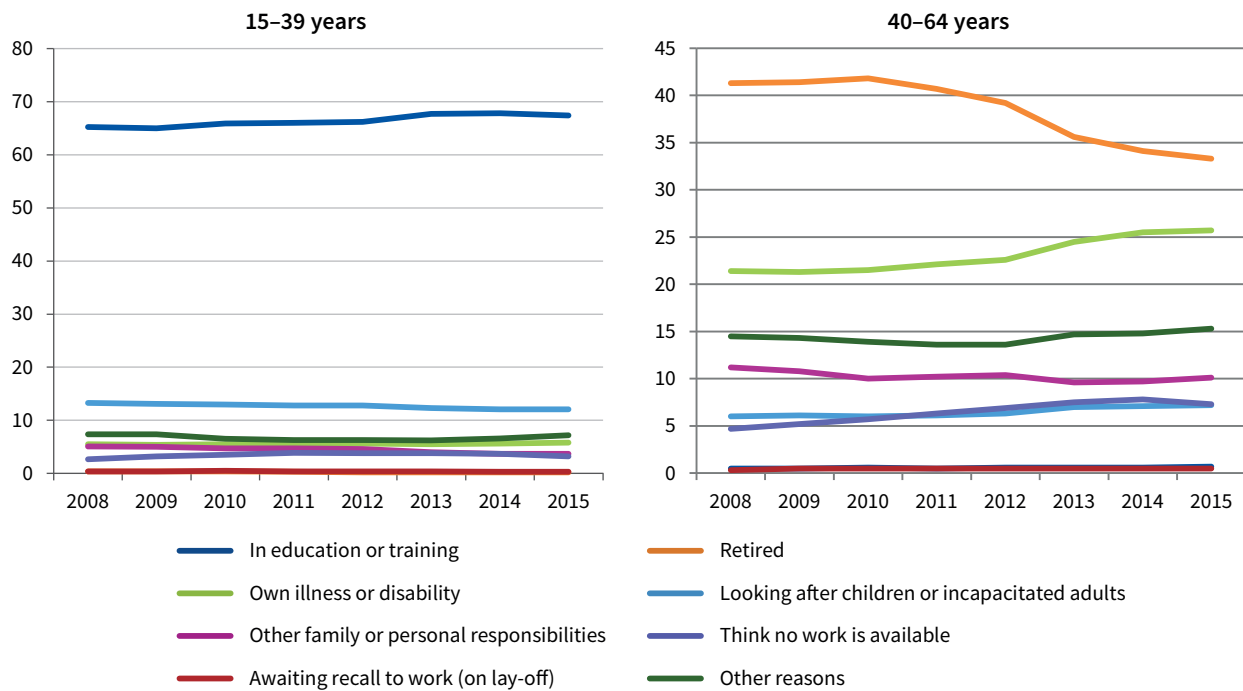
Figure 11: Reported reasons for inactivity (%), EU, 2008–2015



Notes: People aged 15–64 years.

Source: Eurostat website, EU-LFS macrodata, extracted September 2016

Figure 12: Reported reasons for inactivity in different age groups (%), EU, 2008–2015



Notes: Figures for Italy, Spain and the UK in the left-hand panel refer to people aged 16–39 years.  
 Source: Eurostat website, EU-LFS macrodata, extracted September 2016

the age at which they are entitled to a pension. Such ‘pre-retirement vulnerability’ has been highlighted as a phenomenon that may be on the increase (Eurofound, 2016c). Nonetheless, early retirement remains a more common reason for inactivity among 40–64-year-olds than illness or disability. Among young people (for whom retirement plays no real role), there has been a more gradual increase in the number of those who are inactive due to illness or disability.

Among the whole working-age population (15–64 years), these simultaneous developments have contributed to illness and disability becoming on a par with retirement as a reason for inactivity.

Being inactive because of a perception that there is no work available is equally common among younger and older people, but has recently become more common as a reason for inactivity, in particular among older people of working age. This could also be related to the decreased accessibility of early retirement schemes, with older inactive people who have been made redundant, rather than let go through an early retirement scheme, reporting this as a reason for inactivity, rather than retirement. It is not always easy to disentangle the reasons for inactivity; for example, some people may be in education because they feel there is no work available, but they can only report either being in education or feeling there is no work available, not both.

Looking after children or disabled adults has remained rather stable as a reason for being inactive for a

substantial group. It is twice as common among younger people as it is among older people, probably a reflection of parents’ childcare responsibilities.

## Incentives to work

### Willingness to work

#### EU-level data

The incentives that can motivate inactive people to work are multiple and complex. They may, for example, be related to expected pay, to tax systems and benefits, to job quality, to work being adjusted to people’s specific needs (something especially pertinent to disabled people and people with health problems), and to work arrangements that fit with individual preferences. A broad indicator measuring the outcome of such a wide range of incentives is whether the inactive person has at least some desire to work some hours per week. This presumes that everybody can be incentivised to work if work is attractive enough. While such a broad outcome-based proxy for ‘incentives’ comes with the challenge that this assumption may not be realistic, the alternative (measuring proxies of incentives) would also present problems.

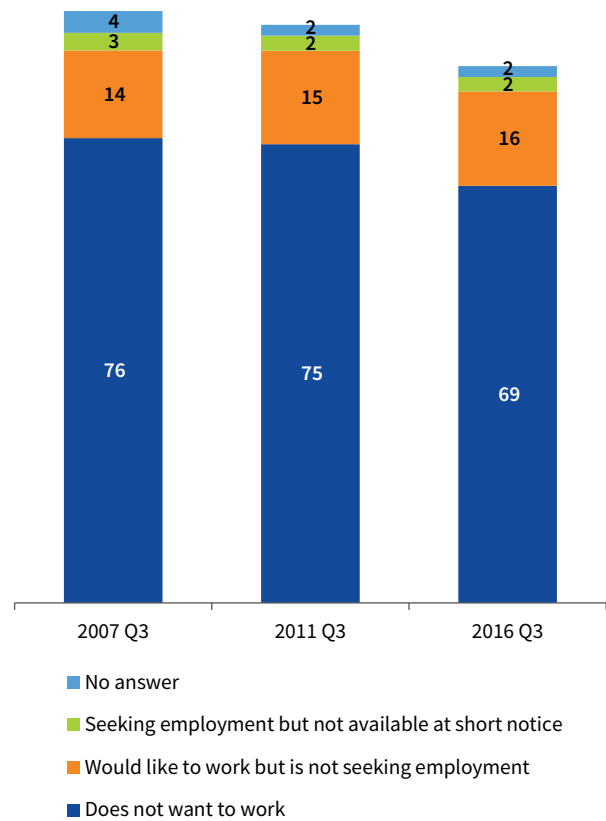
The EU-LFS asks inactive respondents whether they would like to work an hour or more per week. As in the EU-SILC, differences occur across Member States with the operationalisation of the EU-LFS – for example, in the way questions are asked. For instance, in Spain, willingness to work is measured by asking people

‘Bearing in mind the last four weeks, would you have wanted to have a job?’ In the Netherlands, they are asked ‘Would you like to have paid work at this moment? This includes one hour per week, or a shorter period’. Despite these differences, results do give an indication of the proportion of inactive people in the EU who are willing to work (Figure 13). Results show that, combining those who are seeking employment but unavailable for work with those who would like to work but are not seeking employment, about one in five inactive people want to work. Another important finding is that the proportion of people who want to work but are not seeking employment has been on the increase (from 15% in 2007 to 18% in 2011).

In 2011, the EQLS asked respondents, regardless of whether or not they were working, how many hours they would like to work. This question is more specific than the corresponding EU-LFS question in that it asks for the number of working hours respondents would prefer, and the same question was posed across all Member States. It also asked respondents to take financial need into account, which may help explain why a higher proportion of people said they would like to work one hour per week or more in the EQLS than in the EU-LFS.

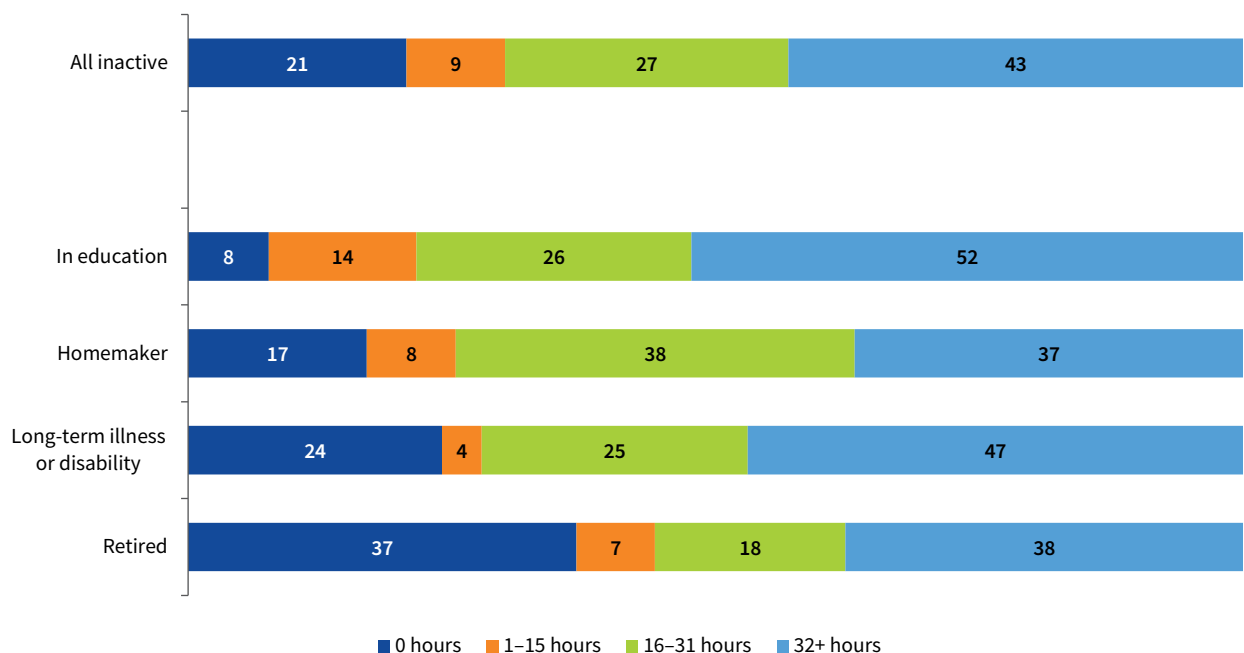
Figure 14 presents the EQLS results on this question. Taking into account their need to earn a living, a substantial majority of inactive people said they would like to work at least some hours, and 70% said they would like to work 16 hours or more per week. Retirees and people unable to work due to illness or disability are least likely to express a desire to work.

Figure 13: Willingness to work among the inactive population (millions), EU, 2007, 2011 and 2016



Note: People aged 15–64 years; figures for Italy, Spain and the UK refer to those aged 16–64 years.  
Source: EU-LFS quarterly macrodata downloaded from online database on 15 February 2017

Figure 14: Preferred working hours among inactive groups (%), EU, 2011



Notes: People aged 18–64 years. Question 8 asks: ‘If you could freely choose the number of your working hours while taking into account the need to earn your living, how many hours per week would you prefer to work at present? If you would prefer not to work at all, indicate zero.’ ‘Inactive’ are defined here as those who self-identify as belonging to any of the four categories indicated.  
Source: Eurofound analysis of EQLS microdata

**Table 4: Willingness and ability to work among people not in the labour force, Sweden, 2015**

Responses	Number
Wanted and could have worked during the reference week	99,600
Wanted but could not work during the reference week	33,700
Incapable of work,* but wanted to work	26,900
Incapable of work,* did not want to work	250,600
Did not want to work: Student	431,300
Did not want to work: Sick	21,200
Did not want to work: Other reasons than student or sick	176,900
<b>Not in the labour force: Total</b>	<b>1,037,000</b>

\* Long-term sick or hospitalised for more than a year.

Source: LFS, Sweden

However, even among these groups, the majority wants to work (76% of disabled people and 63% of retirees); a high proportion even want to work 32 hours or more (47% of disabled people and 38% of retirees of working age) – see also Eurofound (2014a). The desire to work part time (up to 31 hours per week) is most common among full-time homemakers (46%).

### National data

How do these analyses of EU-LFS and EQLS data compare to results from national studies? Many of the national studies identified deal with specific groups of inactive people, such as those providing childcare or elderly care, retirees or disabled people.<sup>21</sup> Sometimes they draw on more detailed analysis of the national LFS data and other times they use alternative sources.

In France, it has been found that 64% of inactive women with at least one child under three years of age would like to work. The proportion is slightly lower among those eligible for a financial allowance (55%) (Maison, 2007). At first glance, this suggests a causal impact, with receipt of allowances reducing the need to work, but another study found that allowances do not significantly reduce willingness to work (Guillemot et al, 2002). Those who receive an allowance may thus differ in their work preferences for other reasons. Other research studies, for example in Ireland (Millar et al, 2008), have focused on inactivity and social exclusion among single parents – often a rather neglected group.

In the UK, the number of economically inactive people who want to work has been estimated (using national LFS data) at 2,298,000 in 2015 (TUC, 2015). Between 2012 and 2015, unemployment decreased, but the number of economically inactive people who want work decreased only slightly, from 2,371,000 to 2,298,000,

and there was an increase among women, from 1,363,000 to 1,379,000. This again highlights the importance of looking beyond unemployment alone and focusing attention on the inactive population as well. Although more men than women are unemployed (990,000 versus 815,000), it is the reverse for economically inactive people who are seeking work (920,000 versus 1,379,000). This tallies with the broad gender dimension of inactivity identified at the EU level in this report (see Figure 5 in Chapter 2).

In Sweden, 41% of people not in the labour force (and who were not students or sick) said they want to work. For detailed numbers of the subgroups of these people, see Table 4.

In Austria, in 2008, 27.6% of inactive people (41,600) who gave care responsibilities as a reason for inactivity said they would like to have a job if adequate care facilities were available to them. Among these, 12% would have been available within the next two weeks (Famira-Mühlberger et al, 2010, p. 98). More than half (52%) of inactive people who gave health problems or disabilities as their reason for inactivity said that they would like to work; fewer of these people (5%) would also have been available within the next two weeks (Famira-Mühlberger et al, 2010, p. 102). Among NEETs in Austria, 47% are unemployed and 53% inactive. Of all inactive NEETs, 42% said that they were not looking for a job but would like to have a job (Bacher et al, 2014).

In Estonia, a recent survey of older people indicated that 58% of those not in paid employment who are aged from 50 years to the retirement age would be ready to return to work (TNS and Praxis, 2015). According to the most recent survey of people with disabilities, 38% of disabled people not in paid employment would like to work; about half of those, however, had not searched

21 Here the focus is on early retirees, but the studies usually also look at willingness to work after the retirement age, though often focusing on explaining why people want to work rather than on why they do not want to work (TNS and Praxis, 2015; Eurofound, 2012b; Eurofound, 2014a).

for a job in the previous 12 months (Saar Poll OÜ, 2009). In 2014, 63% of recipients of disability pensions who were not in paid employment stated they would like to work (Saar Poll OÜ, 2014). Another study, conducted in 2015, found that 56% of recipients of disability benefit wanted to work (Sotsiaalministeerium and Turu-Uuringute AS, 2016).

In Finland, survey data has shown that among people who receive full disability pension and who are not working, one-fifth would like to work at least occasionally (Eläketurvakeskus, 2010). Most (65%) people in receipt of disability pension were pessimistic about finding a job (in the next six months); in addition to their health problems, another obstacle to finding a job was the lack of suitable jobs in terms of working environment or the possibilities for flexible or partial working time arrangements. The specificities of not wanting to work (either permanently or for a period) have been investigated as well, for example among women who are not in paid employment and who care for their children. According to the Family Barometer 2014, 63% of 20–39-year-old women wished to stay at home with their youngest child for at least 18 months; some 40% wished to stay at least 30 months (Väestöliitto, 2014). The majority thought children under 18 months should be cared for at home. The most common reason for staying at home longer than desired was the inability to find paid employment.

Some evidence comes from surveys of subgroups of inactive people rather than of the population as a whole. For example, in Slovenia, a pilot project encouraging people who had been inactive for a long time to enter or re-enter the labour market, supported by individual- and group-level measures, showed that 22% of participants were motivated to return to work (Lebar et al, 2014, p. 39).

More detailed information about what can be done to initiate interest in working is available. For example, in Sweden, a report by the Social Insurance Agency showed that around 60% of people who were out of work because of illness reported that they would be able to work, at least for part of their normal working hours, if they themselves could influence their working situation. And 16% reported that they would be able to work their normal working hours or more if they could influence their working time or working pace (Försäkringskassan, 2005).

