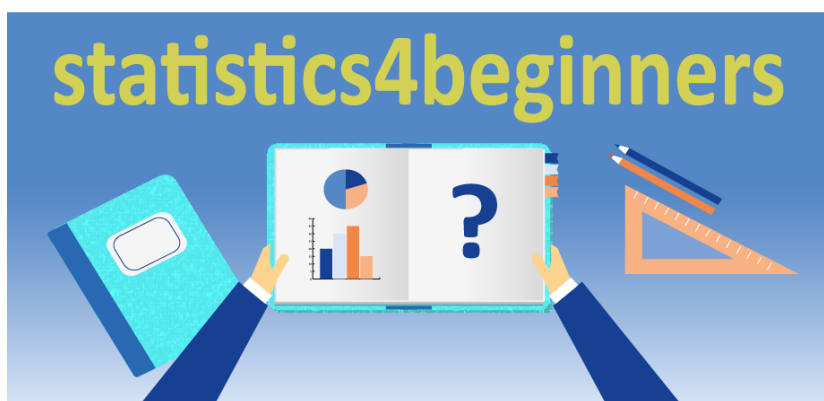


# Beginners: Labour market - basic definitions

Statistics Explained



Labour markets are an important part of the economy. Statistics collect data on the labour markets to obtain information about employment and jobs, to see how many people work, how many don't and how many are looking for a job.

Why is this information important? Governments can rely on these data to make informed key economic policies, for example to increase the number of employment centres in order to help people to find a job.

This article is part of [Statistics 4 beginners](#), a section in [Statistics Explained](#) where indicators and [concepts](#) are described in a simple way to make the world of statistics a bit easier to understand.

## What is the labour market?

Labour markets are often mentioned in the news headlines: we hear about people being hired by companies, being employed or losing their jobs and becoming unemployed. Newspapers, TV and other news media also frequently talk about people working on short-term contracts, or working part-time to reconcile work and family life or because they cannot find a full-time job. Indeed, the labour market can be seen from many different angles.

The principal European source for information on the labour market is the European Union's (EU's) [Labour Force Survey](#) (LFS). This survey looks at the population aged 15 years and over and the results classify people living in private households into three main groups:

- **Employed** ;
- **Unemployed** ;
- Those **outside the labour force** (sometimes called economically inactive, a term which is gradually being changed).

People who are **employed** and people who are **unemployed** are together, referred to as the **labour force**. People who are not working and who are not looking for work are referred to as the **population outside the labour force** and include, among others, (non-working) students, people who stay at home carrying family responsibilities or retired people.



Watch the video explaining labour market definitions

## The working-age population — people inside and outside the labour force

In statistics, the population range of people considered able to work ranges from 15 years old to 64 years old ('adult population'). Across the EU, the majority of people within this age range are employed, or actively seeking a job. Therefore, most of the people aged 15-64 years old in the EU are active members of the labour force, whereas the rest of the adult population is considered outside the labour force.

## What is the activity rate?

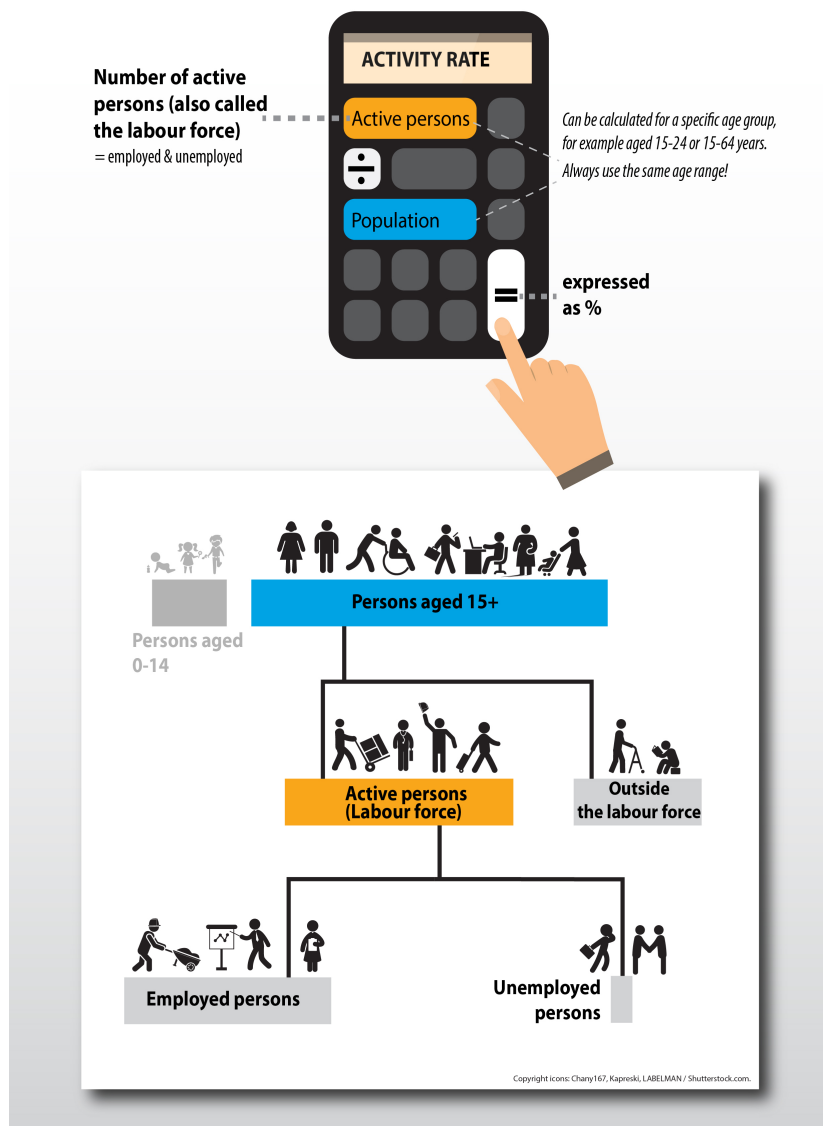
The number of active members of the labour force (the employed and the unemployed) is also used to identify the **activity rate**, which is the percentage of the active members of the labour force compared to the whole adult population. All of these measures refer to the same surveyed population range, conventionally 15-64 year olds.

