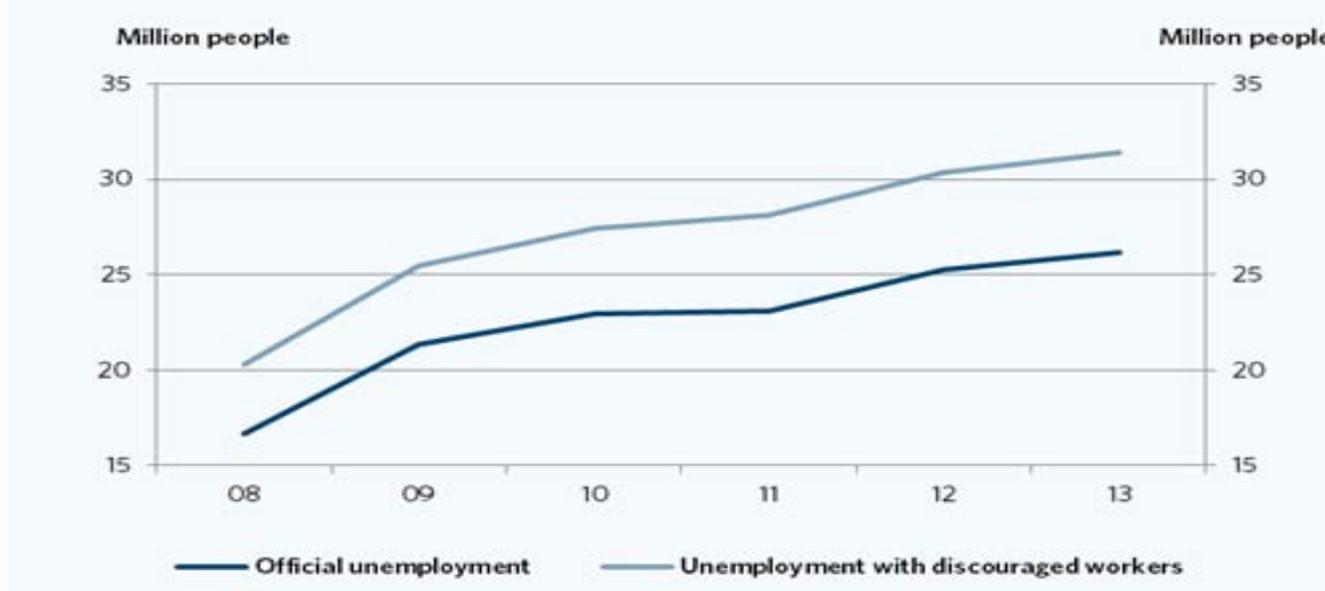


## A larger share of people think they can't find a job

Written by

ERIK BJØRSTED,  
CHIEF ECONOMIST,  
ARBEJDERBEVÆGELSENS ERHVERVSRÅD (AE – ECLM)

**FIGURE 1 - OFFICIAL UNEMPLOYMENT TOGETHER WITH DISCOURAGED WORKERS, EU-28 SOURCE: ECLM ON BASIS OF EUROSTAT AND OWN CALCULATIONS.**



Officially 26 million people within the EU-28 are unemployed. The true number of people who are without a job is however bigger.

In the official unemployment statistic a person without a job is considered to be unemployed if 1) he or she wants a job, 2) he or she has actively been searching for a job within the last four weeks and 3) he or she can begin a job within the next two weeks. If any of these questions are answered with a "no" the person is not considered to be unemployed. Persons without a job who do not answer "yes" to all of these questions are instead considered to be inactive.