In Italy, according to a report by the Statistical Observatory of Employment Specialists, 25% of inactive mothers in southern regions said they would be immediately available for work if there were any chances of regular employment based on a legally recognised employment relationship. Furthermore, 21% of inactive mothers reported being available for work if family support services were cheaper and more effective (Cicciomessere and De Blasio, 2016).

In Malta, 90% of inactive women stated that they would be willing to receive training to improve their employability, and 47% said that they did not seek employment because of their care responsibilities (NCPE, 2012).

In Poland, people unwilling to work were asked to select up to two measures (from a list) that would make them willing or able to take up work (Czapiński and Panek, 2015). While many remained unwilling to work, 40% said they would be willing to work if some of these measures were taken (17% among those aged 55 years or over). Facilitation of part-time work was the most commonly cited measure (12%), followed by: the option to do some work at home (7%, rising to 24% among those aged 55+ years); flexible working time (9%, rising to 13% among those aged 55+ years); the option to provide care for children or the sick (3%, rising to 15% among those aged 55+ years); the option to retain the right to social benefits (3%, rising to 53% among those aged 55+ years); and more help from family members in doing housework (2%, rising to 12% among those aged 55+ years).

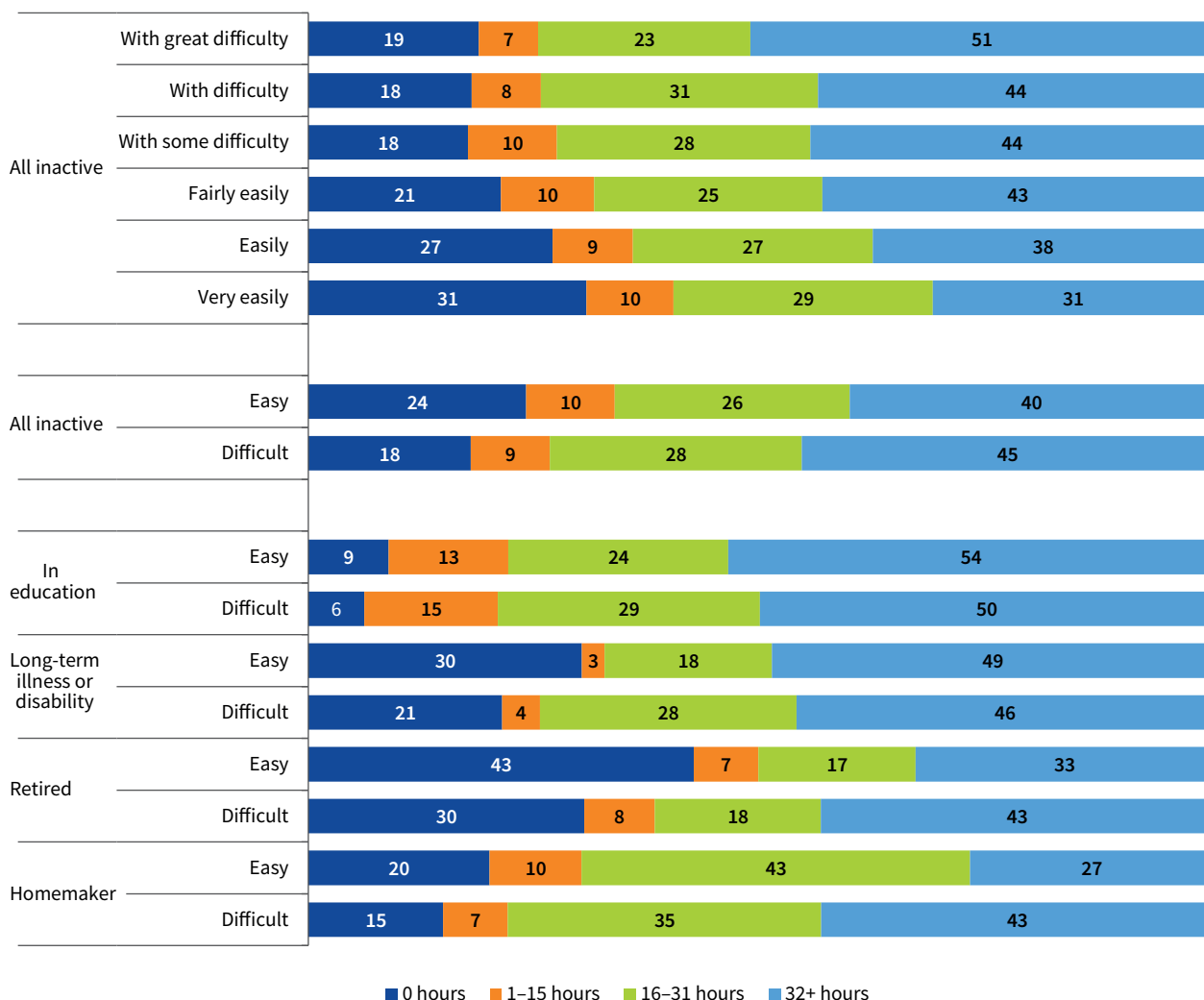
### Financial need to work

Financial incentives to work are not only about a financial need to work; they also encompass the expected financial gain from work. The EQLS measure of preferred working hours ‘taking into account financial need’ incorporates this to some extent. A specific indicator for expected gain from working could be the inactive person’s highest level of education attained. However, in this section the focus is on the need to work; education will be discussed in the next chapter, mainly in the context of lack of skills.

The need for income from work may be closely related to income available independent of work, but it may also be affected, for example, by wealth and expenditure. A summary measure available in the EQLS is the ability to make ends meet (Figure 15). It can be assumed that people who have difficulty in making ends meet have a larger financial incentive to work than those who easily make ends meet.

As Figure 15 shows, demand for paid work and longer working hours increases with greater difficulty in making ends meet. This supports the suggestion (discussed above) that the higher proportions of inactive people in the EQLS who said they want to work when compared with the EU-LFS figures can be explained at least partly by the fact that the EQLS asked respondents to take financial need into account. The difference in the number of preferred working hours between those who find it easy and those who find it difficult to make ends meet is evident for people who are inactive for various reasons, but most evidently for homemakers.

Figure 15: Working hour preferences of inactive groups (%), according to ability to make ends meet, EU, 2011



**Notes:** People aged 18–64 years. Question 58 asks: ‘A household may have different sources of income and more than one household member may contribute to it. Thinking of your household’s total monthly income: is your household able to make ends meet...? 1) Very easily; 2) Easily; 3) Fairly easily; 4) With some difficulty; 5) With difficulty; 6) With great difficulty’. ‘Inactive’ are defined here as those who self-identify as belonging to any of the four categories indicated. Due to rounding, values in some bars do not add up to 100% exactly.  
**Source:** Eurofound analysis of EQLS microdata

## Conclusion

Evidence from national and international surveys suggests that considerable numbers of inactive people are interested in taking up employment. However, the proportions of inactive people wanting to work differ depending on the type of questions asked, the category of respondents and Member States. Furthermore, a subset of people who say they are unwilling to work has actually been shown to be disposed to work under certain conditions. This may be partly related to financial reasons but also to work adjustments or

broader institutional frameworks and attitudes. It should not be taken as a given that when respondents say they do not want to work, that under no circumstances would they be willing to work. Rather, their unwillingness to work may partly reflect discouragement related to unsatisfactory experiences at work or in looking for work. For example, if disabled people who say they do not want to work could expect workplaces and tasks to be adjusted to their needs, and not to experience discrimination, they may actually be willing to work.

## 4 Barriers to labour market entry or re-entry

This chapter provides an overview of the barriers faced by inactive people looking to enter or re-enter the labour market. The main challenges experienced by inactive people are examined, and the perspectives of service providers are also reported.

In reviewing the labour market barriers that individuals may face, Eurofound is building on the framework developed by the OECD in the Faces of Joblessness project implemented for the European Commission (Fernandez et al, 2016). As the framework was developed to focus on a broader target group, which included people that may have been inactive or may have been unemployed, Eurofound has adapted the framework so that it takes into account the multidimensional aspects relevant to the inactive population.

The OECD identified three types of employment barrier: lack of work-related capabilities, lack of financial incentives, and lack of job opportunities (Fernandez et al, 2016). The EQLS can be used to add to the OECD's analysis, drawing on the OECD's framework but making adjustments more generally to cater for the specific group of interest to this report, the inactive. For example, the OECD lists four key areas with potential to limit work-related capabilities: skills and education,

work experience, health limitations, and care responsibilities. Capabilities are thus interpreted broadly as a 'lack of adaptation to specific needs' when inactive people may, for example, be entirely capable of doing a job, but lack of childcare or elderly care support or inflexible working hours prevent them from becoming active. The EQLS has indicators for each of these barriers and with regard to care responsibilities includes a unique indicator where other databases lack data: whether people actually provide informal care and how often.

The EQLS also has a unique indicator for broader interpretation of motivation (both financial and non-financial), or 'being incentivised' to work, asking the inactive population how many hours they would like to work, taking into account financial needs. Low incentives are a barrier to work, but as incentives have already been analysed (see the 'Willingness to work' section in Chapter 3), they are not examined here. Education, however, which – as noted in Chapter 3 – can also be approached as an incentive, in terms of expected financial gain from employment, is discussed below in terms of low educational attainment, and hence as a barrier ('lack of skills') to obtaining work.

Table 5 shows the adjusted framework applied by Eurofound in this chapter.

**Table 5: Examples of activation barriers and possible focus of activation measures**

Activation barrier	Measures in EQLS or EU-SILC	Potentially required activation measure
Low incentives <ul style="list-style-type: none"> <li>overall</li> <li>financial</li> </ul>	No desire to work more than zero hours (EQLS) Easy to make ends meet (EQLS)	Particularly close attention to non-monetary benefits of work
Lack of work adaptation to work–life balance needs or lack of facilitating measures in society	Care commitments (EQLS)	Work arrangement adaptation or access to care services
Lack of work adaptation to needs in relation to health problems or disabilities, or lack of facilitating measures in society	Limitations due to health problem or disability (EQLS)	Workplace or work arrangement adaptation
Lack of job-related skills (low educational attainment or no work experience)	Primary education or less (EQLS) Never had a paid job (EQLS)	Upskilling, apprenticeship or job try-out
Lack of access to information through social networks or lack of confidence to look for a job because 'feeling left out'	Social exclusion (EQLS)	Stimulating local social activities
Lack of resources (whether material or knowledge-based), facilitating: <ul style="list-style-type: none"> <li>employability</li> <li>job searches (preparing CVs or online searches)</li> </ul>	Mobility: owning a car or using public transport (EU-SILC) Job searches: owning a computer (EU-SILC)	Improved services, such as transport and access to internet, privately or publicly
[Other: Limited job opportunities, unawareness of job opportunities, skills mismatch]	[No measures in this section, due to limited scope of the research]	[Active job-matching and job creation can help; but beyond the scope of this section]

Source: Eurofound, adapted from OECD (Fernandez et al, 2016)

Sample sizes for the EQLS are too small to give reliable country-level information on the size of groups experiencing limitations due to care commitments, insufficient skills (low educational attainment and lack of work experience) or health problems. However, results for the EU as a whole are sufficiently large and are presented below.

## Barriers faced by inactive groups

### Care commitments

Among all inactive people, 34% care more than twice a week for their child or grandchild, and 13% for an elderly or disabled relative.<sup>22</sup> These proportions are higher for women (44% and 15%, respectively) than for men (17% and 9%, respectively). There are differences between the subgroups of inactive people, with childcare provision being particularly common among homemakers: almost three out of every four (73%) provide such care more than twice a week (Figure 16).

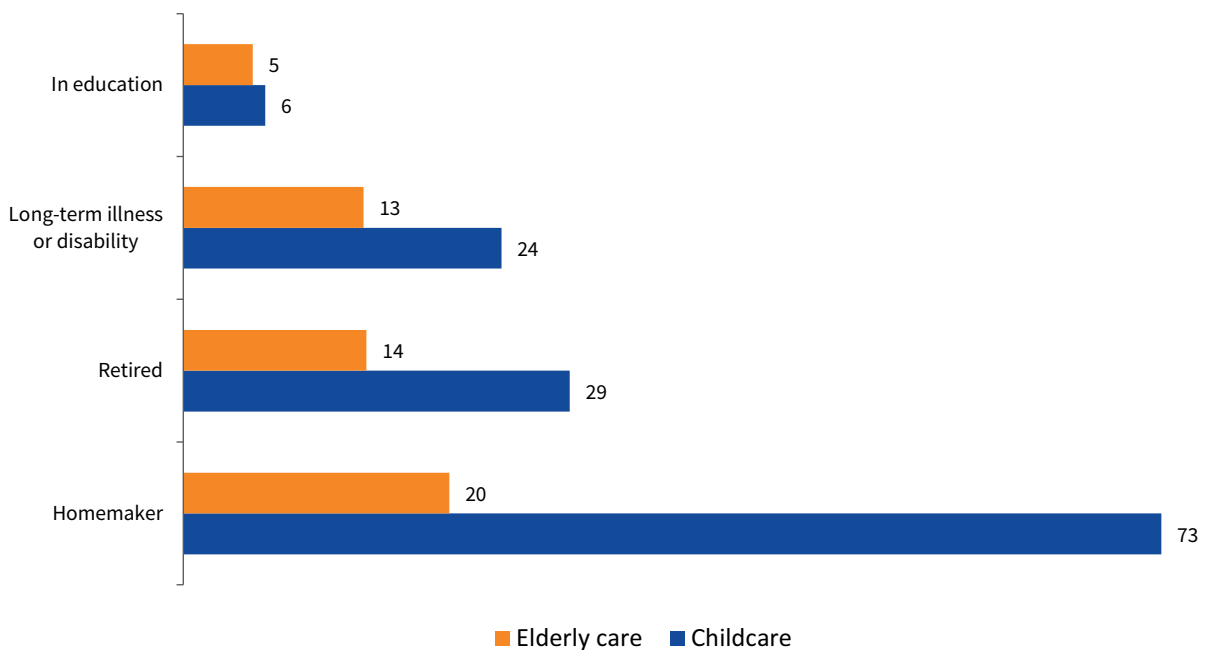
For homemakers, in particular, such frequent provision of care is more common among those who would prefer to be in paid employment than among those who would not (75% and 69%, respectively, for childcare, and 22%

and 17%, respectively, for elderly care). For retirees, this difference is less pronounced for childcare (32% for those who would prefer to be in paid employment versus 29% for those who would not) and absent for elderly care (both figures are 14%).

### Health problems and disability

One-third (35%) of inactive people reports having a chronic physical or mental health problem, illness or disability, which is about twice as common as for others of working age (18%). For those who report they have such a health problem or disability, it is more common for inactive people (81%) to be limited by it (severely or to some extent) in their daily activities than is the case for others (65%). However, large differences occur across the self-reported groups of inactive people, as shown by Figure 17. Almost 9 out of 10 (88%) inactive people who report that they are unable to work because of a chronic illness or disability have a limiting chronic illness or disability. It would be interesting to find out more about the remaining 12%. Retirees also often have a limiting health problem or disability (35%), while this is less often the case for homemakers (17%) and students (6%). For many, work may need to be adapted to their needs before they can be employed.

