

# Hidden Labour Force in Germany

The 'hidden' labour force – people who want to work but are not registered as unemployed – plays a highly significant role in the west German labour market.<sup>1</sup> The increase observed in recent years in the number of persons gainfully employed (in fact only of women) was based to a large extent on transitions into employment from this group. The hidden labour force in eastern Germany is much less substantial, by contrast. East Germans looking for work are generally registered as unemployed, unless they are already in regular employment or are participating in active labour market measures.

At the same time, the hidden labour force is subject to considerable fluctuation in both parts of Germany. As a rule, job seekers from this group are at least as successful in finding work as the registered unemployed. Indeed, those of them who want to enter employment relatively quickly are more likely to find socially insured employment than the unemployed. Those who plan to enter paid employment at a later stage find work about as often as the registered unemployed, and are subsequently primarily engaged in marginal part-time work.

The study found no evidence for a decline in women's interest in paid employment. In fact, their current strong interest can be expected to continue and even increase.

## Approach

In 1997 the DIW presented a new approach for the direct measurement of the hidden labour force in Germany.<sup>2</sup> This micro approach should be understood as complementary to the macro approach taken by the Institute for Employment Research (IAB), which estimates the size of the hidden labour force indirectly using aggregated data.<sup>3</sup> This report updates the 1997 findings using data from the Socio-Economic Panel,<sup>4</sup> and also introduces new socio-economic dimensions.<sup>5</sup>

<sup>1</sup> For current approaches to defining the hidden labour force cf. Elke Holst, *Die Stille Reserve am Arbeitsmarkt. Größe – Zusammensetzung – Verhalten*, edition sigma, Berlin 2000.

<sup>2</sup> Cf. 'Hohe Fluktuation in der Stillen Reserve' by Elke Holst and Jürgen Schupp, *Wochenbericht des DIW*, No. 47/97, pp. 921-928.

<sup>3</sup> Cf. Holst, op. cit., pp. 124 ff. The IAB operates as the Federal Employment Services' research institution. In its approach the hidden labour force is defined as the potential labour force that exists in addition to the employed population and the registered unemployed.

The maximum labour force potential consists of the sum of employed and non-employed persons between certain age limits. According to the approach used in this study, the gainfully employed (GE) are defined as persons who in surveys responded that they were currently engaged in paid employment.<sup>6</sup>

The hidden labour force is found in the non-employed population, which is sub-divided into a total of five groups:

- the non-employed who report that they are registered as unemployed (RU);
- the non-employed in education (including tertiary studies) aged 16 to 25<sup>7</sup> (EDU);

The remainder of the non-employed population is classified according to the urgency of desire to find employment:

- the hidden labour force with a strong interest in employment (HSI) consists of the non-employed who wish definitely or probably to take up work immediately or within one year;
- the hidden labour force with a moderate interest in employment (HMI) wish to take up work definitely or probably within two to five years;
- the other inactives (INI) have no interest in paid employment or wish to take up work after five or more years.

According to this approach (Method 1), the hidden labour force in Germany in 1998 amounted to around 1.8 million persons aged between 16 and 64 years (cf. table 1). The tolerance interval<sup>8</sup> for this estimated figure based on a random sample is between 1.2 (lower estimate) and 2.4 (upper estimate) million persons. The hidden labour force was still of significant size only in western Germany (1.65 million persons). In eastern Germany most of the non-employed interested in paid work regis-

<sup>4</sup> The Socio-Economic Panel (SOEP) is a representative longitudinal survey of approximately 13,000 adults in private households. It has been carried out in western Germany since 1984 and in eastern Germany since 1990. For more detailed information cf. Jürgen Schupp and Gert Wagner, *The German Socio-Economic Panel: a Database for Longitudinal International Comparisons*, Innovation, Vol. 8(1/1995), pp. 95-108.

<sup>5</sup> The analyses are based primarily on the working-age population (16 to 59 years) in western and eastern Germany, so that cases of retirement are excluded as far as possible. The age range of 16 to 64 years is listed only in Table 1 for comparative purposes.

<sup>6</sup> This definition is similar to that used by the International Labour Organisation (ILO). Cf. Ralf Hussmanns et al., *Survey of economically active population, employment, unemployment and underemployment: An ILO manual on concepts and methods*, Geneva, International Labour Office, 1990. Persons on parental leave were also counted among the gainfully employed because they have interrupted their economic activity only temporarily and, given their option to return to work, still have a job. Cf. Holst, op. cit., pp. 192 ff. for details.

<sup>7</sup> The average age used in *Wochenbericht* No. 47/97 was 28.

<sup>8</sup> Error probability: 7%.

