Not in the labour force: a quick guide

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This guide provides a brief overview of the different types of people who are not in the labour force, gives an introduction to the key concepts and terminology, and lists relevant data sources. This is one in a series of statistical quick guides, designed to provide a basic understanding of Australian labour market data. Other guides include labour force, employment and unemployment, which are available from the Parliamentary Library website.

What is the labour force?

The labour force is the sum of employed people and unemployed people. The above-linked quick guides provide definitions and concepts for each of these groups. A third group of people, those not in the labour force, rounds out the mutually exclusive categories of the labour force framework, which together sum to the civilian population (see diagram below). The focus of this guide is on this third group.

Who is outside of the labour force?

People of working age, who do not meet the criteria for employed, nor unemployed, are not in the labour force. These people are of interest due to their potential contribution to the labour market. For example, is there anyone who could be motivated to look for work if certain conditions were apparent, are they temporarily out of the labour force for a specific reason (e.g. child rearing) or have they permanently left the labour force (e.g. retirees)?

Distribution of population by labour force status

The Australian Bureau of Statistics (ABS) conducts a monthly Labour Force Survey. This household survey is designed to produce key labour force estimates from a sample of approximately 50,000 people (aged 15 years and over). Headline measures from this survey include the unemployment rate, the employment-to-population ratio and the participation rate. For more information, see the separate quick guide.

People who are not in the labour force are equal to the difference between the civilian population (100%) and the participation rate. At June 2018 (average of 12 months ending), this difference was 34% (rounded). However, the rate varies for men and women. Charts 1a and 1b provide a breakdown of labour force status as a proportion of the civilian population by sex. The employed plus the unemployed are equivalent to the labour force participation rate (71% for men and 60% for women) and the remainder are those not in the labour force (29% of men and 40% of women).

1. Labour force status by share of civilian population (15 years and over), Jun 2018–annual average

   a. Men
   b. Women

   Source: ABS, Labour force, Jun 2018, cat. no. 6202.0 (Table 1, original)

What are people doing instead?

Some common scenarios for non-participation are:

- retirees, who no longer want to work
- students, who are not actively looking for work
- stay-at-home parents, who have no attachment to a job
- anyone permanently unable to work (e.g. incapacitated)
- those who are voluntarily inactive (i.e. not wanting to work), and
- anyone currently in an institution (e.g. gaol).
Where can I find relevant data?
The ABS provides two main sources of data for the analysis of people not in the labour force:

- *Participation, job search and mobility* (cat. no. 6226.0) and
- *Barriers and incentives to labour force participation* (cat. no. 6239.0).

These sources contain information on what people are doing when they’re not in the labour force (reasons for non-participation and main activity); difficulty in finding work; and job seeking behaviour (e.g. types of activities). The second source also includes inducements that could be used to elicit participation, as well as conditions required for participation (e.g. suitable child care).

**What other data is available on these people?**

- For ABS data prior to 2014, see *Persons not in the labour force* (cat. no. 6220.0) and *Labour force experience* (cat. no. 6206.0).
- ABS, *Disability, Ageing and Carers* (cat. no. 4430.0) provides labour force status and participation rates by a range of personal characteristics.
- The *Department of Social Services* provides data on people receiving a range of government payments, by demographic characteristics and by geographic regions (e.g. electoral division). Data is published quarterly via [data.gov.au](http://data.gov.au), see ‘DSS Payment Demographic Data’. The Department also publishes information on recipients of labour market and related payments in their [monthly profile series](http://data.gov.au).

**What are people mainly doing when they’re not in the labour force?**

People’s activities when outside the labour force vary by age and sex. Generally, younger people tend to be engaged in some form of education. Women are much more likely to be undertaking home duties (21%) or caring for children (12%), while men are more likely than women to be outside the labour force due to a long-term health condition or disability (15% compared with 9%). Despite these differences, Chart 2 (below) shows that, in 2018, the most likely reason for men’s and women’s non-participation was retirement (47% and 35%, respectively).

2. Main activity of people outside the labour force by sex, Feb 2018—original

![Chart](chart.png)

Note: there is a known perception bias with this question and some people with young children indicated ‘home duties’ as their main activity rather than ‘caring for children’. Data relates to people aged 15 years and over.

Source: ABS, *Participation, job search and mobility, Feb 2018*, cat. no. 6226.0
Who is more likely to participate – the marginally attached

Some people outside the labour force may be more likely to join, or re-join, than others. The framework below highlights two groups of people who are of most interest, as they have indicated some preference to be part of the labour force. These people may call themselves ‘job seekers’, but they don’t meet the definition of unemployed. They may have looked for work in the past, but given up looking. These groups are marginally attached:

1. ‘Actively looking’ and
2. ‘Not actively looking’.