Figure 16: Frequent childcare and elderly care provision (%), by inactive group, EU, 2011

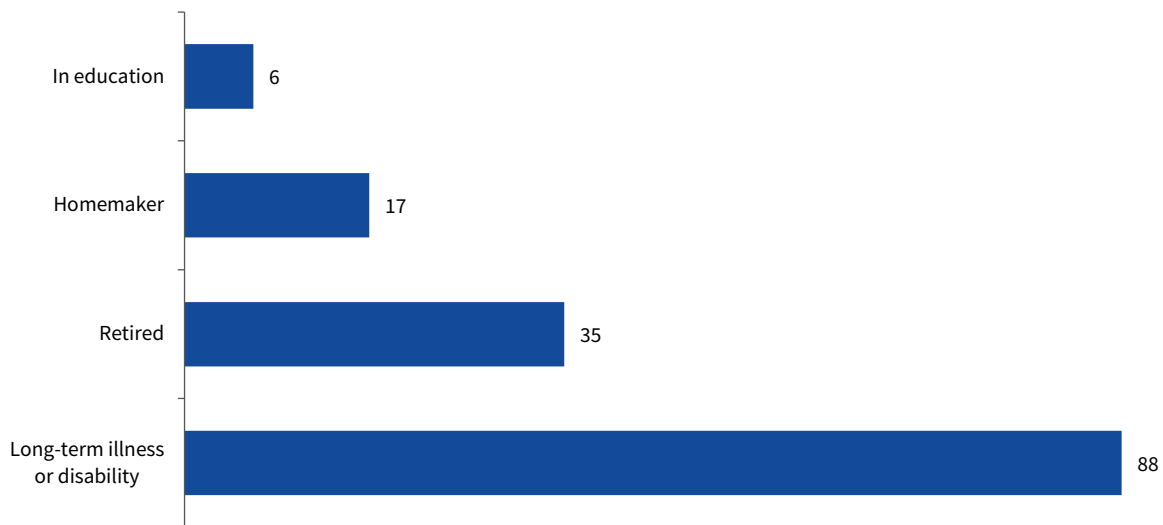


**Notes:** People aged 18–64 years. Question 36 asks: ‘In general, how often are you involved in any of the following activities outside of work? Caring for elderly or disabled relatives. 1) Every day; 2) Several days a week; 3) Once or twice a week; 4) Less often; 5) Never; (Don’t know); (Refusal).’ ‘Frequent care’ is defined as more than twice a week (response categories 1 and 2). ‘Inactive’ are defined here as those who self-identify as belonging to any of the four categories indicated.

**Source:** Eurofound analysis of EQLS microdata

<sup>22</sup> For readability, ‘caring for elderly or disabled relatives’ is sometimes shortened here to ‘providing elderly care’ and ‘caring for your children, grandchildren’ to ‘providing childcare’.



**Figure 17: Presence of a limiting chronic health problem or disability (%), by inactive group, EU, 2011**

**Notes:** People aged 18–64 years. Question 43 asks: ‘Do you have any chronic (long-standing) physical or mental health problem, illness or disability? By chronic (long-standing) I mean illnesses or health problems which have lasted, or are expected to last, for six months or more. 1. Yes; 2. No; (Don’t know); (Refusal)’. Question 44 asks: ‘Are you limited in your daily activities by this physical or mental health problem, illness or disability? 1. Yes, severely; 2. Yes, to some extent; 3. No, (Don’t know); (Refusal)’. People who have a health problem or disability (Yes to Question 43) and are limited by it (answer categories 1 or 2 in Question 44) are considered to have a limiting chronic health problem or disability. ‘Inactive’ are defined here as those who self-identify as belonging to any of the four categories indicated.

**Source:** Eurofound analysis of EQLS microdata

However, there may also be value in addressing health issues. For instance, analysis of EU-SILC data shows that 13% of those who say they have an illness or disability also report unmet medical needs.<sup>23</sup>

Mental health deserves special attention, especially in light of an increase in mental illness during the economic crisis and the challenge this has posed for healthcare services in the context of reduced budgets (Eurofound, 2014b). In addition, by looking at mental health, it is possible to capture barriers to employment that are different from those that arise due to ill health or disability. While mental health conditions can be hard to capture, the EQLS has an indicator for risk of one important mental health problem: depression. People are considered to be at risk of depression if their score on the WHO-5 Mental Well-being Index (WHO-5) is 50 or below a certain threshold (Topp et al, 2015).

Figure 18 shows that mental health problems are more equally spread across groups of inactive people than limiting chronic health problems or disabilities; for example, relatively high proportions of both people in education and homemakers are at risk of depression.

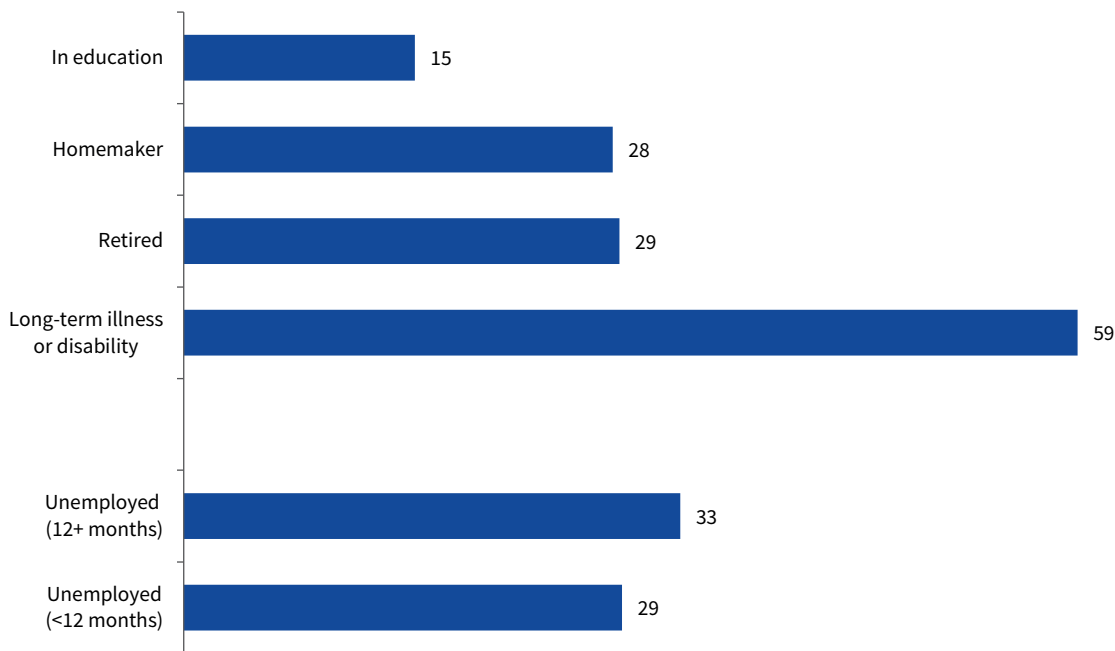
People who report inability to work due to a long-term illness or disability are both most likely to be at risk of depression and to be limited in their daily activities due to illness or disability. However, they stand out more in terms of having a limiting disability or illness than in terms of being at risk of depression.

### Skills and work experience

Of all groups of inactive people aged 18–64 years, retirees are most likely to have ever had a paid job (95%), according to EQLS data. This may be partly due to the perceived meaning of being in retirement as ‘having retired from paid work’, in which case retirement implies that the person has worked, while otherwise a person may rather identify themselves as being a homemaker. However, others may interpret retirement as ‘receiving a pension’ or ‘having reached a certain age’, which can explain the 5% without work experience. About two-thirds (67%) of people who report being unable to work due to long-term illness or disability also say they have had a paid job, as do about half (52%) of people in education.

23 Eurofound analysis of EU-SILC 2014 microdata, weighted with PB060 for selected respondent countries and PB040 for others.

Figure 18: Risk of depression (%), by inactive group and unemployment status, EU, 2011



**Notes:** People aged 18–64 years. The WHO-5 score is calculated from the overall average score from responses to five statements in Question 45: ‘I have felt cheerful and in good spirits’; ‘I have felt calm and relaxed’; ‘I have felt active and vigorous’; ‘I woke up feeling fresh and rested’; and ‘My daily life has been filled with things that interest me’. Responses are scored on a 0–5 scale, where 0 = ‘At no time’ and 5 = ‘All of the time’. ‘Inactive’ are defined here as those who self-identify as belonging to any of the four economically inactive categories indicated.

**Source:** Eurofound analysis of EQLS microdata

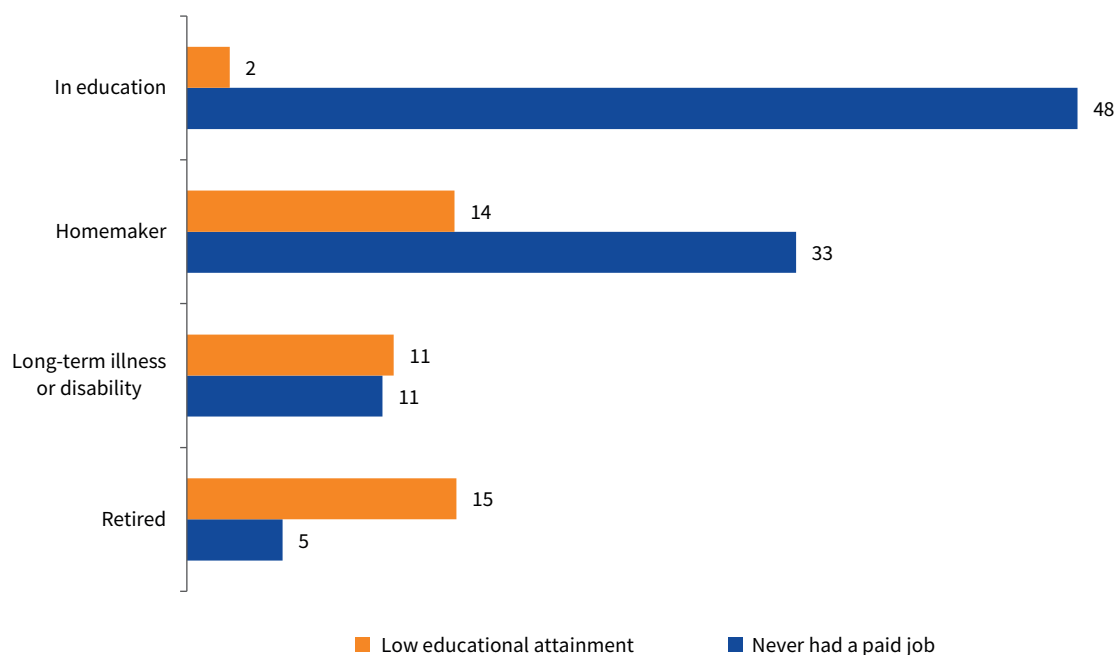
Some findings from the EU-SILC allow for an investigation of country-level differences with regard to work experience among these various groups of inactive people.<sup>24</sup> Overall, EU-SILC data confirm that having any work experience is least common among people in education (18%), followed by homemakers (65%), and is most likely among those in retirement (99%) and people with disabilities (81%). The main difference between EU-SILC and EQLS data concerns people in education. This can be explained partly by the different definitions used for ‘being in education’ and partly by the fact that EU-SILC includes people younger than 18 years, who are often in education and less likely to have any work experience.

Large variation is found across Member States regarding past work experience among inactive people. For example, it is least common for homemakers to ever have had a paid job in Romania (22%), Greece (39%), Bulgaria (41%), Croatia (42%), Italy (52%), Belgium (57%) and Slovenia (63%). Countries where

homemakers are most likely to have work experience are the Czech Republic (90%), Estonia (89%), Finland and Denmark (both 88%), Germany (87%), and Latvia and the Netherlands (both 86%). And, overall, about 1 in 10 people of working age who are inactive have primary education or lower (11%).

As Figure 19 shows, there are pronounced differences between the various groups of inactive people regarding education and work experience. While all groups may face barriers related to developing skills, these barriers vary in nature: for those in education and homemakers, they more often relate to gaining practical experience, while for retirees of working age, they relate to a need for more formal training. For people who report inability to work due to a long-term illness or disability, both barriers are similarly frequent. Naturally, other dimensions of skills attainment would be expected to differ among these groups, such as the type of skills acquired.

<sup>24</sup> Weighted with PB040 variable, age on date of interview. Eurofound analysis of EU-SILC 2014 cross-sectional microdata, July 2016 release.

**Figure 19: Low educational attainment and lack of work experience (%), by inactive group, EU, 2011**

**Notes:** People aged 18–64 years. ‘Inactive’ are defined here as those who self-identify as belonging to any of the four categories indicated.  
**Source:** Eurofound analysis of EQLS microdata

## Social exclusion

Social exclusion is measured here by four items that capture one’s sense of connectedness, recognition of one’s activities, and perceived barriers to participation in wider society, either due to complexity or social standing. These four items are compiled into a social exclusion index, ranging from 1 (not socially excluded) to 5 (highly socially excluded); see Table 6.

On average, people with disabilities feel the most socially excluded (2.8), even more so than the

longer-term unemployed (2.7); the average EU score is 2.2 (Eurofound, 2012a). This is an important observation, but one should not automatically generalise social exclusion as a problem for inactive people who report inability to work due to long-term illness or disability only. For example, if one looks beyond the average scores to the proportion of people who have a score of 3 or higher, social exclusion is less of an issue for over half (53%) of disabled people, while it is important for over one-quarter (28%) of homemakers.

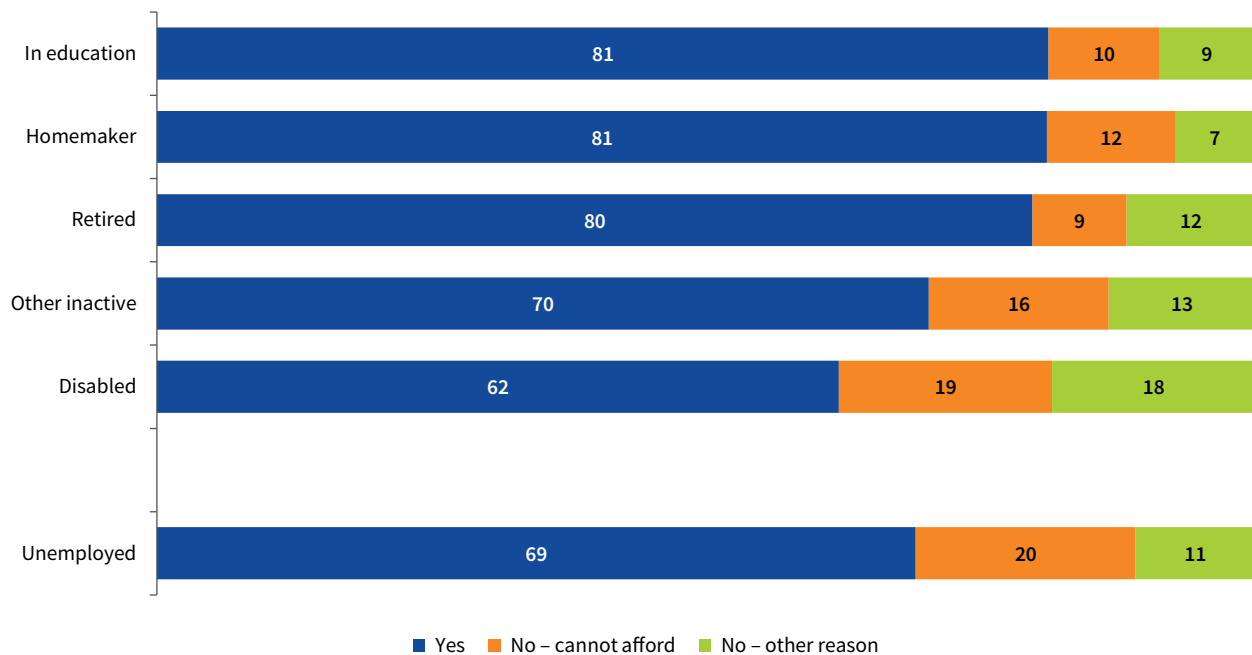
**Table 6: Social exclusion index scores and prevalence of higher scores among unemployed people and inactive groups, EU, 2011**

	Mean score	Percentage with score of 3 or more
Unemployed less than 12 months	2.4	32%
Unemployed 12 months or more	2.7	46%
In education	2.1	17%
In retirement	2.2	21%
Homemaker	2.3	28%
Long-term illness or disability	2.8	47%

**Notes:** People aged 18–64 years. The social exclusion index score is the overall average score from responses to the following four statements: ‘I feel left out of society’; ‘Life has become so complicated today that I almost can’t find my way’; ‘I don’t feel that the value of what I do is recognised by others’; ‘Some people look down on me because of my job situation or income’. Responses range from 1 = ‘Strongly disagree’ to 5 = ‘Strongly agree’. ‘Inactive’ are defined here as those who self-identify as belonging to any of the four economically inactive categories indicated (therefore excluding the unemployed).

**Source:** Eurofound analysis of EQLS microdata

Figure 20: Car ownership in households of inactive groups and unemployed people (%), EU, 2014



**Notes:** People aged 18–64 years. Weighted with PB040 variable, age on date of interview. ‘Inactive’ are defined here as those who self-identify as belonging to any of the five economically inactive categories indicated (therefore excluding the unemployed). Due to rounding, values in some bars do not add up to 100% exactly.

**Source:** Eurofound analysis of EU-SILC 2014 cross-sectional microdata, July 2016 release

### Low mobility or job search resources

Owning a car, one of the nine items that form the basis for the severe material deprivation measure described in Chapter 2, seems to be an important material resource in facilitating mobility, which contributes to employability. Good access to public transport, however, can mitigate the importance of car ownership.