Table 1

**Hidden Labour Force 1996 and 1998**  
**Comparison of projections based on SOEP; IAB and SVR estimates**  
 1000s

	Western Germany		Eastern Germany		Germany	
	1996	1998	1996	1998	1996	1998
<b>SOEP estimate</b>						
<b>Method 1</b>						
Total hidden labour force (16-64 years) <sup>1</sup>	1 997	1 651	253	162	2 250	1 813
lower estimate	1 443	1 138	147	97	1 590	1 235
upper estimate	2 675	2 192	388	254	3 063	2 446
of which:						
hidden labour force with strong interest in employment (HSI) <sup>2</sup>	977	809	210	117	1 187	926
lower estimate	764	590	137	68	901	658
upper estimate	1 189	1 223	249	156	1 438	1 379
hidden labour force with moderate interest in employment (HMI) <sup>3</sup>	102	842	43	45	1 063	887
lower estimate	679	548	10	29	689	577
upper estimate	1 486	969	139	98	1 625	1 067
registered unemployed (RU) <sup>4</sup>	2 757	2 628	1 429	1 448	4 186	4 076
lower estimate	2 336	2 192	1 197	1 210	3 533	3 402
upper estimate	3 313	2 909	1 716	1 795	5 029	4 704
<b>Method 2</b>						
Inactives <sup>5</sup> who wish to enter employment in the future	3830	3 698	545	607	4 375	4 305
<b>Method 3</b>						
Inactives <sup>5</sup> who wish to enter employment immediately	456	460	129	98	585	558
<b>IAB estimate</b>						
Total hidden labour force	2 435	1 925	885	721	3 320	2 646
of which: in the narrow sense <sup>6</sup>	1 875	1 516	389	428	2 264	1 944
in the wider sense (participating in measures <sup>7</sup> )	560	409	496	293	1 056	702
<b>SVR definition of visible and hidden unemployment</b>						
registered unemployed <sup>8</sup>	2796	2 904	1 169	1 078	3 965	3 982
hidden unemployed <sup>9</sup>	1 061	982	1 375	919	2 436	1 901

1 Inactives not registered as unemployed who wish definitely or probably to enter employment within the next five years. — 2 Inactives not registered as unemployed who wish definitely or probably to enter employment immediately or within one year. — 3 Inactives not registered as unemployed who wish definitely or probably to enter employment within two to five years. — 4 Registered as unemployed during the month of the survey and not engaged in any form of paid employment of any magnitude. — 5 Persons aged 16-64 excluding registered unemployed. — 6 Non-employed persons seeking paid employment without involving the employment office or persons not currently seeking work who would be immediately available to the labour market if the employment situation were to improve. — 7 Full-time participants in further training and retraining measures, persons on German language courses, persons being rehabilitated in employment-promotion measures with the aim of reintegration or in further training measures, persons in receipt of benefits (sickness pay under § 126 Social Code III), persons aged 58 and over in receipt of unemployment benefit, integration allowance or integration assistance who are not obliged to be available for job placement (under § 428 Social Code III), and persons in receipt of transitional and early retirement allowance. — 8 Quarterly averages of end-of-month figures; the figures for the end of the last month of the previous quarter and those for the end of the third month of the relevant quarter each count for half. — 9 For details on the groups included see Table 32, Column 3, of SVR 2000.

Sources: Bundesanstalt für Arbeit; IAB calculations; SVR; SOEP 1996 and 1998; DIW calculations.

ter as unemployed. Thus, there is practically no-one in the hidden labour force who wishes to enter employment from that status.

If, for comparison purposes, we calculate an upper ceiling based on the SOEP data, in which the measurement of the labour force potential is based on the interest in paid work expressed at the time of interview<sup>9</sup> (Method 2), the result is a hidden labour market reserve of 4.3 million persons in Germany in 1998, a figure which exceeds the number of unemployed. If, as a minimum figure, only those who wish to enter employment

immediately are counted (Method 3), the hidden reserve amounts to only just over half a million.

All these methods of calculation ignore persons who, for example, have been removed from the labour market through participation in publicly funded measures (e.g. full-time further training, German language courses, rehabilitation in employment-promotion measures; likewise persons aged 58 or over who are no longer obliged to make themselves available to the employment services) and who no longer wish to find employment. This group, which features in the labour market statistics, is, however, included in the IAB's approach as part of the hidden labour force in the wider sense. The IAB counted 0.7 million people who were inactive and 'participating

<sup>9</sup> The SOEP survey is usually carried out in the first quarter of each year.

in measures' in 1998. The total hidden labour force calculated by the IAB amounted to 2.65 million persons. The size of the hidden labour force in the narrower sense – inactives who wish to work but are not covered by the labour market statistics – was similar (1.9 million) to that calculated on the basis of the SOEP data.

The IAB's estimations also result in a much smaller hidden labour force in eastern Germany than in the western part of the country. However, at 0.4 million, its estimated size is twice that calculated on the basis of the SOEP data. The discrepancy is related to uncertainties as how to assess the data due to the small number of cases and the continuing structural transformation in eastern Germany.