Group 1 would be ‘unemployed’ if they were able to start work in the required period (i.e. the survey reference week). Group 2 was available to start work within a specific period (four weeks of the survey reference week), and could have been ‘unemployed’ if they had taken at least one active step towards finding employment. Group 2 includes a sub-set of people referred to as ‘discouraged job seekers’, who will be discussed later in this guide.

Not in the labour force: whether someone wants to work

Of those wanting to work, the ABS estimated about 1.1 million people were marginally attached, at February 2018. This represents approximately 16% of all people not in the labour force (this proportion has been fairly consistent since 2000). The breakdown of this group is shown in the above framework and includes people who were waiting to start a new job, but were not available during the reference week (so not technically employed, but also not unemployed).

The framework also provides figures for people who did not meet the definition of marginally attached, as they were not actively looking for work and were not able to start work in the near future (i.e. within four weeks).
Chart 3 (below) shows there were differences in marginal attachment by sex, as well as age. Women were much more likely to be out of the labour force, but still have some connection to it, while in their peak childbearing and rearing years.

### 3. Marginally attached persons by sex and age, Feb 2018—original

![Chart showing marginally attached persons by sex and age, Feb 2018](chart3.png)

Source: ABS, *Participation, job search and mobility, Feb 2018*, cat. no. 6226.0

**Who are discouraged job seekers?**

Another group of people who are not in the labour force are those described as discouraged job seekers. They are a sub-set of the marginally attached, who the ABS defines as those who want to work and could start work within a specific period (four weeks of the reference week) if offered a job, but who have given up looking for work for labour market reasons. Labour market reasons are those related specifically to jobs or employment; for example, people with school aged children who could not find a job they could do within the hours they required.

At February 2018, the ABS estimated there were around 103,000 discouraged job seekers aged 15 years and over, representing approximately 2% of people not in the labour force—this figure has been fairly stable since the early 2000s. The main reasons people did not actively look for work were:

- considered too young/too old by employers (33%)
- no jobs in locality/line of work/no jobs at all (24%) and
- no jobs in suitable hours (12%).

As the data relates to a small group, the estimates are of varying quality. Caution should be used when interpreting the data. For additional information refer to ABS, *Participation, job search and mobility*. 
What are some useful measures?

**Participation rate**

The participation rate is available from the monthly publication, *Labour force* (cat. no. 6202.0).

**Labour force underutilisation rates**

In addition to the unemployment and underemployment rates, the ABS publishes two supplementary measures of labour underutilisation: Underutilisation rate (UUR) and Extended underutilisation rate (EUR). The first of these (UUR) combines the unemployed and the underemployed and expresses them as a proportion of the labour force. Data is available from *Labour force* (cat. no. 6202.0), see Tables 22 to 25. The second rate (EUR) is discussed below.

**Extended underutilisation rate (EUR)**

The EUR captures information on two groups of people with marginal attachment to the labour force, as well as those who are unemployed and underemployed. Data is available from *Participation, Job Search and Mobility* (cat. no. 6226.0), see the ‘Special table’ (published in 2017).

The EUR expresses the below-listed groups (A + B + C) as a proportion of the labour force, which has been augmented by the marginally attached (A).

A. **Marginally attached:**
   - People who were actively looking for work, who could not start work in the reference week, but could start within four weeks, and
   - Discouraged job seekers.

B. **Unemployed:** People who were not working, who were actively looking for work and were available to start work within a defined period.

C. **Underemployed:** The ABS defines the underemployed as:
   - Part-time workers (i.e. those who worked fewer than 35 hours per week), who wanted to work more hours and were available to do so within a defined period, and
   - Full-time workers who worked fewer than 35 hours in the reference week due to economic reasons (e.g. being stood down, insufficient work being available). A separate Library quick guide covers underemployment.

Chart 4 (on the next page) provides the EUR as a time series.
4. Extended underutilisation rate (EUR) by sex, Sep 1994 to Feb 2017—annual average

Notes on time series

The ABS introduced the EUR in Measures of labour underutilisation information paper, February 2002 (cat. no. 6296.0). From 2003 to 2013, the rate was published annually in Australian labour market statistics (cat. no. 6105.0). In 2017, the ABS published the rate, including historical data. The estimates represent an annual average nearest to the noted reference month. Care should be taken when analysing the series, as there have been changes in scope (e.g. age restrictions) and to the survey questionnaire (2001 and 2014). The main changes are highlighted as ‘series breaks’ in the chart. For more information see the Special table’s Explanatory notes.

Source: ABS, Participation, job search and mobility, Feb 2017, cat. no. 6226.0

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