There may be many reasons for inactivity, illness, taking care of

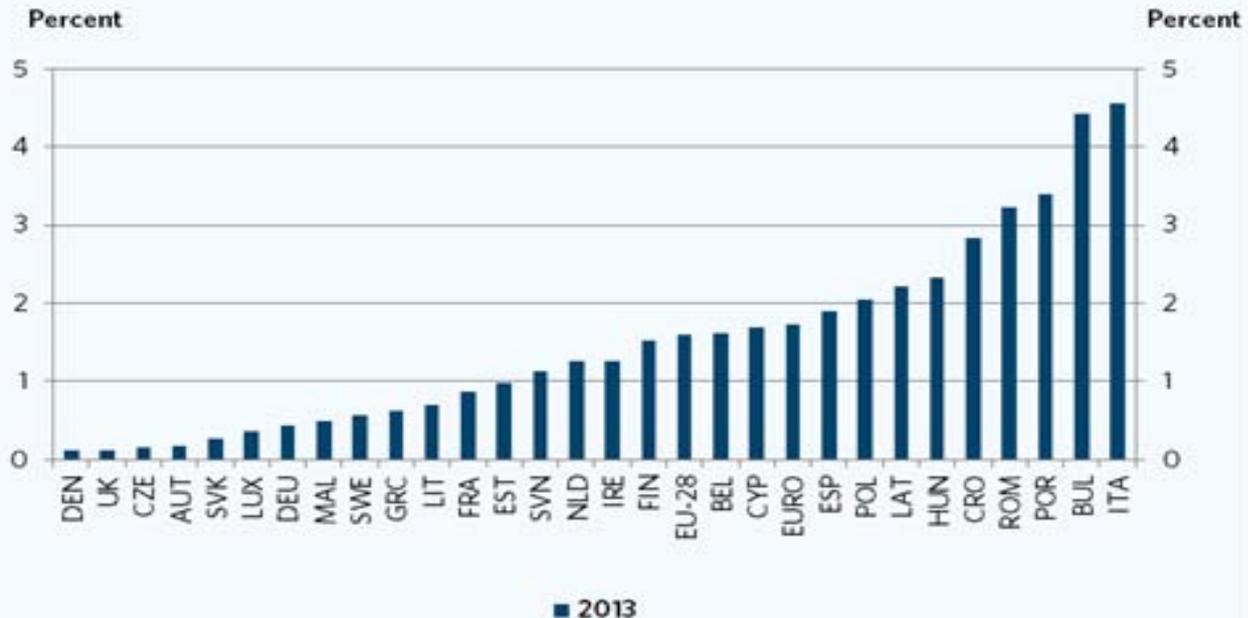
family members, education and early retirement for instance. These people are not an available resource for the labor market and are therefore not considered unemployed. However there are also people who are not searching actively for a job simply because they don't think any work is available.

According to Eurostat in 2013 more than 5 million people between 15-64 years did not search actively for a job mainly because they thought that no job was available. Before the crisis in 2008 the number was around 3.5 million people so during the crisis the number has increased by approximately 1.5 million people.

One could argue that these discouraged persons should also be counted as unemployed. If so the number of unemployed the EU-28 is not 26 million but rather 31 million people and the increase in unemployment is underestimated by 1.5 million people. This is shown in figure 1.

In the Euro area the number of unemployed is officially around 19 million people but if the number of discouraged workers are taken into account the number of unemployed becomes 22.5 million people.

It is well known that the number of discouraged workers can increase during times of an economic setback.


**FIGURE 2. SHARE OF DISCOURAGED WORKERS. SOURCE: ECLM ON BASIS OF EUROSTAT AND OWN CALCULATIONS.**


The longer people are unemployed the less attractive they become for employers and at one stage people trapped in long term unemployment may lose faith and stop searching for a job because they believe they will not be able to find a job.

### Discouraged workers in the European Periphery

With currently more than 12 million long-term unemployed persons (see the Policy Viewpoint n.1) –half of all the unemployed in Europe - the increase in the number of discouraged workers is not surprising.

The increase in the number of discouraged workers has been observed in a number of countries.

The largest share of discouraged workers is observed in Italy where more than 4½ percent of the population between 15 and 64 years did not search for a job in 2013 because they thought they could not find one.

In general southern and eastern European countries are at the

top of the list. Thus Italy, Bulgaria, Portugal, Romania, Croatia, Hungary, Latvia, Poland and Spain are all above the average of the Euro-area. This is shown in figure 2.

One finds the lowest shares of discouraged workers in Denmark and the UK where just 0.1 percent of the population between 15-64 years do not search actively after a job because they think they cannot get one.

The social cost of the crisis is not just the rise in unemployment but also the increase in the number of discouraged workers and other persons who only have a marginal attachment to the labor market. These persons are very much at risk of being marginalized.

### Breaking the cycle

In order to deal with this development it is necessary to create more jobs in the short run. The austerity process has to be slowed down so that countries that have relatively solid public finances should be allowed to expand fiscal policies further. Also the most troubled countries

should be given more time to deal with their deficits.

Active labor market policies are however equally important. Well aimed educational programs can prove to be an effective tool in getting low skilled workers - who are a particular vulnerable group - out of unemployment.

Also it is important to recognize that discouraged workers are likely to have many other problems than unemployment in their lives why it is important to focus on the individuals and their different needs in order to increase their employability.

As stated in the latest edition of the OECD Employment Outlook, long term unemployment remains persistently high. The problem of fighting long term unemployment and avoiding discouragement among the unemployed should therefore be a top priority for the new Commission.

