

Labour shortages in the Netherlands: A closer look at the potential additional labour force and beyond

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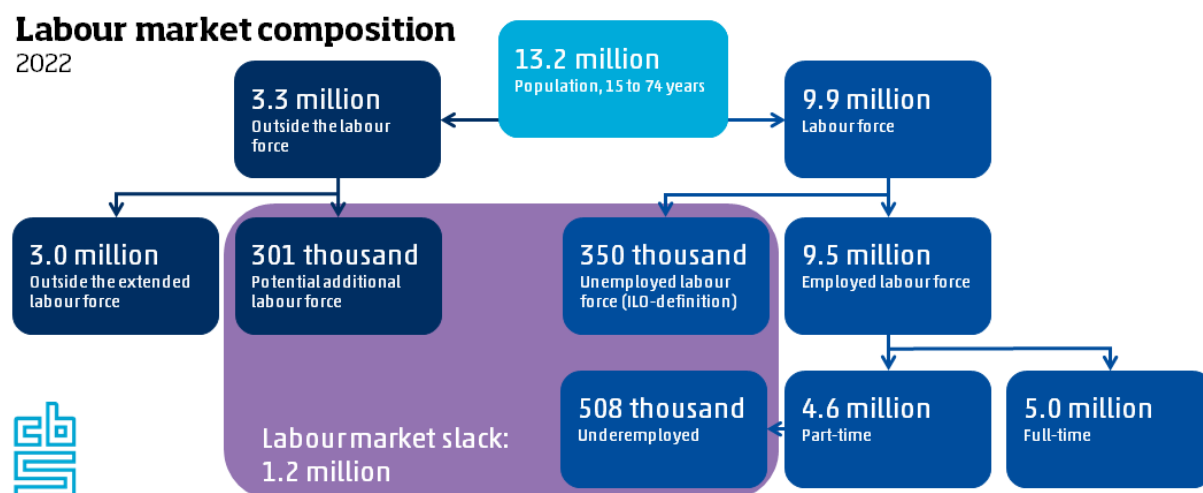
Introduction

In the fourth quarter of 2022, there were 123 job vacancies for every 100 unemployed persons in the Netherlands (CBS, 2022). Due to this labour market shortage, Statistics Netherlands (CBS) started a project to expand our statistics about the (potential) labour supply in the Netherlands. Because of labour market shortages, there is a lot of interest in additional labour market potential beyond the standard definitions. CBS already publishes quarterly on the size of the groups that are considered as the labour market slack, i.e. the unemployed, the potential additional labour force and the underemployed part-time workers. The potential additional labour force consists of people seeking but not immediately available for work and people available to work but not seeking. Together with the labour force, this is known as the extended labour force (De La Fuente, 2011; EuroStat, 2023). The goal of the project is to get a more complete overview of the different groups of the labour market slack and people outside the extended labour force. One aspect of the project is to expand the statistics in our online database (StatLine¹) with more background of the different groups in and out of the labour force. The other objective is focused on extending the data collection, especially with wider timespan criteria for availability and searching for work, and willingness to work in the future. Due to the rather strict timeframes for these criteria in the ILO definition and current questionnaire, the labour market slack does not include all people with some degree of attachment to the labour market.

Results

Labour market composition

In the Netherlands, there were 9.9 million people between 15 and 74 years old in the labour force in 2022. In total there were 350 thousand people unemployed, which is 3.5 percent of the labour force. The underemployed part-time workers consisted of 508 thousand persons. The group of people outside the labour force consisted of 3.3 million people. Among them were 301 thousand people in the potential additional labour force. The rest of the 3 million, people outside the extended labour force, can be divided by the main reason they are not active on the labour market. The total amount of people in the labour market slack was 1.2 million.