Among inactive people aged 18–64 years, it is most common to live in households that own a car for people in education (81%), homeworkers (81%) and retirees (80%). It is least common for people with disabilities (62%), a figure lower even than that for unemployed people (69%) and ‘other inactive’ people (70%) (Figure 20). It is most common, however, among unemployed people (20%) to live in households that do not own a car because of financial reasons. This is also relatively common among disabled people (19%) and ‘other inactive’ people (16%).

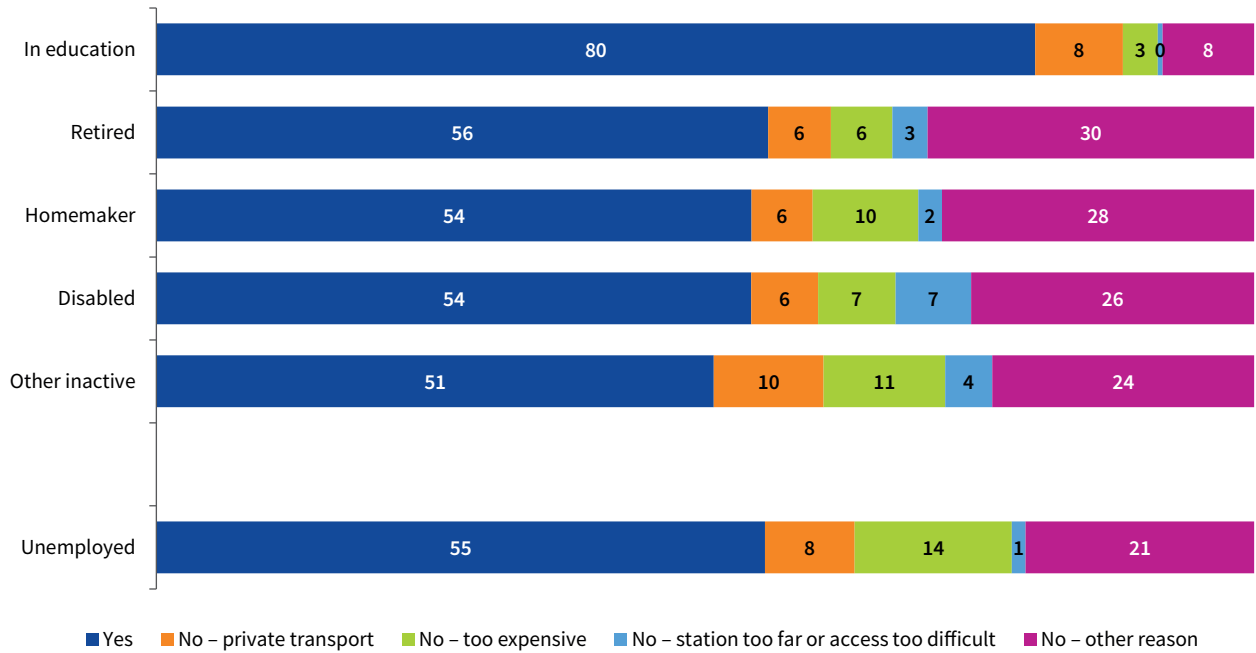
People in education without a car usually use public transport regularly (80%) or have access to other types of private transport (8%), which may include bicycles or car use without ownership (Figure 21). This may be partly explained by the fact that people in education are more likely to live in urban environments with relatively good access to public transport and with shorter commutes.

A considerable share of unemployed people (16%),<sup>25</sup> ‘other inactive’ (15%), people with disabilities (14%) and homemakers (12%) who do not own a car are not regular public transport users, either because tickets are too expensive or because the station is too far or access is too difficult (Figure 21).

Possession of a computer, another one of the nine items used to assess severe material deprivation, seems to be particularly instrumental in finding a job. As is the case with deprivation generally, people who are inactive generally score better (in other words, more often possess a computer) than those who are unemployed, with one exception: people with disabilities in a

<sup>25</sup> Rounding explains why this number does not correspond to the sum of 14% and 1% in Figure 21.

**Figure 21: Public transport usage by inactive groups and unemployed people whose households do not own a car (%), EU, 2014**

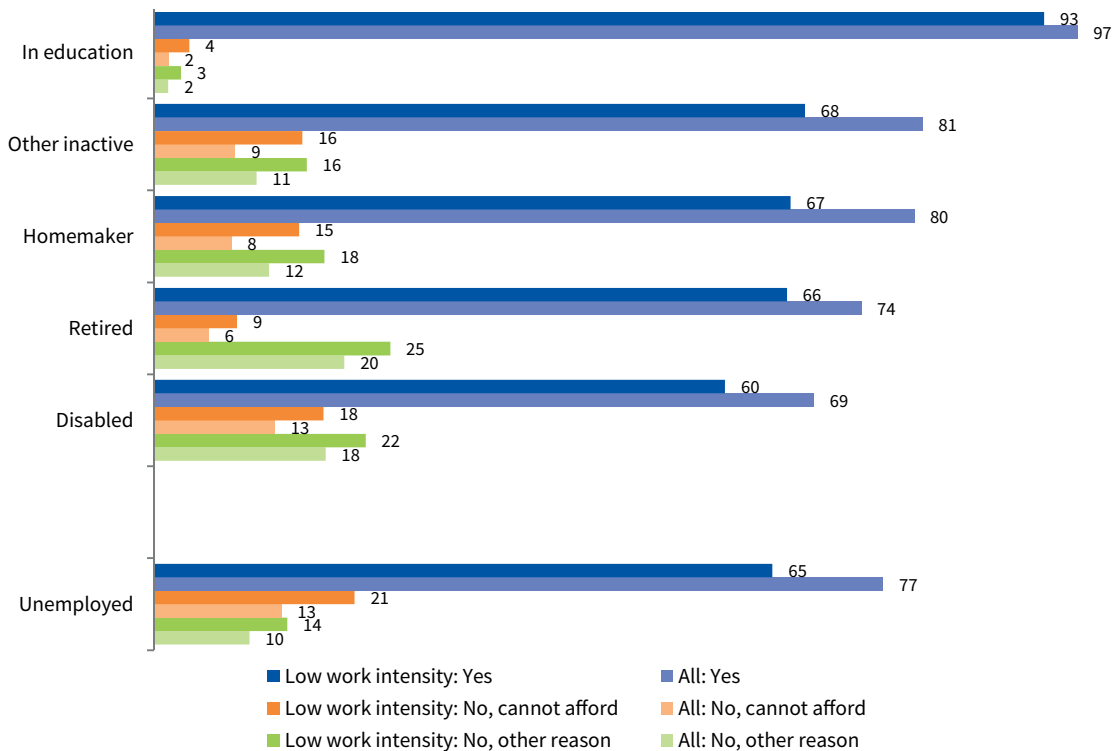


**Notes:** People aged 18–64 years. Weighted with PB060 variable for selected respondent countries and PB040 for others, age on date of interview. ‘Inactive’ are defined here as those who self-identify as belonging to any of the five economically inactive categories indicated (therefore excluding the unemployed). Due to rounding, values in some bars do not add up to 100% exactly.  
**Source:** Eurofound analysis of EU-SILC 2014 cross-sectional microdata, July 2016 release

low-work-intensity household (Figure 22). The population of homemakers, however, shows the highest level of heterogeneity between those living in low- and

high-work-intensity households. Another observation is that while it is relatively uncommon for retirees of working age to have a computer, it is less common that

**Figure 22: Computer ownership in households of inactive groups and unemployed people (%), EU, 2014**



**Notes:** People aged 18–64 years. ‘All’ includes households with low work intensity, households where work intensity is not low and ‘not applicable’ responses; weighted with PB040 variable, age on date of interview. ‘Inactive’ are defined here as those who self-identify as belonging to any of the five economically inactive categories indicated (therefore excluding the unemployed).  
**Source:** Eurofound analysis of EU-SILC 2014 cross-sectional microdata, July 2016 release

the reason is inability to afford one. Overall, it is mostly inactive people living in households with low work intensity who do not possess a computer, except for people in education, who seldom lack a computer.

### Combination of barriers

For policymakers, it is important to know whether certain barriers tend to come together or if they affect different groups. Policies that address one barrier may be of limited effectiveness if another barrier is not addressed as well in cases where one group simultaneously faces both barriers. Table 7 indicates whether inactive people of working age who face one barrier also face any of the six other barriers.

Some interesting conclusions can be drawn from this analysis of EQLS data. Overall, inactive people without work experience do not face any of the other barriers more often than the other groups. In contrast, inactive people with a high social exclusion index score relatively often face the other barriers as well (except for low educational attainment and frequent childcare provision).

Among inactive people with low educational attainment, it is particularly common to have no work experience (29%) or to have childcare responsibilities (47%). Many inactive people who provide elderly care frequently are also limited by a chronic health problem or disability (40%) or also provide childcare frequently

(56%). Almost one-half of inactive people with a high social exclusion score also are limited by health problems or disabilities (47%) or are at risk of depression (48%). The majority of inactive people at risk of depression (58%) also are limited by health problems or disability. For some of them, these limitations may be related to a mental health problem, or the mental health problem may be caused by being limited in their daily activities by another health problem. Lastly, many inactive people at risk of depression also have a high social exclusion index scores (43%), while relatively few have no work experience (17%).

### Country patterns

Certain barriers are more commonly faced by inactive people of working age in some Member States than in others. Table 8 maps how common six of these barriers are for the inactive population of working age in each Member State: lack of work experience, low educational attainment, frequent elderly care commitments, frequent childcare commitments, being at risk of poor mental health and a high level of social exclusion.<sup>26</sup> Differences between Member States are discussed, from Member States where most of the barriers are particularly common among inactive people to Member States where only a few of the barriers are common.

In Cyprus, Greece and Malta, five of the six barriers are particularly common. Inactive people often lack work experience in Greece (57%) and Cyprus (43%). In Malta,

**Table 7: Prevalence of multiple barriers to labour market entry among inactive people, EU, 2011**

	No work experience %	Low educational attainment %	Limited by health problems or disability %	Elderly care %	Childcare %	High social exclusion index score %	At risk of depression %
No work experience	(100)	12	18	11	32	24	18
Low educational attainment	29	(100)	43	14	47	30	37
Limited by health problems or disability	13	13	(100)	15	30	34	47
Elderly care	23	12	40	(100)	56	31	33
Childcare	25	15	31	21	(100)	28	29
High social exclusion index score	26	13	47	16	39	(100)	48
At risk of depression	17	14	58	15	35	43	(100)

**Notes:** People aged 18–64 years. The table should be read from left to right. The figure in each cell relates its row heading to its column heading; for example, 29% of people with low educational attainment also have no work experience. The bolded numbers indicate the two highest percentages within each column. 'Inactive' are defined here as those who self-identify as belonging to any of the four economically inactive categories included in the EQLS. The Social Exclusion Index score is considered high if it is 3 or higher. Elderly care and childcare refer to frequent care provision of several days a week or more.

**Source:** Eurofound analysis of EQLS microdata

<sup>26</sup> 'Limited by health problems or disability' is excluded due to response rates below 120 for some countries.

they often have low educational attainment (24%). In Cyprus, they often have a high social exclusion index score (59%), and in both Cyprus and Malta, they are often at risk of depression (both at 34%). In all three countries, they often provide childcare – 49% in Greece, 48% in Malta and 46% in Cyprus.

In Croatia, Spain and the UK, four of the barriers appear particularly common among the inactive population. Neither in Spain (25%) nor Croatia (28%) are they at particular risk of depression. In the UK, those who are inactive less often lack working experience (12%) or have low educational attainment (5%). In all three countries, they often provide elderly care (16% in all three). In Spain, they often lack work experience (38%). In the UK, a high proportion are socially excluded (42%) and at risk of depression (46%).

In five Member States (Bulgaria, Italy, Poland, Portugal and Romania), a high proportion of the inactive population often face three barriers. In three of these countries, inactive people more often experience high levels of social exclusion: Bulgaria (40%), Romania (34%) and Poland (30%). In these three countries, they also more often are at risk of depression (particularly in Romania, at 40%). In Italy, Portugal and Bulgaria, barriers to employment more often include elderly care (19%, 14% and 14%, respectively); for Italy and Portugal, lack of work experience is another major barrier (45% and 40%, respectively).

Inactive people in five Member States (Belgium, the Czech Republic, Estonia, France and Lithuania) particularly often face two of the six barriers. Inactive people in Estonia (33%), the Czech Republic (28%),

Belgium (28%) and France (27%) all experience high levels of social exclusion more often. While low educational attainment is more common in France among the inactive population (14%), this is not the case in Belgium and the Czech Republic, where the inactive more often lack work experience (35% and 30%, respectively). In Estonia (37%) and Lithuania (30%), inactive people are often at risk of depression, and in Lithuania, they are also more likely to provide frequent elderly care (16%).

Inactive people in seven other Member States (Hungary, Ireland, Latvia, Luxembourg, Slovenia, Slovakia and Sweden), only stand out for one of the barriers. In Ireland and Luxembourg, inactive people more often provide frequent childcare (45% and 40%, respectively), but none of the other barriers is particularly common. In Sweden and Latvia, inactive people are relatively often at risk of depression (33% and 35%, respectively). In Hungary, Slovenia and Slovakia, they more often lack work experience (28%, 34% and 39%, respectively).

Inactive people in Austria, Denmark, Finland, the Netherlands and Germany are not particularly likely to face any of the six barriers. While the proportions are relatively low, there are still considerable shares of inactive people facing problems due to elderly care responsibilities (in particular, Austria at 12%), childcare (in particular, the Netherlands, at 29%), low educational attainment (in particular, Finland, at 10%), lack of work experience (in particular, Germany, at 23%, and the Netherlands, at 20%), a high level of social exclusion (18% in Finland and 17% in Denmark) and risk of depression (the Netherlands, at 26%).

**Table 8: Prevalence of six employment barriers among the inactive population, by Member State, 2011**

	No work experience %	Low educational attainment %	Elderly care %	Childcare %	High social exclusion index score %	At risk of depression %
<b>EU</b>	<b>26</b>	<b>11</b>	<b>13</b>	<b>34</b>	<b>25</b>	<b>28</b>
<b>No barrier particularly common</b>						
Austria	13	1	12	22	11	21
Denmark	15	4	3	13	17	21
Finland	5	10	8	15	18	19
Germany	23	5	8	23	15	21
Netherlands	20	6	9	29	14	26
<b>One barrier particularly common</b>						
Hungary	28	1	13	30	20	27
Ireland	22	10	13	45	17	22
Latvia	21	0	12	27	23	35
Luxembourg	17	8	11	40	18	21
Slovakia	39	1	12	26	14	25
Slovenia	34	2	6	19	16	24
Sweden	7	3	1	14	21	33

	No work experience %	Low educational attainment %	Elderly care %	Childcare %	High social exclusion index score %	At risk of depression %
<b>Two barriers particularly common</b>						
Belgium	35	11	12	32	28	24
Czech Republic	30	2	8	23	28	22
Estonia	20	6	13	23	33	37
France	17	14	11	28	27	25
Lithuania	21	0	16	22	20	30
<b>Three barriers particularly common</b>						
Bulgaria	26	1	14	22	40	30
Italy	45	10	19	53	23	20
Poland	22	16	13	29	30	33
Portugal	40	53	14	29	17	18
Romania	23	7	13	40	34	40
<b>Four barriers particularly common</b>						
Croatia	33	21	16	27	27	28
Spain	38	22	16	39	11	25
United Kingdom	12	5	16	39	42	46
<b>Five barriers particularly common</b>						
Cyprus	43	18	7	46	59	34
Greece	57	21	14	49	28	28
Malta	35	24	15	48	25	34

**Notes:** People aged 18–64 years. Country-level comparisons should be made with caution because significance was not tested and confidence intervals not shown; percentages are in bold if seemingly particularly common (proportions in the table are rounded). 'Inactive' are defined here as those who self-identify as belonging to any of the four economically inactive categories included in the EQLS. The Social Exclusion Index score is considered high if it is 3 or higher. Elderly care and childcare refer to frequent care provision of several days a week or more.

**Source:** Eurofound analysis of EQLS microdata

## National-level evidence

A review of policy documents and research papers at national level shows that in the majority of Member States, several social groups face multiple barriers when trying to return to the labour market.