However, activity rates can also be calculated for specific groups of the population. For instance, they can be calculated separately for men and women, or specific age ranges can be analysed (younger/older people). In such cases, the values used to calculate the rate must refer to the same sample of the population.

For example, when considering the activity rate for women aged 15-64 years old, the population considered will be the adult population of women (15-64 years old), and the active members of the labour force will be a part of this same group of population.

## Example

In 2022, the number of people aged 15-64 years old in the EU was around 282.3 million. Of these, 210.3 million people were employed or unemployed. Therefore, the active members of the labour force represented about 74.6% of the adult population (activity rate), and the remaining 25.4% of people were classified as being outside of the labour force.



## What is the labour force survey?

The EU Labour Force Survey (LFS) collects information on the labour market situation, involving people aged 15 years old and above<sup>1</sup> who live in private households<sup>2</sup>. As such, it excludes people living in halls of residence, hospitals, old people's homes, prisons or military barracks.

The survey is carried out every three months in each of the EU Member States, EFTA (excluding Liechtenstein) and four candidate countries (Montenegro, North Macedonia, Serbia and Türkiye). It is the principal source of information for analysing developments in EU labour markets and is used to study different phenomena such as employment,

<sup>1</sup>With the exception of Spain, Italy and the United Kingdom (only interview people aged 16 and above) as well as Denmark, Estonia, Latvia, Hungary, Finland, Sweden and Norway (people aged 15-74), Iceland (people aged 16-74) and North Macedonia (people aged 15-79).

<sup>2</sup>However, in several countries members of collective households are also sampled, either directly (register based sampling frames) or indirectly through their relationship with the sampled household.

unemployment, economic inactivity, hours of work, occupations and sectors of employment. It can also support socio-demographic analyses, as information is also available by sex, age, education, household characteristics or region.

LFS data are released every three months i.e. each quarter: for example, statistics for the final quarter of 2022 were released in April 2023. As such, the timeliness of data releases is approximately 14 weeks after the end of each quarterly [reference period](#) . When information is available for the final quarter of a given year, it is possible to publish the annual data, which provide a much more detailed analyses and results. Since unemployment rates are updated every month by Eurostat, so in addition to the LFS, in some cases Eurostat is required to rely on auxiliary variables and nowcasting.

### **Are students included?**

Within the LFS, pupils (aged 15 years or over) and students may be considered as part of the labour force, as long as they are seeking work, are available to work or are working at least one hour per week. In recent years an increasing share of students have combined their studies with work — this may reflect, at least to some degree, changes in the ways that higher education is funded in some EU Member States. For pupils and students living away from home during the week or during the whole term, their family home is usually considered as their usual place of residence.

### **Are workers with a foreign citizenship included?**

As mentioned before, the LFS collects information on the labour market situation for people aged 15 years and over who live in private households. Also included are persons with a foreign citizenship, as long as they reside in the country where the survey is carried out. Accordingly, persons who reside in one country and who commute to work in another country are actually included in the survey of the country in which they live and reside.

## **Notes**

### **Other articles**

#### **Related articles in Statistics 4 beginners :**

- [The labour market — employment](#)
- [The labour market — unemployment](#)

#### **Related articles in Statistics Explained :**

- [EU labour force survey — latest developments](#)
- [EU labour force survey — legal basis and methodology](#)

#### **Glossary items in Statistics Explained :**

- [Households](#)
- [Labour force survey \(LFS\)](#)
- [Employment](#)
- [Unemployment](#)
- [Labour force](#)
- [Population outside the labour force](#)
- [Activity rate](#)
- [Employment rate](#)
- [Unemployment rate](#)
- [Nowcasting](#)

## External links

- [European Commission — Employment, social affairs and inclusion](#)
- [European Commission — European employment strategy](#)
- [International Labour Organisation \(ILO\)](#)
- [Organisation for Economic Co-operation and Development \(OECD\) — Employment](#)

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