¹ <https://opendata.cbs.nl/statline/#/CBS/en/>

Current StatLine tables

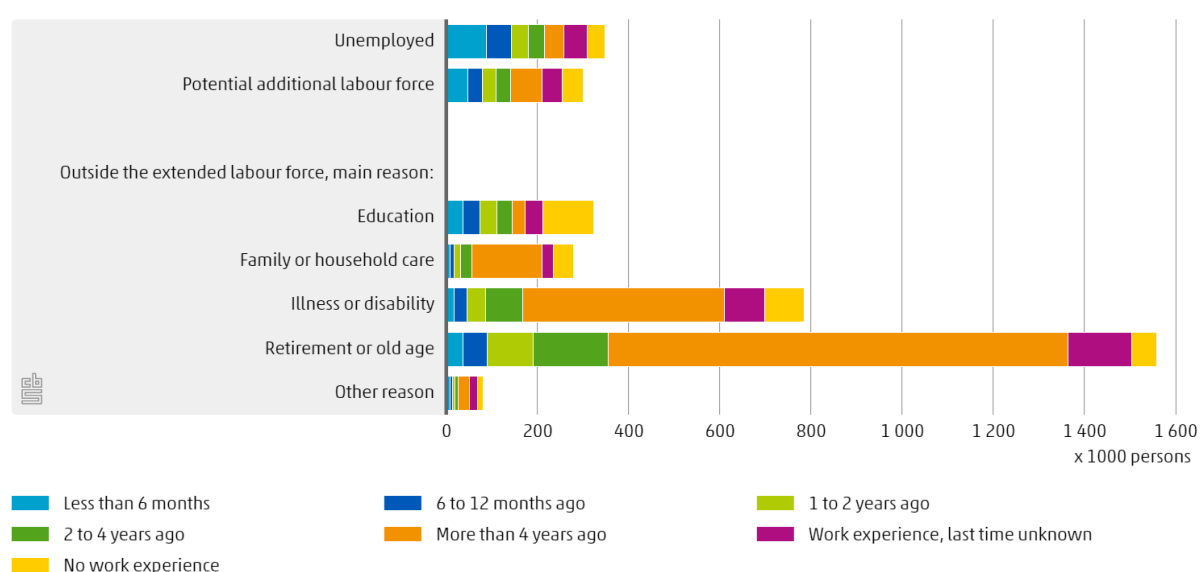
Despite large labour market shortages, there is still an unmet supply of more than 1 million people. This raises the question why this supply of labour is not yet used and which characteristics these people have. The current tables provide not enough information and therefore new tables are being developed. Our current data on StatLine about labour market attachment are mainly concentrated on two tables^{2,3}. The different groups of the labour market slack and people outside the extended labour force can be divided by personal characteristics including sex, age and level of education. People outside the extended labour force can be divided by the main reason they are not seeking employment, available or wanting to work. The table also shows the registered unemployment at the Employee Insurance Agency (UWV). This information shows the amount of people that are officially registered at the UWV in order to find work.

Additional background characteristics

In addition to the current tables, the project aims to add four more tables with additional background characteristics. This includes work experience, (self-perceived) health, formal education status, level and field of education, and (preferred) number of working hours. The data will be updated quarterly, except for the table with the (self-perceived) health, because this is only gathered in the first wave in the Dutch LFS. Data on work experience is also gathered in the first wave only, but this information will be copied to subsequent waves if people continue to be not in employment. For persons that move from employment to not in employment the information on work experience will be gathered from the previous wave.

The first table contains information about the work experience of the unemployed and people outside the labour force (figure 1). The data shows that almost 90 percent of the unemployed people had work experience and 41 percent (144 thousand) worked less than a year ago. Fewer people in the potential additional labour force had work last year (79 thousand) compared to the unemployed. The amount of people with no work experience was almost the same as for the unemployed, 46 and 40 thousand. For most of the people outside the extended labour force with the main reason being family care responsibilities, illness or disability, or retirement had work experience. If people had work experience in these groups, it was mostly more than 4 years ago.

Figure 1. People without employment by the last time they had work (aged 15 -74), 2022



² <https://opendata.cbs.nl/statline/#/CBS/en/dataset/85262ENG/table?ts=1681202154130>