One of the largest groups outside the labour market, those with care responsibilities, face a number of barriers to returning to work. As showed earlier, in the section 'Willingness to work' in Chapter 3, in many Member States, a high proportion of people in this category have reported that they would like to work if better provisions were in place that would help them to reconcile work with care responsibilities. This group includes parents struggling with childcare (due to lack of support, unavailability or cost of childcare services) and, increasingly, people with care responsibilities for other family members. The cost of childcare poses a barrier to women with children re-entering the labour market in Ireland and the UK. In Cyprus, the lack of reliable transport links can pose an additional barrier for working parents or workers caring for other dependants in that this can make it difficult to access both care facilities and a workplace.

Another factor seems to relate to the cultural context; a study comparing different European countries regarding the inactive population states that inactivity because of care responsibilities is comparably higher in countries with a traditional gender regime; examples include Austria, Germany and Italy, as well as a number of southern European countries including Greece and central and eastern European countries such as Hungary and Poland (Budimir et al, 2010).

Lack of local childcare and support services presents another barrier. As mentioned earlier, in Italy, according to a study by the Statistical Observatory of Employment Specialists, 21% of inactive mothers said that they had not been looking for a job because family support services are not provided in their geographical area, or they are not effective or too expensive (Cicciomessere and De Blasio, 2016).

In a number of countries, the lack of flexible options in the workplace has been emphasised. In Malta, according to a 2012 study, childcare responsibilities in the absence of adequate provisions were cited as the primary cause of inactivity for 51% of women (NCPE, 2012). In the Czech Republic, the lack of flexible



arrangements in the workplace prevents a considerable portion of the working population from gradually transitioning into and out of work. It also prevents those who provide care or who have poor health from participating in the labour force, as the existing system does not support work–life balance for such workers (Formánková et al, 2011; Křížková and Vohlídalová, 2009; Kyzlinková and Kotrusová, 2011; O’Sullivan, 2014; and Paloncyová et al, 2014). This problem is related to a lack of willingness among some employers to meet the needs of working parents or other groups of workers by, for example, making working hours compatible with the opening hours of childcare services. This lack of flexibility is particularly apparent in working regimes involving shifts, which are relatively common in the Czech Republic (Kuchařová et al, 2006).

Another group that dominates the policy agenda in the majority of countries is that of NEETs. It is important to bear in mind that this label covers a heterogeneous group of young people, with different characteristics requiring varied policy responses (Eurofound, 2016b). In Austria, policy attention has mainly been directed towards young people with health problems and care responsibilities. In Bulgaria, the debate around inactive young people is framed from the perspective of the labour market itself, with a focus on low wages and lack of opportunities, for example. The perceived lack of motivation or unwillingness to accept a lower-paid job has been reported in Bulgaria and Croatia as a potential barrier. In the case of Croatia, there is also a reluctance to risk disturbing young people’s current ‘lifestyle arrangements’ because it is feared that this may worsen the situation. In some cases, young people may have supplementary forms of undeclared income (from the unofficial economy or subsistence farming). Young people have also been mentioned in other country studies from Germany, Greece, Hungary and Italy. In Italy, for example, one study reported that around 22% of inactive NEETs (65% of all NEETs) believe that they will never find a job (Cicciomessere, 2011).

People with disabilities have been a focus of policymakers for a long time as this group has consistently low employment rates. This is certainly the case in Greece. In Cyprus, the fragmentation of and lack of coordination between relevant services proves to be an additional barrier faced by people with disabilities. Other prevalent barriers related to disability that have been identified in Estonia include work ability and stigma. Mental health has also been cited as an increasing barrier in Denmark. Both in Latvia and Lithuania, people with disabilities have been cited as one of the main groups that face significant barriers in finding employment, mainly in terms of an insufficiently adapted work environment and ineffective labour market integration policy. In Lithuania, less than 20% of people with disabilities are employed. Despite very scarce objective information and few studies on the

participation of people with disabilities in the labour market there, it can, nonetheless, be concluded that the main reasons for insufficient participation include an inadequately adapted environment, intolerance (social discrimination) and inadequate professional qualifications (Jurevičienė and Radzevičienė, 2009). Ill health has also been singled out as one of the top barriers to economic activity in the Netherlands (Vlasblom et al, 2015). In the UK, people with disabilities are one of the groups facing multiple problems. There, the major barrier to work reported by disabled people themselves was their health condition or impairment. In addition, of the 1,483 participants in a Department for Work and Pensions survey of disabled claimants, 42% stated that employers’ attitudes are a significant barrier to work (DWP, 2013). Other barriers identified included lack of job opportunities, lack of qualifications or experience, and anxiety or lack of confidence. Finally, in another study, around one-quarter of respondents said that they were limited in the work they could do due to difficulty with transport (Coleman et al, 2013).

Migrants have increasingly been highlighted in policy documents as a group that needs more holistic intervention as they face multiple barriers to entering the labour market, such as lack of qualifications and language proficiency, as identified in Austria. Language is also a typical barrier in Denmark; according to a recent study, only 3 out of 100 refugees who receive social benefits have been declared to be ready for work, mainly because of Danish language requirements (Finansministeriet, 2016). In Ireland, Travellers have been singled out as a group facing multiple barriers that prevent them from entering the labour market. The Roma community is one of the groups facing numerous barriers in Romania and Slovakia; this is mainly linked to the low levels of education among this population.

Low levels of education overall (as highlighted previously) have been cited as a potential barrier in many countries, including Croatia and Denmark, where a large part of the inactive population lacks the qualifications employers are looking for. A related issue is a lack of relevant skills preventing entry to an increasingly competitive labour market. In Finland, structural changes, such as decreasing employment opportunities within industry, particularly threaten the labour market activity of ageing employees and those with low educational attainment. They are at most risk of becoming long-term unemployed and, in the long run, inactive (Laukkanen, 2012). Lack of IT skills is another important issue (also highlighted earlier in this report). In France, long-term excluded people often lack IT skills, which are of rising importance in recruitment processes (Zajdela, 2009). In addition, in the case of France, there is a lack of recognition of non-academic skills, for instance those of stay-at-home parents (Dieu et al, 2010; Lemière, 2013).

Finally, the issue of discrimination has been widely reported in France: direct and indirect discrimination based on gender (Garner and Magnien, 2009) and ethnicity (Duguet et al, 2010), and selection of job candidates based on age and qualifications (Marchal and Rieucan, 2005). Discrimination and the stereotyping of people also lead to self-censorship and discouragement: according to Dekeyser and Delattre (2013), both older workers and young graduates feel that their age is a major barrier to accessing the job market.

## Perspectives of service providers

This section describes the many obstacles service providers in Member States encounter in attempting to integrate inactive groups into the labour market.

### Difficulty identifying the inactive

Service providers in the majority of Member States face the challenge of identifying and locating the inactive population and then of reaching out to people within that population. It is mostly the responsibility of the public employment services, which would traditionally be seen as the primary service provider tasked with addressing the employment potential of the inactive population. However, in most countries, inactive people are not registered with these services, for example in Austria and Ireland. The challenge is acute in Bulgaria, where efforts are being made to locate and motivate the inactive population to register with the labour offices. However, despite the efforts of the Employment Agency, the share of newly registered people at labour offices who were previously inactive (including those who were discouraged, working in the 'grey economy' or had a low level of education) decreased from 15.9% in 2014 to 11.8% in 2015 (Employment Agency, 2015). Similarly, in Italy, the perceived lack of resources allocated to the public employment services makes it more challenging to reach out, in particular to the NEET generation (Rosolen and Seghezzi, 2016). Public employment service providers in Malta, too, have pointed to the lack of mechanisms that can effectively trace and reach the inactive population, especially NEETs.

### Lack of resources and capacity

In Cyprus, the public employment services report a lack of resources and lack of capacity, as well as high numbers of unemployed people whom they need to focus on. Although they underwent significant infrastructural improvement some years back, the reformed infrastructure has had to deal with the consequences of the economic crisis and is struggling to

meet current demands. In Finland, the public employment service has also been dealing with increased client numbers as a result of an increase in long-term unemployment. In 2013, it also underwent an extensive reform intended to simplify and streamline the service. In the Social Barometer for 2015, its officials estimated that so far the reform has had a negative impact on the individual service provided for clients (SOSTE, 2015). France has had a similar experience; according to the UNIOPSS (Union of Health, Care and Social Support Associations), public employment services have a heavy workload and lack the human resources to provide effective and truly individual support for unemployed people.<sup>27</sup> According to the stakeholders (different service providers and social partners), local job centres also seem to have too many responsibilities (orientation, employment and the implementation of some public policies); they also lack the required financial resources to complete all these tasks.

### Structural labour market factors

On the demand side, there is the general problem of finding suitable jobs in times of high unemployment. This is signalled even by countries with relatively low unemployment, such as Austria. However, the challenge is of a different scale in countries that have been affected by the economic crisis to a larger degree; structural unemployment has been singled out in Romania and Spain as a major barrier to reaching out to the inactive population and finding them jobs. In Romania, the greater proportion of inactive people in rural areas is likely to be a consequence of structural unemployment. Therefore, because of the difficulty involved in finding a job, many of the qualifications of rural residents become obsolete. Their qualifications and knowledge are rarely sought by local employers or even by regional employers (Doltu, 2011). In Spain, according to the government, structural weaknesses affect the Spanish labour market. These include rigid working conditions and large disparities between workers on fixed-term contracts and those on open-ended contracts, as well as a social dialogue structure that is far from the real needs of companies and workers (Ministerio de Empleo y Seguridad Social, 2016a).

### Lack of skills among the inactive

In times of high unemployment, the right skills become an essential and needed commodity. Those who have been inactive may lose out to those who have been unemployed for short periods. In Austria, service providers have singled out poor work-related capabilities (such as inability to adapt to a work

<sup>27</sup> According to Michel Abhervé (of the magazine *Alternatives Économiques*), about one out of seven employees in the Pôle Emploi provides guidance to unemployed people. Each counsellor deals with more than 100 cases.

schedule after a long period of unemployment or no experience of employment at all) as a barrier. In Croatia, low levels of employability arising from poor education and work experience (as confirmed by the EQLS results in Table 7) results in such people being uncompetitive in the labour market.

### Location of jobs

Having few job opportunities can also relate to location. For example, it was reported that in Finland, the geographical distribution of work is very uneven and the threshold for people to move for work is often high. Local employment service directors estimate that the unwillingness of job-seekers to move or travel for work beyond their home town is an important reason for unemployment. It is plausible that such unwillingness could also be relevant for the inactive population (SOSTE, 2017).

### Lack of suitable programmes

Service providers also identify more complex barriers faced by inactive people, which cannot always be addressed by the public employment services alone. These most commonly relate to care responsibilities and health problems. The general lack of programmes that combine social and employment activation has been flagged up in EU reports (European Commission, 2017a) and in Member States, such as Slovenia. There, an inactive person is transferred from a job centre to a social work centre, but these centres have no programmes to offer inactive individuals. It has been argued that more than 90% of social work centres do not have appropriate services or programmes for the inactive population (Trbanc et al, 2015). They are mostly deficient in programmes involving public works, skill development, reactivation into labour market and social activation. The capacity of these programmes to support long-term unemployed people has been reported to be lacking. One of the reasons for this has been the shortage of social workers offering individualised, in-depth sessions. The precondition for benefiting from social assistance is that each social work centre concludes an agreement on 'active solution of social problem' with the inactive person. Research has shown that such agreements have been made with only a half of inactive people, the main reason being lack of personnel (Trbanc et al, 2015).

### Employers' attitudes

Service providers highlight that the attitudes and perceptions of employers give rise to recruitment practices that may discriminate against long-term unemployed and inactive people. According to the public employment service in Croatia, inactivity is often used by employers as an indicator of lack of motivation and other undesirable personal traits. In Italy, the overall lack of confidence among employers of

institutional channels as a potential means of filling vacancies have been noted. There, research carried out into the implementation of the Youth Guarantee confirmed that employers make limited use of formal channels (such as public employment services) to fill vacancies (Rosolen and Seghezzi, 2016).

### Age discrimination

Older inactive people (over 50 years) have been identified as a particularly challenging group to reintegrate into the labour market. This is despite research that shows that there is a large group of inactive people aged 50 years and over who would like to work, sometimes part time, and who are in relatively good health, well-educated and have work experience (Eurofound, 2014a). In Croatia, employers have been reported as saying that older inactive people who are looking for a job are not always flexible or sufficiently motivated, that they do not have the necessary knowledge of modern technology and do not speak foreign languages – in brief, that they have a low level of employability. Having a pension can also have an impact on older people's motivation to re-enter the labour market. Moreover, the replacement ratio of pension allowances is relatively high for those with low wages, so for them the old-age pension is preferable to further economic activity (Šatava, 2015).

In Germany, there is also an acknowledgment that more needs to be done to keep older people in the labour market for longer and to prevent them from becoming inactive too soon by, for example, developing an age-appropriate work environment, providing further training, health promotion and reconsidering ways to combine retirement and work. Much has already happened in this area: incentives for early retirement have been abolished and a gradual rise of the retirement age to 67 has already been legislated for. According to the Federal Ministry of Labour and Social Affairs (BMAS), further steps are to be taken to increase the labour market participation rate of older people (BMAS, 2011).

The issue of perceptions regarding the employability of older workers was the focus of a survey carried out by the Latvian employment agency NVA. It showed that among the top reasons why employers refrain from hiring older workers are: the work concerned is physically intensive (33.5%); the perception that older people tend not to have flexible thinking and find it difficult to accept changes and to learn from them (16.9%); and finally health problems and lower work capacity (11.5%) (NVA, 2014).

### Gender discrimination

Women comprise another group of inactive people highlighted in many countries. In Germany, BMAS pointed out that many women would like to have a job

or work more hours but are unable to do so owing to family obligations. There is thus a need for improved reconciliation of work and family life, particularly for women seeking to return to work after having a child or single mothers who have difficulties entering the labour market. There is also a need to pay more attention to the incentives for the fathers to take up caring responsibilities (such as payment of parental leave and non-transferability of leave) as the unbalanced sharing of the care responsibilities contributes to female underrepresentation in the labour market.

Institutional frameworks play a role and can act as a barrier to employment. According to several studies in the Czech Republic, parental leave can prevent the inactive population from re-entering the labour market. There, the length of maternal and parental leave is among of the highest in Europe. A parent – usually the mother – might opt to take parental leave of two, three or four years, with varying levels of parental allowance, with their employer obliged to keep their job available for them for three years.

### Demotivation among the inactive

In Denmark, municipalities have pointed to a lack of motivation among potential beneficiaries, which seems to be a significant barrier to participation in a range of employment-related training. The main reasons behind this reluctance seem to be a lack of belief in the effectiveness of such training, the perception that it amounts to providing free labour to businesses, and more logistical barriers such as travel expenses (Damvad, 2015). Research in Sweden looked at motivation issues among inactive people due to ill health. People who have been out of work for a long time often lose motivation to look for a job. The longer the period of inactivity, the harder it is to re-enter the labour market. In addition, when a person has been absent for a long time due to sickness, according to research from the Karolinska Institutet, the attitude of rehabilitation personnel can affect a rehabilitee's motivation. Those whose rehabilitation focuses more on returning to work are more likely to do so.

In Lithuania, according to representatives of youth NGOs, young people in vulnerable situations lack motivation. Those who drop out of school lack the motivation to learn, while those who are serving or have served non-custodial sentences lack the motivation to work. Both those who have dropped out of school and those undergoing treatment for substance abuse lack self-confidence and social competencies. In addition, those treated for substance abuse are significantly lacking in resolve and initiative (Okunevičiūtė Neverauskienė and Šlekienė, 2008).

In Poland, it has been reported that many people register at labour offices to get access to free healthcare coverage and are not interested in securing or looking

for a job; this has been cited by many as a weakness in the system that can act as a barrier to an effective job search. The scheme itself does not support fast return to the labour market (Kuchařová et al, 2006), in particular among women with low earnings and for jobs that do not require a qualification.

### Low wages and benefits as contributors to demotivation

In some countries, a combination of low wages and high social assistance levels may disincentivise inactive groups from seeking employment. In Lithuania, according to professionals working with recipients of social assistance, quite generous social assistance can make people less motivated to work (Zabaruskaitė and Gruževskis, 2015). Furthermore, they highlight that low self-esteem and poor self-confidence are characteristics of people in this group, as well as an inclination to quickly give up.

A similar situation is apparent in the Czech Republic: relatively low wages mean that the difference between wages and social allowances are not sufficient to motivate those who are inactive (who would be able to secure only low-paid jobs that are arduous or that do not require a qualification) to become economically active, or to reduce their periods of economic inactivity. Among other factors, employment comes with costs, such as commuting, childcare and elderly care. In such cases, employment does not 'pay off' when compared to social allowances (Kuchařová et al, 2006).

In Estonia, some studies have looked at economic incentives in social protection systems and conclude (from some theoretical evaluations) that the rules of different tax-benefit systems affect motivation to seek work. These studies have also highlighted the issue of generous social benefits discouraging people from taking up paid employment (Leetmaa et al, 2012).

### Lack of resources among the inactive

Inadequacy of social benefits might also be an obstacle. In France, according to UNIOOSS, low unemployment benefits and allowances might prevent the less resourceful from investing effectively in their job search (for example, enrolling children in full-time care or moving to where the jobs are). In Hungary, the cost of looking for a job can discourage inactive job-seekers. Many inactive people lack the resources to pay for the cost of travelling to their employment office. The fact that this cost is subsequently reimbursed does not always address the issue as most inactive people do not know this or cannot afford to pay in advance (Eurofound, 2015b). Service providers have flagged the cost of commuting as an issue.

The lack of IT infrastructure, especially in the most deprived areas, has been raised in Hungary. Even where it is present, there is the additional hurdle that many

inactive people lack the required skills and knowledge to use it.

In other countries, the status of being unemployed or inactive can have a negative impact on access to services. This has been an issue in France, where access to training and public childcare services is not open to those who are unemployed or inactive, though efforts have been made in recent years to open those services to the unemployed, for example through the personal training account scheme and the 'social purpose nurseries'.

### Poor coordination of services

In a number of countries, a lack of coordination between different service providers was mentioned as a barrier to provision of effective programmes and services for the inactive population. In Denmark, the local employment service is characterised by a significant degree of complexity in terms of interaction with citizens. Welfare benefits are delivered widely across multiple authorities, which often have their own body of laws, procedures, norms and process requirements, IT support, professionalism, culture and responsibility, leading to a fragmented approach (Deloitte, 2015). In Finland, coordination of services and management of information flows are often a challenging part of activation efforts. For instance, youth outreach workers have reported difficulties in accessing information held by other authorities, even though such information is needed in order to advance the case of a client. The fragmentation of services as a potential barrier has also been highlighted in Greece. A report by the European Union Network of Independent Experts on Social Inclusion (2012) pointed to the lack of integrated policy, integrated implementation, appropriate mechanisms, vertical coordination of policies, active participation of relevant stakeholders and development of social dialogue. In Portugal, the 2016 National Reform Programme plans to tackle fragmented service provision in both public and private organisations. One of the first steps is the establishment of a taskforce to include representatives from the public employment services, social security, youth support and education services.

### Ineffectiveness and inefficiency of services

The efficiency of the public employment services has been questioned in some countries. In Spain, a report by Fedea (2016) criticises the inefficiency of the Spanish public employment services and recommends a deep

reform of them and the improvement of active employment policies. It is also said that the Spanish unemployment protection system, which includes both the payment of benefits and the provision of active employment policies, does not always meet the needs of clients (Ministry of Employment and Social Security, 2016).

Increasingly, policies are being evaluated and monitored, with much more attention given to what works and the critical success factors behind successful policies. While a lot of evaluation is carried out on policies targeting unemployment, far less is known about the policies aimed at the inactive population. In Denmark, municipalities have been vocal about the need for more knowledge of what works. It can be difficult for municipalities to initiate effective measures because little is known about what works for groups outside the labour market. Likewise, in Estonia, the lack of policies in this field is seen to be caused by a general lack of systematic overview and evidence on effectiveness of various interventions. Service providers there have also called for a better understanding of the complex barriers the inactive population faces. In the Netherlands, municipalities also often lack knowledge on how to activate the inactive population and/or to engage employers in creating positions for those outside the labour market (Blonk et al, 2015). Although there is some knowledge about facilitators and barriers in relation to the attitudes of employers (Horsssen et al, 2013), little is known about how to get employers to employ workers from vulnerable groups (Blonk et al, 2015). In addition, the recent decentralisation of labour market policies may have caused organisational stress among the municipalities. It might take a while before policies, regulations and activities are aligned.

Non-take-up of public services and benefits has been identified as an important issue in France, as in other Member States (Eurofound, 2015b).<sup>28</sup> This may also concern public employment services. There, a lack of democratic representation of unemployed and inactive people has been raised as a barrier.

### Summary

In summary, one of the main challenges for the service providers, in particular public employment services, is that of locating and reaching out to the inactive population to offer support services. The challenge is all the greater as, due to the economic crisis, service providers report being already stretched and lacking sufficient resources to deal with an increased number of

28 For example, studies on exit from and non-take up of public services indicate that 36% of those eligible for the work welfare benefit (*revenue de solidarité, RSA*) do not get it (Warin, 2011), and that people eligible for social inclusion measures but not using them do not have the relevant information or do not trust public services (Chaveau and Revil, 2005).

potential clients from a heterogeneous group with potential multiple barriers and challenges. In addition, service providers operate in a highly challenging labour market situation, where in a number of countries, job opportunities are still scarce especially for those who have been outside the labour market for a long time and

may face additional problems and challenges. Some of those issues, such as mental health or care responsibilities require coordination of different services, which seems to be problematic in several countries. Finally, service providers seem to be increasingly aware of a need for better knowledge to underpin effective strategies to activate an inactive population.

# 5 Policies and measures targeting people outside the labour market

## Introduction

This chapter provides an overview of policies, programmes and measures that were identified in the EU Member States and that aimed principally at the labour market reintegration of the inactive population. It concentrates on initiatives developed exclusively for the inactive population but in some cases also includes initiatives that are more general in nature but which also target unemployed or long-term unemployed people. The focus on policies and the target groups varies by country and takes into account the policy attention given to specific issues or groups in the population at national level. In addition, the choice of policies and measures is informed by the barriers to employment that the inactive population faces, covered in the previous chapter.

The study focuses on the broadest policies or measures in terms of scope or impact. In reviewing them, Eurofound applied a comprehensive understanding of the definition of activation, one that goes beyond job searches and work requirements to include active labour market policies and active support services. Particular attention was paid to measures that aimed to apply the principles of active inclusion by combining inclusive labour market, adequate income and access to services.

As mentioned above, this review focuses on those policies and measures that address the main barriers to employment and has categorised them on this basis. Similar categories have been used in the OECD/World Bank Faces of Joblessness study commissioned by the European Commission (Fernandez et al, 2016). The categories are as follows:

- **policies and measures to improve human capital** (for example, training, access to education, upskilling and work experience);
- **employment incentives** (for example, wage subsidies offered to employers for employing people who have been inactive, as well as in-work benefits);
- **job search and job assistance** (for example, job coaching);
- **business start-up measures;**
- **outreach measures** (for example, information sessions for young mothers about childcare support facilitating return to work).

## Improving human capital

Policies aimed at improving human capital address the needs of different groups, but in recent years, due to the high levels of NEETs in most EU countries, many have focused on aiding young people, often without qualifications, to improve their skills. Others have focused on equipping people with disabilities with the skills needed by employers.

As noted earlier, much attention has been across Member States to the implementation of Youth Guarantee schemes (Eurofound, 2015a); several different government programmes converge on efforts to integrate inactive young people into employment. Lithuania, for instance, has implemented the National Youth Policy Development Programme 2011–2019, the Action Plan for Increasing Social Inclusion 2014–2020, the Employment Enhancement Programme 2014–2020 and the Action Plan for Strengthening Regional Youth Policy 2015–2017. In Malta, as elsewhere, NEETs activation schemes aim to ensure that all young people under 25 years – whether registered with employment services or not – receive a good quality offer of work or training within four months of leaving education or becoming unemployed. Participants are profiled and receive personalised assistance as well as training in soft skills. In Portugal, the Youth Guarantee programme extends to young people aged up to 21 years but prioritises those registered as unemployed.

In Bulgaria, a scheme called Active, introduced in 2014, has as a main objective the activation and integration into employment of those up to the age of 29 who are not registered with the employment agency. It focuses first on identifying and motivating inactive young people and then on offering opportunities for inclusion and continuous employment, training or return to education. The scheme supports information campaigns and events, job fairs, and other kinds of individualised work that can lead to the young person going back to school to gain a qualification, to register at a labour office or to receive advice on how to find employment and return to the labour market.

Similarly, in Slovenia, a programme aimed at improving the skills and qualifications of young people aged between 15 and 25 years (mainly those who have dropped out of education and are more difficult to employ) has existed since 1999. Called the Public General Education Programme (PUM), its main objective is to help young people to gain experience and knowledge that would enable them to be successful in further education or in their chosen profession.

Other objectives are for them to develop practical knowledge, to have a positive learning experience, to clearly identify vocational choices, and to develop skills in critical and problem-oriented thinking. The programme encourages young people in three areas: general education, the formation of professional identity and sociocultural activities.

PUM programmes are operated by public and private organisations that are registered as service providers of publicly recognised general education programmes for adults. Service providers must meet the requirement to have a sufficient number of active mentors.

Between 2005 and 2010, a total of 1,668 young adults participated in the programme. Two evaluations in 2002 and 2010 confirmed the quality of the programme and its effectiveness in achieving the majority of its goals. Most participants (83%) from the period 2005–2010 said that participation in the programme led to a positive change in their lives, from smaller changes in some cases to significant life changes in others (Lebar et al, 2014).

In all countries, people with disabilities or health problems comprise a significant proportion of the inactive population of working age, and this group has been a focus of activation measures. National efforts are supported by the European Disability Strategy 2010–2020 (European Commission, 2010). In Italy, the public employment services operate specific desks for people with disabilities; they coordinate the network of support agencies and manage the process of matching supply with demand. NGOs are leaders in providing services for people with disabilities, including vocational guidance and work experience. NGOs in Greece, in particular, appear to support people with health problems to return to work. For example, the Organisation Against Drugs (OKANA) runs vocational training and advisory support services, while the Greek Manpower Employment Organisation (OAED) provides specific incentives for labour market placement (specifically, employment subsidies).

Continuing reform of legislation in Romania encourages employers to employ people with disabilities. Employers receive free services for skills evaluation and training, tax deductions for costs of workplace adaptations, and reimbursement of specific expenses for training or employment counselling of people with disabilities.

In the UK, the Access to Work scheme is a publicly funded employment-support programme providing grants for the practical support of people with disabilities or health problems, helping them to enter or remain in work. Every Jobcentre Plus office has a disability employment advisor, and there are intensive support programmes (like the Work Programme) accessible to economically inactive people with disabilities. Access to Work is widely regarded as

successful. For example, Disability Rights UK (2015) described it as ‘the only government disability employment programme that is proven to be effective’. However, its scope is somewhat limited due to strict funding constraints. Disability Rights UK pointed out that it serves 35,000 people a year, whereas there are 3.3 million disabled people of working age. The Work and Pensions Committee published a report in December 2014, calling for increased funding and training for the scheme, as well as making specific recommendations to improve the scheme for those with mental health conditions. In particular, the Committee concluded that the DWP appeared to be trying to help many more people with only marginally more funds, which risked degrading service quality (House of Commons Work and Pensions Committee, 2014).

In 2015 in Lithuania, a programme began that focuses on assisting people with disabilities in accessing employment. It is aimed at people with disabilities, and specifically those applying to the Disability and Capacity for Work Service, which determines their level of disability and work ability. Following the assessment, the programme proposes a range of vocational rehabilitation services. Rehabilitation services are to be offered to a total of 2,000 people whose capacity for work varies from 0% to 45%, as established by the assessment. Activities within the programme include reskilling and the acquisition or improvement of qualifications in order to find employment or become self-employed. There are about 12 enterprises providing vocational rehabilitation services for people with disabilities, offering around 300 different training programmes; however, the challenge lies in finding a suitable job opening for those who finish the programme.

Also aimed at people with disabilities is the Portuguese set of measures that focus on integration, retention and reintegration in the labour market (*Apoios à Integração, Manutenção e Reintegração no Mercado de Trabalho*). This was introduced as part of the Programme of Employment and Support for the Qualification of People with Disability and Incapacity in 2009 (Decree Law 290/2009 of 12 October). The programme includes:

- information, assessment and orientation concerning qualifications and job-seeking;
- training;
- support in the recruitment process;
- post-recruitment monitoring;
- adaptation of workplaces and elimination of architectural barriers.

There is a reasonable amount of integration with different services, including public health services and public or private not-for-profit organisations accredited by the Institute for Employment and Vocational Training as structures providing support and specialised intervention in the field of professional rehabilitation.



According to a report published by the Institute for Employment and Vocational Training, a total of 23,929 people with a disability or incapacity were covered by active labour market measures during 2014, thus surpassing the initial target by 13 percentage points; about €11.4 million was spent on measures targeting this population. Most participants received training, while 1,840 received recruitment and post-recruitment support measures, 13 percentage points below the initial target (Governo di Portugal, 2014).

Other programmes in this area focus on improving the skills and qualifications of those with lower levels of education. In Romania, the government introduced the Second Chances programme. It offers support to young people, children and adults to reintegrate them into the education system, placing an emphasis on acquiring skills needed by the labour market. Interested schools may establish 'second class' classes. The minimum number of students is 12 and the maximum is 20. Classes can take place during the day or evening, or students can take an intensive training course.

In Denmark, a six-week job-oriented training course targets people with a weak educational background to ensure that they acquire skills that companies require. The measure was amended in 2014 to prioritise job-oriented education over 'self-selected' education, meaning that there must be a greater emphasis on upgrading skills that are required in the labour market. To ensure a job-oriented focus, the government has developed a national list of positive education offers, which identifies the courses that lead to job opportunities. As the programme was implemented in 2014–2015, no evaluation of this measure has yet been published.

## Employment incentives

Many policies involving employment incentives address work–life balance and ways to enable particular groups to re-enter and stay in the labour market. One of the main focuses has been on helping with family and care responsibilities. In general, Member States have started to recognise the importance of having a broad and comprehensive approach that addresses female participation in the labour market, including gender-balanced leave, flexible arrangements at work, and access to childcare facilities as well as long-term care facilities.

In 2014, the Czech Republic introduced 'children's groups', a form of childcare, in an attempt to enhance the work–life balance of women and to help them re-enter the labour market following parental leave. These groups have been designed for pre-school children from the age of one year. They can be established by employers, churches, local administration bodies, NGOs, universities and other relevant organisations and are financed by the providers. The costs are partly tax

deductible and, at present, the European Social Fund provides a grant for their establishment. Since June 2015, when this initiative became operational, 224 children's groups have been established, accommodating approximately 2,990 children.

In Latvia, 'mothers' clubs' have increased their activities in civil society by promoting employment for young mothers, specifically by identifying trustworthy babysitters. A homecare allowances system is routinely on the policy agenda in Finland, as is the cost of childcare services, amid concerns that these issues may have a negative effect on women's labour market position.

Wage subsidies are another popular approach to addressing this issue and are in place in several Member States. In Denmark, one such subsidy is aimed mainly at the inactive population, and its purpose is to provide people with new skills, experience and contacts, thereby putting them in a better position when applying for jobs. Participants can be employed in both private and public companies, and the wage subsidy lasts for up to six months. However, many challenges exist. The group is highly diverse, and some people have certain immediate constraints on their work capacity. These can be addressed through mentoring and bridging programmes that support people once they have started a job or a training programme. Several studies show that this programme, especially in private companies, has had positive effects (Rosholm and Svarev, 2011).

In Hungary, the Job Protection Plan was introduced in 2012. Its main component is that it entitles employers to relief on their social contribution tax if they employ people belonging to disadvantaged groups. In Italy, within the framework of the Regional Employment Plan of 2009, the region of Calabria established incentives for Calabria-based employers to hire disadvantaged and severely disadvantaged people and people with disabilities. The maximum incentive envisaged is equal to 50% of total labour costs for a maximum of 36 months after hiring. The impact of the measure was evaluated in 2015 and showed that it had a positive significant effect on hiring. In a number of countries, particular attention has been placed on ex-prisoners, one of the groups specifically mentioned in the European Commission's 2008 Recommendation on active inclusion. In Portugal, hiring support measures include direct transfers and a temporary reduction in or exemption from the employers' social security contribution if they hire people from specific categories, one of which is former prison detainees.

The Netherlands has a broad range of reintegration instruments such as the *Lage inkomensvoordeel* (LIV), a tax incentive, the *Loondispensatie*, for the young disabled, the *Mobiliteitsbonus*, for hiring disabled or older unemployed and the *Looncompensatie bij ziekte* (*no-riskpolis*), aimed at encouraging employers to hire

partly disabled people by covering the high costs of employees on sick leave. There are also the measures in the *Participatie-wet* or *P-wet* (Participation Law), especially the *Loonkostensubsidie* (wage subsidy), which is a financial instrument that covers the gap between productivity (the assessed wage value of personal labour) and the minimum wage.