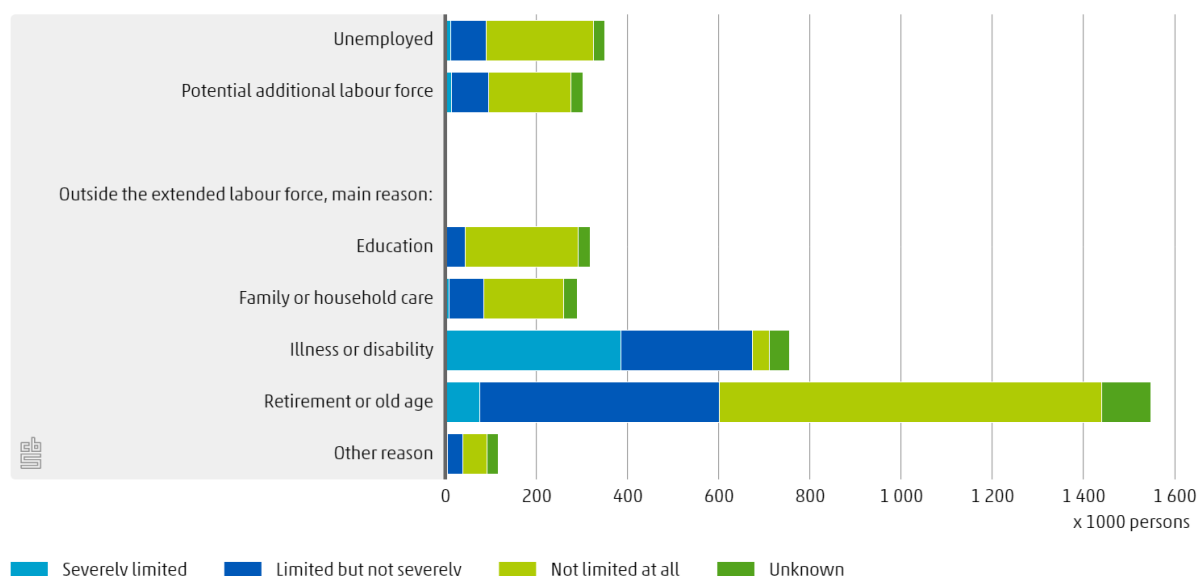
³ <https://opendata.cbs.nl/statline/#/CBS/nl/dataset/85271NED/table?ts=1683699716459>

For each group displayed in figure 1, we will also show their last occupation and sector if they had paid work in the last 8 years. As an example, the most previous professions for the unemployed and potential additional labour force were in the ISCO major groups of service and sales workers, professionals, and elementary occupations. The most abundant NACE sectors where they worked in were the wholesale and retail trade, accommodation and food service activities, and human health and social work activities.

The second table focuses on the health of people without employment (figure 2). The health of these people will be assessed by three different variables, the self-perceived general health, the global activity limitation indicator (GALI), and the long-lasting limitation for finding a job. These health indicators provide more information about the degree of attachment to the labour market for these people. The GALI shows the limitation in activities because of health problems for at least 6 months. The biggest group of the unemployed and potential additional labour force were not limited in activities at all. This applies also for the self-perceived general health, where most people have a (very) good health. People who are 'limited but not severely' due to their health are about 80 thousand people in the unemployed and in the potential additional labour force, while the smallest group are the 'severely limited' (13 and 14 thousand) in both groups.

The various groups of people outside the extended labour force show different outcomes to the GALI module. More than the half of the people who are sick or have a disability are also severely limited in their activities, only a small group has no limitations at all. For the people in education or taking care for their family, a small proportion of the people are severely limited. Most of these people are not limited at all. More than half of the people who are retired or have an old age do not have health limitations for their activities.

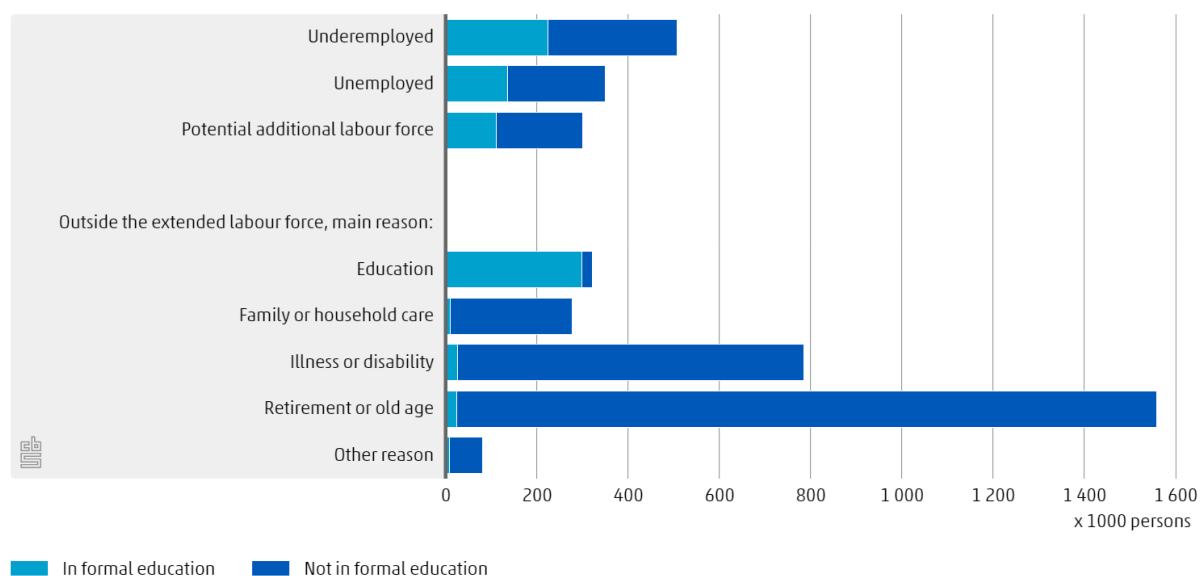
Figure 2. People without employment by their limitation in activities due to their health condition (aged 15- 74), 2022