There are also local initiatives. For example, in 2015, the municipality of Amsterdam introduced ‘perspective jobs’ (*perspectiefbanen*), the aim of which was to help 115 long-term inactive people find employment over 2015 and 2016. To minimise the risk of competition, the scheme targeted jobs where shortages were expected – mainly in construction, technical jobs and ICT. Employers get a €8,500 subsidy per year for every person employed under this scheme for a maximum of two years, and a once-off €3,000 ‘bonus’ if the temporary job is turned into a contract of at least six months. In late 2016, this programme was evaluated by the municipality’s information service (OIS, 2016). While it remains to be seen whether participants stay employed in the longer term, by October 2016, 11 people had been employed through this programme. In 2015 and 2016, the municipality approached 182 potential candidates for such ‘perspective jobs’, of which 124 were judged ‘fit for such jobs’. Of these, 74 were presented to employers, 43 had a job interview, and 14 were placed in employment (3 had dropped out after starting, by October 2016). Employers raised problems such as lack of motivation, negative attitude towards work and not showing up for work. Employers also expressed a preference for employees who were job-ready rather than those who needed to be trained first. Another barrier was employers’ reluctance to provide candidates with a contract without first knowing them. The municipality found it hard to find applicants with a realistic chance of succeeding. Current discussion has focused on increasing the role of traineeships preceding an employment contract, to give the employer more time to get to know the candidate before offering them a job, thus avoiding financial risk. Trade unions, however, have made the point that this option contradicts the scheme’s aim of helping the target group earn an income. As a consequence of this criticism, it is felt that the programme needs to be directed towards training rather than (productive) labour.

In Italy, a ‘social card’ called an SIA has been introduced across 12 towns and cities. This programme, aimed at low-income households with at least one minor, allocates a maximum of €400 per month to each household. This allowance is conditional on an inactive adult in the household signing up to a personalised activation plan targeted at their social and work inclusion. (For a more extensive description of SIAs, see Eurofound, 2015b.) Municipalities are responsible for designing and monitoring personalised activation plans, which are then implemented in cooperation with

employment and social services. The main challenge is to offer support to households that have not previously been exposed to social services. An article published in the specialist magazine *Percorsi di secondo welfare* (2015) noted that the main shortcoming of the pilot implementation of SIAs was the fact that 30% of funds available for the 12 towns had not been spent because of the low number of applications, as well as some applicants’ failure to meet the requirements. However, some cities, such as Turin, seemed to be more effective in implementing the programme. The consolidated local network of support agencies was crucial in achieving positive outcomes, and it enabled 19 support desks to be set up throughout the municipality. The measure made it possible to reach out to households not benefiting from other assistance measures provided by the municipality (Percorsi di secondo welfare, 2015).

In order to incentivise people to move into employment, schemes have been established whereby the value of certain benefit payments is reduced, but not discontinued, after an individual begins working. In Malta, a scheme launched in 2014 aims to ease dependence on social benefits and encourage unemployed and inactive individuals to gain employment. Beneficiaries who have been receiving benefits for 24 months retain those benefits after they began work, but then taper off over three years. The scheme targets individuals in receipt of unemployment assistance, inactive individuals receiving social benefits and inactive single parents receiving social assistance. The initiative is coordinated by the Department of Social Security in collaboration with Jobsplus. The Malta Employers’ Association pointed out that this scheme could potentially lead to workplace tension since two people doing an identical job might be earning a different wage (MEA, 2015). The scheme encouraged 1,731 people to take up work by the end of 2015, of whom 63% (around 1,090) were inactive people in receipt of benefits other than unemployment benefits (Ministry for Finance, 2016).

In the UK, the Access to Work scheme, described in the previous section, provides grants to people with disabilities and health conditions to help pay for expenses such as extra travel costs or the cost of interpreters or other support at job interviews.

## Job search and job assistance

Several Member States have focused on providing assistance in job searches and in establishing job assistance programmes for inactive groups, especially those who have been outside the labour market for longer periods. This approach takes the form of various programmes and training courses. One such programme has been rolled out in Spain: the Employment Activation Plan (*Programa de Activación para el Empleo*), as set out in the Spanish Employment Activation Strategy 2014–2016, which was signed by the

Spanish government and trade unions on 15 December 2014. Initially, it was expected to run from 15 January 2015 to 15 January 2016, but it was extended in March 2016 to continue up to 15 April 2017. The plan promotes the labour market inclusion of people outside the labour market who have already used up other public aids and subsidies (such as their unemployment benefits or the ‘active insertion income’). Beneficiaries must have registered with the public employment services (as job-seekers) before taking part. The main objective is to improve the employability of unemployed people who have particular difficulties in accessing the labour market. It combines both active employment policies and personalised career guidance, managed by the employment service, in order to increase opportunities for accessing the labour market. Additionally, the programme offers monthly financial aid, also managed by the public employment services. In 2015, this amounted to €426 per month (80% of the Public Indicator of Multiple Effects Income (IPREM), an index used in Spain as a reference for grants, subventions and benefits).

Data provided by the Ministry of Employment indicate that, up to 31 March 2016, the Employment Activation Plan assisted 161,583 unemployed people, all of whom received labour inclusion support and guidance. Furthermore, 99,410 individuals received the monthly subsidy of €426, and 15,212 got a job that was attributed to their participation in the programme. Trade unions felt that the plan had not achieved its goals within the allotted time frame, however, and tried to convince the government to extend its time frame, which it finally did (Ministerio de Empleo y Seguridad Social, 2016b).

## Business start-up measures

Policies and measures to help stimulate entrepreneurship have been in place across Member States for a long time but in recent years have been expanded in response to high levels of unemployment. The support may include advice and education on how to start a business or favourable financial incentives to help potential entrepreneurs to realise their business ideas. In Croatia, such a programme has existed since 1999; called ‘Your initiative – Your working place’, it is a loan to support self-employment. It is intended for people registered with the employment service, including inactive people, who show an interest in starting their own business. They are also provided with work-related support from the employment service, which provides them with all relevant information on activities connected with achieving their entrepreneurial idea. The programme in itself is no guarantee of business success, but, in the words of participants, it ‘nudges’ them into action. The employment service staff point out that their job also involves discussing the feasibility of applicants’

business proposals, as many tend to overestimate their potential for self-employment and do not have real entrepreneurial skills.

In Finland, since 1984, unemployed people have been able to apply for a business start-up grant. In 2006, its eligibility criteria were broadened, and it is now available to anyone who does not receive other public benefits. The grant is aimed at promoting entrepreneurial activity through securing the individual’s income during the start-up phase and the establishment period of the business.

In Spain, one of the most interesting measures is the ‘flat rate in self-employment fees’ for entrepreneurs, informally known as the ‘€50 flat rate’. This measure reduces monthly social security fees for newly self-employed people – those registering for the first time under the Special Regime for Self-Employed Workers (RETA) – so that they incur lower costs. This means that they pay a fixed contribution or ‘flat rate’ to social security. Initially, this scheme was available only to those aged under 30 years, as it came under the Spanish Entrepreneurship and Youth Employment Strategy 2013–2016. However, a few months after its approval, due to its success and popularity, it was extended to self-employed people of all ages.

How many successful businesses result from initiatives such as those described here and the magnitude of the risk of failure or debt are not always clear. More research is needed to examine in greater detail the potential value of the entrepreneurship route for the inactive population, many of whom are in vulnerable situations.

## Outreach measures

Outreach measures may focus either on a specific target population or take a more general approach. In Greece, the latter approach was taken by the programme Local Action for the Social Inclusion of Groups in Vulnerable Situations (TOPEKO), which ran between 2012 and 2015. It focused on a wide range of vulnerable people including: long-term unemployed people over 45 years with low educational qualifications; people with disabilities; single-parent families; immigrants; returned emigrants; refugees; ex-prisoners; homeless people; and people living in poverty or at risk of poverty. The programme included:

- counselling (including vocational counselling, business counselling, tailor-made advisory services such as legal advice, psychological counselling, advice on approaching employers, and support for families living in poverty);
- vocational training tailor-made to the beneficiaries’ needs;
- networking;
- information and awareness-raising actions.

The programme reached almost 12,000 people, but, according to an evaluation of the project in 2014, success has generally been low regarding employment of the participants.

The majority of outreach programmes focus on young people, especially those at risk of social exclusion.<sup>29</sup> Many countries have put in place programmes and policies to address the ongoing challenge of youth exclusion and high rates of NEETs.

In Austria, a programme called Youth Coaching, introduced in 2013, is aimed primarily at pupils in their last year of secondary school, as well as all NEETs up to the age of 19. The programme's aim is to help and support young people in their transition from school to work using a case management approach. This consists of three steps. Firstly, there is an initial conversation, which provides general information on the programme. Secondly, advice and counselling is offered. Thirdly, clients can request support (case management), which can last up to one year. The programme is run by the Federal Ministries of Labour, Social Affairs and Consumer Protection (BMASK) and Education (BMB) and is implemented in cooperation with the public employment services, schools and teachers, local municipalities, training providers, and parents (Hall et al, 2015). In terms of impact assessment, between the beginning of 2014 and October 2015, a total of 1,566 people participated in the programme, of whom 87% finished the coaching; the drop-out rate was 12% (Steiner et al, 2013). The most positive effects relate to vocational orientation, motivation and self-esteem. The evaluation also pointed out that the early warning system was not well established yet (whereby teachers or schools report pupils at risk of dropping out of school). Youth coaches pointed out that the fact they could reach out directly to pupils without seeking the permission of their parents allowed them to reach a wider range of pupils and more quickly. The impact assessment stressed that more cooperation with youth workers would be desirable, especially in order to reach out to NEETs.

Similarly, in Estonia, as part of the Estonian Youth Guarantee scheme, the Youth Prop Up programme was launched in 2014 and is operating in 35 youth centres nationwide. The aim is to provide support to about 8,800 young adults during the programme period. Particular attention is placed on regions with higher concentrations of NEETs. Some activities target local governments, such as those aimed at increasing cooperation between different local municipalities and provision of assistance in the development of local action plans on youth work.

Outreach youth work has been strongly embedded in the Finnish setting for quite some time; it is legally established as a responsibility of local governments in the Youth Act (72/2006). Individual support and guidance is offered to young people outside the labour market and education. It is based on safe and trust-based adult contact, involving face-to-face interaction, and takes a holistic approach to young people's problems. The level of coordination varies; some outreach workers are very satisfied with it, while others report problems, especially with other service providers not keeping in contact with outreach workers, generally deficient information flows, and the unavailability of or long distances to other services when working in small towns or in a rural context.

In Lithuania, a project called Discover Yourself was introduced in 2015 and is set to continue until 2018. It focuses on NEETS aged 15–29 years and involves early intervention and activation measures tailored to the needs and opportunities of each individual. The novelty and potential efficacy of this initiative, compared to other such schemes in Lithuania, lies in its comprehensiveness and the tailored, individualised approach.

In Sweden, two projects have addressed the needs of NEETs: Unga In ran from 2012–2014, followed by UNGKOMP (its sequel project) over 2015–2017. NEETs aged 16–24 years who are not registered with the public employment services are the main focus of these programmes. The first project, Unga In, was launched in six Swedish cities, with the aim of activating young people who were far removed from the labour market. The project was run by multidisciplinary teams, including employment services officers, psychologists and guidance counsellors. They worked as 'mobile teams' to locate NEETs in collaboration with other young people from similar backgrounds. The public employment services worked with the youth centre Fryshuset, the National Police Board, municipalities, employers and the Swedish Association of Local Authorities and Regions (SKL). An evaluation of this project found it should have narrowed and more clearly defined the target group. In addition, it concluded that more resources should have been put towards project implementation and not just its development (Ramboll, 2014). When Unga In finished, a total of 1,023 young people had participated and finished the programme, of whom 31% went on to employment, 35% moved on to education, 27% left for other known reasons such as healthcare problems, and 15% left without any further contact.

<sup>29</sup> Programmes and initiatives designed to improve the social inclusion of young people, with a long-term objective of inclusion in the labour market, are the subject of a Eurofound report on the social inclusion of young people published in 2015.

In France, reaching out to and assisting homeless people, including exploring their labour market inclusion, is receiving growing attention. One of the initiatives is called Tapaj (*Travail Aternatif Payé À la Journée*, or Alternative Work Paid by the Day). It is a social inclusion scheme targeted at young people (under 25 years) without a fixed home; many have drug dependency problems. The project allows them to access a job that requires no qualifications or experience and no long-term commitment. They are hired for the day and paid at the end of it. The scheme is implemented by a NGO based in France and Canada (Tapaj), which has a network of partners, public and private, that are willing to provide work. Different services coordinated by this programme allow young people to:

- have access to a legal source of income, with the minimum of constraints;
- immerse themselves in the work environment;
- narrow the gap between their lifestyle and the requirements of traditional work and integration schemes.

The overall goal of the programme is to remobilise young people in vulnerable situations by enhancing their skills and ability to work; by offering a holistic approach to the management of work, health and housing; and by empowering them by offering an alternative to passive assistance and providing a source of legal income.

There are three steps within the programme: the initial contact, where a youth worker (who is responsible for seven people at a time) works four hours per week with an individual who is working at the same time and getting paid €10 per hour each day after work. The second step involves a longer work contract, of up to three days, an accommodation search, and a comprehensive review of the person's administrative, medical and social situation. The third step aims at transitioning the individual into employment or self-employment. An evaluation suggested promising early results: since 2012, 45% of participants found permanent work and 56% have stopped taking substances.

Another innovative approach in France is a multistakeholder-driven initiative called Convergence. It is a pilot project to test a new and intensive social support mechanism that coordinates three public social services: employment, housing and health. It is implemented by the NGO Emmaüs, through one of its social inclusion sites (*Ateliers et Chantiers d'Insertion*, ACI) in Paris. An evaluation that looked specifically at the Paris-based operation (which had 236 participants) highlighted the intensified collaboration between different agencies involved in social inclusion. The partnerships increased public access to adapted services in health, housing and employment, and ensured greater continuity in the support provided. The

partners gained knowledge of specialised services offered by the different actors, which helped participants to access services.

In Slovakia, Ecofarm, which employs people from the Roma community and people with disabilities, particularly those with mental health problems, was established in 2013. In 2007, the association Svatobor created an ecological farm. In the first phase of the project, participants repaired the old, dilapidated farmhouse with the help of 80 local Roma people and 30 others, and rebuilt it into an ecofarm. Participants focus on production of bio-seeds and the growing of vegetables, fruit and medicinal plants. Between 2013 and 2015, 10 participants maintained their job, a further 10 new jobs were created, and 30 people actively work in agriculture as a result of the initiative.

In Slovenia, a pilot project set up in 2013 targeted inactive people, the majority (90%) of whom had disabilities. Its main goal was to empower the inactive population with the help of individualised, in-depth measures that sought to integrate them back into the labour market. It was run by the Slovenian employment service ZRSZ, 12 district employment offices, social work centres and 8 external partners. It consisted of four modules: a motivational seminar; individual and group evaluation of participants' employability, motivation, skills and capabilities, including medical and psychological examinations; development of skills for effective labour market orientation; and support and monitoring of individual reactivation plans. Service providers had difficulties in reaching out to the target group (inactive people), which was attributed to a lack of motivation, health problems or being outside the labour market for a long period. Participants had to cover some costs (like travel expenses) by themselves, which caused some financial difficulty to them. In total, 4,442 people participated in the first module, but only a few hundred took part in the final, fourth module. Evaluators stressed that the project would have been more successful if the target group had been better defined: people with disabilities who were less motivated were far too numerous in the sample. A survey among participants in the first module found that 40% of social assistance beneficiaries and 29% of disability compensation recipients took part in the programme mainly because they were afraid of losing their benefits rather than to obtain a job. The evaluation measured participants' competencies (professional self-esteem, proactivity, and adaptation to their environment) before and after the programme, but it could not confirm any significant change in competencies. The vast majority of participants stated that they had gained new contacts, acquaintances and friends (99%), knowledge about searching for a job (94%), a greater will to live (90%) and new skills (88%). However, only 56% identified employment opportunities.



## 6 | Conclusions

This report set out to provide an overview of the economically inactive population and its relationship to the labour market. The objective was to examine which groups within this population are interested in entering or re-entering the labour market but are finding it difficult to do so, as well as to review policies that aim to help them take up employment. To that end, the report provides a broad picture of the social and living conditions of the inactive population – at the individual and household levels – which may have implications for their labour market integration.