The people who are classified as 'severely limited' and 'limited but not severely' in the GALI module get another question to discover if their health condition is a limitation for finding work. As for the unemployed, 28 thousand people had a health condition that was severely limiting their ability for finding work. For another 36 thousand people their health was limiting but not severely. The numbers for the potential additional labour force were similar.

The third table focuses on the education of people in and outside the labour force (figure 3). A little less than half (44 percent) of the underemployed part-time workers is still in formal education. For the unemployed and the potential additional labour force this percentage is a little bit lower, 39 and 37 percent. The vast majority of people outside the extended labour force because of education were also in formal education. Most of the people with other reasons were not in formal education.

Figure 3. Labour market slack and people outside the extended labour force by their formal education status (aged 15 - 74), 2022



In addition to the education table, the project aims to create another table that shows the current and preferred working hours for the groups of the labour market slack (table 1). With this information, the (additional) hours of people in the labour market slack can be taken into account next to the amount of people. Only for the underemployed we can show current working hours, as for the other two categories we can show the preferred amount of working hours per week. This table will be presented for people in formal education and not in formal education. For all the groups the average amount of preferred working hours per week is higher for the people not in formal education.

Table 1. The (preferred) working hours per week of the different labour market slack groups (aged 15 – 74), 2022.

	In formal education	Average working hours per week	Average preferred working hours per week	Total amount of people (x 1000)
Underemployed	Yes	13.0	23.2	225
	No	21.6	30.1	283
Unemployed	Yes		22.2	137
	No		29.8	213
Potential additional labour force	Yes		22.0	111
	No		25.5	190

Additional questions LFS

With the additional background information it is still not possible to answer the question why the potential additional labour force cannot meet the currently high demand of labour. On the other hand, there is possibly more potential supply of labour that is not covered with the current definitions. To gather more background information about the labour market slack and people outside the extended labour force, extra questions will be added to the fifth wave. These additional questions will start in the Dutch LFS from the second half of 2023. After

the 3rd quarter of 2023, the preliminary results will be analysed. The goal is to gather more information about the people outside the labour force and the underemployed part-time workers. The main focus of the additional questions is to expand the timespan criteria for availability and seeking employment. When people are not available to work within two weeks, they get a wider timespan for their availability. The same applies for part-time workers who want to work more hours, but are not immediately available.

In addition, two separate modules have been added to the fifth wave. The first module is specifically for all the people who want to work, but are currently not in employment. They are asked in which sector they preferably want to work, when the last time was that they actively searched for a job, and the reason why they think they have not found something yet. The other module is for people who do not want to work. This module aims to find out if people in the (near) future want to work. When they want to work in the future, they also get asked when they think this will be. If they do not want to work in the future, they get asked if it is because of the same reason as why they are currently not working or because of something else.

Discussion and conclusion

Despite large labour market shortages, there is still an unmet supply of more than 1 million people. Additional information on the characteristics of these people and the people outside the extended labour force can help answer the question why the available supply of labour is not used. The data show that just under a half million people in the labour market slack is in formal education. The average preferred working hours for them are less compared to the people not in formal education. In addition, there is a group of people in the potential additional labour force and the unemployed that are severely limited in their ability for finding work due to their health condition. The characteristics about people outside the extended labour force show different outcomes for the various groups. Most people in these groups do have work experience, however for more than the half of the people with work experience this has been longer than 4 years ago.

These additional background characteristics about people in and out the labour force should be taken into account while looking at the available and potential labour supply, because they play a role in the labour market attachment of these people.

The additional questions will provide information on the reasons why people are not part of the labour force. Additionally, with the focus on the extended timespans for looking for work and being available to work we are able to calculate the future potential supply of people who currently have not been looking for work in the last four weeks and not available within two weeks' time for work, but may well have the wish to work, but just (a little) further in time.

References

CBS (2022). [Arbeidsmarkt in vierde kwartaal iets krapper](#).

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EuroStat (2023). [EU labour market - quarterly statistics](#).