The report reviews the barriers people outside the labour market face in trying to gain employment, presenting the views of both inactive people themselves as well as relevant service providers. Furthermore, it provides insights into the willingness or inclination of inactive people to work and the challenges that prevent them from seeking work. Finally, the report examines some of the policies and programmes implemented at national level that promote the inclusion in employment of those outside the labour market.

Eurofound has attempted to report only on the inactive population – on their characteristics, the barriers they face and the policies aimed specifically at the activation or reactivation of this group. This is in contrast to many previous studies, which have tended to look at the inactive population together with unemployed or long-term unemployed people.

The report describes the characteristics and living conditions of the inactive population in Europe. It highlights the importance of paying attention to this group specifically in order to design and implement effective strategies for their labour market integration. Regardless of the challenges associated with measuring and characterising the economically inactive, the report clearly shows that, in the majority of the EU countries, there is a section of the population that has a lot of employment potential and that policies focusing more explicitly on their labour market integration might well yield results.

While many questions are left unanswered, this report, which covers all 28 Member States, provides data and information that enable a better understanding of the inactive population and that complement other research.

In the EU as a whole, 28% of people of working age are economically inactive. It is twice as common to be inactive in Italy (where 36% occupy this status) as it is in Sweden (where the figure is 18%), with the other 26 EU Member States lying between these extremes. Since the beginning of this century, there has been a continuous drop in the proportion and number of people who are

economically inactive. This drop in inactivity has been consistent before, during and after the 2008 economic crisis. Decreases in inactivity have been particularly sizeable among women, older people of working age and people with high levels of education. Two main trends are likely to have contributed to this reduction in inactivity: greater labour market participation among younger women who have gradually moved into older age brackets, and the discouragement of early retirement alongside increases in statutory retirement ages. Among the non-working population, which comprises both unemployed and inactive, men outnumber women among the unemployed, but women outnumber men among the inactive.

The report examines the heterogeneity of the inactive population and distinguishes between specific subgroups: people who report being in education, homemakers, retirees or disabled. It sheds light on the social and economic characteristics of these subgroups and their living conditions. For example, disabled men, male homemakers and men in the ‘other inactive’ category (who report that they are inactive but who do not choose any of the other four categories of inactivity to describe themselves) more often live in severely deprived households than women in the same categories. However, among retirees of working age, the gender difference is more pronounced and reversed: women are more often materially deprived than men. In the EU as a whole, the proportion of retirees who are materially deprived fell between 2007 and 2015 (from 11.3% to 7.6%). For other groups of inactive people, the opposite is true (rising from 11.7% to 12.7%).

The report shows that many inactive people would like to be in paid work in some capacity. Results from the EQLS show that about four out of every five inactive people report they would like to work at least some hours, and approximately half of them want to work 32 hours or more, taking into account their households’ financial needs. This applies particularly to students and homemakers. While willingness to work is somewhat lower among people with disabilities, almost half of this group want to work 32 hours or more. The desire to work is least common among retirees of working age, but even there, about three-fifths say they want to work at least some hours. Inactive people who have difficulty making ends meet more often want to work and to work more hours, but many of those with no immediate apparent financial need also often want to work a considerable number of hours. More people would like to work if certain measures were taken to address some of the barriers they face. Such self-reported data needs to be carefully interpreted; however, they provide an indication that willingness to

work is prevalent among large sections of the inactive population. Understanding this may inform the design and delivery of policies for labour market integration.

Some barriers to taking up employment are particularly striking; for example, homemakers providing frequent childcare or care for an elderly relative more often say they would prefer to be in paid employment than those who do not frequently provide care.

There is wide variation across groups of inactive people in terms of their characteristics and the barriers they face, so individualised approaches are needed. However, some general observations may help to guide policy focus.

- A lack of work experience is most common among those in education and homemakers and least common among disabled people and retirees.
- Homemakers and retirees are most likely to have low educational attainment.
- Retirees and disabled people more often report having a health problem, while being at risk of depression is more equally spread across groups.
- About one-half of disabled people who are inactive report a high level of social exclusion (similar to that of long-term unemployed people), as do 28% of homemakers.
- Being inactive because of a perception that no work is available is common among younger and older people; it has become a more common reason for inactivity among the latter.
- Inactive people often face more than one barrier to employment. In particular, inactive people with a low educational level or those caring for older people often also care for children, while inactive people who feel socially excluded are also likely to have no work experience, to have health problems, to provide elderly care or to be at risk of depression.

Service providers also face challenges in providing support to those who face barriers in trying to enter or return to the labour market. This includes both public employment services and other providers of social and healthcare services. One of their most common challenges is difficulty in locating and reaching out to the inactive population to offer support services. This challenge is all the greater as, due to the economic crisis, service providers have reported being already stretched and lack sufficient resources to deal with an additional target group with multiple barriers and challenges. Some of those challenges, such as mental ill-health or care responsibilities, require coordination between different services. This seems to be a major issue in several countries. In addition, service providers are increasingly aware of a need for better knowledge of strategies that are effective in activating the inactive population.

These findings highlight the need for a stronger policy response. Both the international and national evidence captured in this report point towards an untapped potential among the inactive population. This need is clearly reflected in the fact that a limited number of existing programmes and policies specifically target those who are economically inactive.

## 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 at national level and take note of the social characteristics and living arrangements that have an impact on their prospects for labour market integration.
- Most countries do not address the inactive population as a specific issue, and in terms of policy intervention, they tend to assume that interventions tackling unemployment or long-term unemployment will also apply to this group. Consequently, the number of policies that are specifically concerned with the labour market integration of the inactive population is limited. There is a need, however, for policies that specifically target the inactive population; 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. This should be done whilst taking note of diverse needs and preferences within this group.
- Member States should fully implement the European Commission Recommendation on the active inclusion of people excluded from the labour market from 2008, to enable labour market integration of those furthest from the labour market. This is based on three pillars: labour market activation, adequate income and provision of quality support services. As shown in the European Commission staff working document on the implementation of the Active Inclusion Strategy from 2017, the key to success is the effective coordination of these three pillars.



- Considering the growing complexity of the labour market and the trend towards more high-skilled professions, a policy priority should be investing in the education of people who may have been outside the labour market for a long time and may have an outdated set of skills. The specific needs of inactive people should be recognised through, for example, step-by-step upskilling measures that prepare them to participate in higher-level training.
- Considering that many in the inactive population would like to work, policymakers could reflect on investing resources to build enabling attitudes and conditions for people to work before developing policies aiming to activate them. This needs careful thinking in terms of institutional design and measures more tailored to the individual or group. Policymakers 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.
- National and local policymakers should acknowledge the challenges that many public employment services face in trying to reach out to the inactive population and to address their often complex needs, a role that goes beyond the standard array of services they offer. Policies could seek to strengthen the capacity of local labour offices as well as encourage stronger links with other services such as social care and healthcare, and even reach out to civil society to offer a more comprehensive range of services.
- Stakeholders should invest in more robust and evidenced-based policy evaluation in order to better understand which policy interventions work in terms of integrating the inactive population into the labour market – in a sustainable way and into good-quality jobs in order to prevent this group slipping into the in-work poverty trap.



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# Annex

# Questionnaire for the national contributions

The focus of this questionnaire is on **INACTIVE POPULATION** (jobless people of working age who are outside the labour market). This group is very heterogeneous and may include people that have or had care responsibilities, people with health problems, young mothers, housewives, early retirees, etc. In preparing the questionnaire please focus on the groups that are most relevant, have been most prominent in policy discussions.

Eurofound is interested in people that have worked at some point and want to re-enter the labour market and also those that have never been in in paid employment.

**This questionnaire DOES NOT cover unemployed or long-term unemployed population.**

A background note provided with the questionnaire provides information on the focus of Eurofound’s work, explanation of the main definitions used and the main characteristics of inactive population by country, gender and age.

In providing information please begin by examining national level measures, broadest in terms of scope or impact. Eurofound applies a comprehensive understanding of the definition of activation that goes beyond that of centred around of job- search and work requites) and also includes ALMP and active support services.

In providing information please focus on issues most relevant in your country. This can be driven by the size of affected group, current attention in the policy debate, etc.

## Part 1: Policy debate and national framework

### 1.1. Policy discourse and national strategies

This section aims to gather information on how the topic of reactivation of inactive population into the labour market (or lack of it) has been prominent in the policy debate. Here you can refer to the national strategies, legislation, action plan on employment, etc. Please specify who are the main groups of ‘inactive’ population under discussion (parents with children, carers, people with disabilities or health problems, migrants)?

Furthermore please provide information if there is a policy debate on the activation/employment opportunities for people outside the labour market.

Please identify key policy documents including (strategies, position papers by social partners) that have referred to the labour market integration of inactive population, long term excluded, etc. **(Max 400 words)**

**Please highlight:**

<p><b>Main drivers</b> behind the policy debate (e.g. increase in the rates of poverty, growing attention to long-term unemployment and hard to reach groups, discussion of discouraged groups, increased emphasis on specific groups (for example people with care responsibilities, people with disabilities, young mothers) emphasis on the need for more policy coordination between employment and social services, etc.)</p>	
<p><b>Main stakeholders</b> involved (e.g. social partners, civil society and NGOs (for example those representing interests of carers, single mothers) and government (also including local government)).</p> <p>Who are the main stakeholders that have been most vocal about the need to increased attention towards inactive population or particular groups and their integration into the labour market?</p>	
<p>Most prominent <b>policy areas</b> that are dominating the policy discussion or are visible in national strategies (e.g. barriers in accessing the labour market, policy coordination between employment and social services, skills, social services (especially child/elder care), financial disincentives)</p>	
<p><b>Main target groups</b> that policy discourse focused on (e.g. households on low income, women with care responsibilities, older population, young mothers)</p>	

**1.2** Have there been recently any reforms of pensions, disability benefits, sickness, rehabilitation, care which aim at activation of inactive population? **(Max 50 words)**

a. Yes/no

b. If yes, please provide relevant information with full source references

**1.3** Statistical profiling method for defining target groups.

Does your country use a certain methodology to define inactive population and target group? Is there information on profiling or other statistical based methodology to characterize particular groups? If yes, what data is used for the categorization? Administrative data, SILC or LFS? **(Max 50 words)**

a. Yes/no

b. If yes, please provide relevant information with full source references

**1.4** Do Public Employment Services (PES) have any proactive activities/measures aimed at inactive population or specific groups (for example actively promoting inactive group towards employers seeking employees)? **(Max 100 words)**

a. Yes/no

b. If yes, please provide relevant information with full source references

**1.5** Do other service providers dealing with social assistance beneficiaries have activities aiming at directing their clients to labour market/ sending them to PES? **(Max 100 words)**

a. Yes/no

b. If yes, please provide relevant information with full source references

**1.6** Is the NGOs sector proactive in their activities focusing on reactivation into the labour market of inactive population or specific population groups? In answering this question you may want to focus on NGOs that are specifically active in this area. **(Max 100 words)**

a. Yes/no

b. If yes, please provide relevant information with full source references

**1.7** Is there a mechanism for coordination between different services aimed at labour market activation of inactive population (you may want to focus on specific population group or an area) (for example links between health/social assistance and referral to employment services, one stop shop, case workers)? **(Max 100 words)**

a. Yes/no

b. If yes, please provide relevant information with full source references

**1.8** *Readiness (inclination) for re-entering the labour market.* Is there any information (studies, documents, etc.) that focused on demand, interest or willingness of inactive groups to re-enter the labour market but may face challenges in doing so? **(Max 150 words)**

In preparing to answer this question, please identify key policy documents including 'grey literature' (strategies, background papers, position papers by social partners, civil society organisations, academic literature) that have referred to interest or willingness or (lack of it) of various groups in returning to the labour market

Then, summarise in relation to **WHICH** social groups and main reasons behind the wish to access or return to work (and/or difficulties/challenges in doing so)

**1.9** Duration of exclusion. Focusing on key groups, identified earlier, is there information available on the length of exclusion from the labour market? Please focus on most relevant groups for your country. **(Max 150 words)**

a. Yes/no

b. If yes, please provide relevant information with full source references



## Part 2: Key barriers to reactivation

**2.1** From the perspective of those inactive groups what are the main barriers, most relevant for entering or re-entering the labour market? These can include: poor work related capabilities, incentives to look or accept job, scarce employment opportunities, lack of or difficult access to information or fragmented service provision, additional challenges (for example, care responsibilities, etc.).

Please identify and describe **TOP THREE** main barriers most relevant in your country. This information can be derived from the literature, policy documents, etc. **(Max 250 words)**

Specific group or an universal barrier	Barrier	Comments

**2.2** From the perspective of service providers (of those that have a record of reaching out to inactive groups. These can be employment services, social and health services) what are the main barriers, most relevant for activation of inactive groups? (For example, difficulty in locating and reaching out to the inactive groups, lack of capacity or knowledge of what works for inactive population, etc.). This information can be derived from the literature, policy documents etc. Please focus on services that are most relevant for your country/groups you have identified earlier. **(Max 250 words)**

Type of service provider	Barrier	Comments

## Part 3: Specific policies and measures available for targeting labour market integration, reactivation of inactive population

In this section, please list policy measures, identify their remit and duration, and comment on their scope and content (were those universal/mainstreaming measures or measures targeting specific groups; in the latter case, identify the criteria or definitions applied). Please focus on those policy areas and measures that are most relevant in your country. You may want to focus on specific and most relevant groups - for example people with disabilities or former carers.

There can be different types of policies that focus on integration or reintegration into the labour market. These type of policies have so far focused on unemployed and long-term unemployed.

**3.1** Please indicate if any of the types of policies listed below are available to inactive groups. Subsequent section will allow for more detailed information of selected policies/measures. In answering this question please provide brief information. You will be able to expand on selected policies or measures in the next question. **(Max 150 words)**

Type of measure	Organisation responsible for the implementation	Target group	Coordination with other services
<b>Policies/Measures aimed at improving human capital</b> (for example, training etc., access to education, upskilling, work experience)			
<b>Employment incentives related policies</b> (for example, wage subsidies offered to employers for employing people that have been inactive)			
<b>Employment incentives related policies from supply side</b> (for example, in-work benefits)			
<b>Job search/job assistance</b> (for example, job coaches)			
<b>Start-up measures, job creation</b> (for example, measures that offer support to people to start their own business)			
<b>Outreach measures</b> (for example, proactive measures of service providers to find inactive population and to offer them support)			
<b>Preventative measures</b> (for example, measures aimed at pregnant women with an employment plan post birth and maternity leave)			
<b>Other</b>			

**3.2** Detailed information on policies/measures/case studies. Taking information from the section above please provide detailed information of up to 2 measures. Please give priority to measures with documented impact. **(Max 200 words per measure)**

*Please duplicate the table for second measure*

Type of measure/policies	
Name	
Time reference	
Main target group	
Description of objectives, scope and content	
Coordination with other services. What were the main challenges/barriers related to the coordination of services	
Impact assessment (if available)	

**Other relevant information and commentary.**

You may include here additional information of innovative and promising case studies. Additional information on the NGO sector initiatives may also be included here.

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**Part 4: Role of social partners**

- 4.1** Is attracting or enabling employment for people currently outside the labour market currently on the agenda for social partners? (Max 100 words)
- Yes/no
  - If yes, please provide relevant information with full source references
- 4.2** Are there any company-level initiatives that focus on reaching out to inactive population? For example cooperation with local employment office or civil society or non-governmental organisations. (Max 100 words)
- Yes/no
  - If yes, please provide relevant information with full source references
- 4.3** Are there any initiatives involving trade unions that focus on reaching out to inactive population or specific groups? For example cooperation with local employment office or civil society organisation. (Max 100 words)
- Yes/no
  - If yes, please provide relevant information with full source references

**Part 5: Key sources of knowledge about reactivation of long-term excluded, inactive population**

In this section, list important studies and sources of data.

**References**

References	Comments

(add rows as necessary)





Employment policies tend to focus on unemployed people, but evidence indicates that many people who are economically inactive also have labour market potential. This report examines groups within the inactive population that find it difficult to enter or re-enter the labour market and explores the reasons why. It maps the characteristics and living conditions of these groups, discusses their willingness to work and examines the barriers that prevent them from doing so. The report also looks at strategies being implemented by Member States to promote the inclusion of those outside the labour market. It highlights that many inactive people would like to work in some capacity, particularly students and homemakers. Stressing the importance of focusing on the specific needs of the inactive population in designing and implementing effective strategies for their labour market integration, the report argues that Member States should fully implement the 2008 European Commission Recommendation on the active inclusion of people excluded from the labour market.

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