The labour market analyses carried out by the German Council of Economic Experts (SVR) are based on a different approach to calculating the potential labour force. The SVR measures *hidden unemployment (verdeckte Arbeitslosigkeit)*. This category includes persons who are participating in active labour market measures. However, the group included is larger than that in the broader IAB definition because job-creation measures, which are the basis for employment in the so-called 'secondary labour market', are also counted. The possible existence of a hidden labour force beyond this definition is, however, given no consideration whatsoever. The number of hidden unemployed counted by the SVR was 1.9 million people in 1998.

Despite these conceptual differences, a comparison between 1996 and 1998 shows a slight reduction of the hidden labour force or hidden unemployment in all the approaches.<sup>10</sup> The number of registered unemployed remained at a high level during the same period.

## Western German hidden labour force consists largely of women

If we look at the structure of the potential labour force by employment status and proximity to the labour market, the considerable significance of the hidden labour force in western Germany again becomes apparent (4.3%; eastern Germany: 1.8%) (cf. table 2). The large majority of this group are women (70%; eastern Germany: around half). The employment participation rate for women in eastern Germany remains high. In western Germany it has actually increased since 1994.

The calculations were based on persons of working age, i.e. between 16 and 59. It is only within this age

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<sup>10</sup> The decline shown in table 1 in the hidden labour force as calculated on the basis of the SOEP was not statistically significant (7% error probability).

group that a significant number of non-employed persons can be considered to be among the hidden labour force. Most potential employees among older persons – especially men – are participating in measures or, according to the SOEP, now only have little interest in entering employment. Because the size of the hidden labour force is really only significant in west Germany, the following discussion deals mainly with that part of the country.

## Strong relevance of hidden labour force for labour market

So far, trends in the hidden labour force have been described in terms of annual averages. The actual labour market dynamics can, however, only be identified by looking longitudinally at individual employment histories. An outflow analysis determines whether, after two years, persons have remained in the same group or changed into another. The study is carried out for two observation periods (1994/96 and 1996/98). Of the employed persons (GE) surveyed in 1994, no less than 90% were still in paid employment in 1996, 4% had become unemployed, and the remaining 5% had entered the hidden labour force or other types of inactivity (INI) (cf. table 3).

The high rate of fluctuation in the hidden labour force is clearly evidenced even by such brief periods of observation. In western Germany less than 20% (HSI; HMI: 30%) still belonged to one of the categories of the hidden labour force – either HSI or HMI – two years later. By contrast, over 40% of the registered unemployed were still unemployed two years on.

In all categories more transitions into employment were observed in the first period of observation (1994/96) than in the second (1996/98). These transitions included a particularly high share of people (around 60%) from the hidden labour force with a strong interest in working, that is, those who wished to enter employment immediately or within one year. Unsurprisingly, far fewer inactives who wished to enter employment at a later date were in employment two years later, though the share still amounted to a hefty 46% in the 1994/96 period (1996/98: 30%). This seems substantial if we remember that the calculation only included the first year (1996) of the two- to five-year period in which they planned to enter employment. The share of unemployed moving into employment seems low in comparison (1994/96: 46% and 1996/98: 37%); these figures were much lower than those for the HSI group and more or less the same as those for persons who only wished to enter employment later (HMI). Of the other inactives,

Table 2

## Working-age population by employment status and proximity to labour market

	Western Germany						Eastern Germany					
	Total			of which women			Total			of which women		
	1994	1996	1998	1994	1996	1998	1994	1996	1998	1994	1996	1998
	Absolute figures											
Random sample	7 382	7 629	8 148	3 696	3 853	4 119	3 067	2 946	3 013	1 560	1 501	1 507
Projection (1000s)	39 152	39 007	38 278	19 482	19 404	19 036	8 965	9 038	8 821	4 473	4 464	4 334
	% share											
Total <sup>1</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Employed (GE)	74.8	75.8	75.6	66.2	68.1	68.4	72.7	74.7	72.3	68.0	71.7	68.9
Registered unemployed (RU)	6.2	6.5	6.4	5.0	6.3	5.6	16.3	14.9	16.4	19.5	16.7	16.5
In education <sup>2</sup> (EDU)	3.7	3.1	4.1	3.8	3.2	4.2	3.3	3.4	5.1	3.7	3.7	6.8
Hidden labour force with strong interest in employment (HSI)	2.3	2.4	2.1	2.6	2.9	2.5	2.2	2.3	1.3	1.7	1.7	1.2
Hidden labour force with moderate interest in employment (HMI)	2.7	2.6	2.2	4.5	3.5	3.4	0.6	0.5	0.5	/	/	0.7
Inactives with no interest in employment (INI)	10.3	9.6	9.6	17.9	16.0	15.9	4.9	4.2	4.4	6.5	5.8	5.9

(/) Not listed due to small number of cases (fewer than ten).

1 16-59 years. — 2 In educational training or third-level studies if aged under 26.

Source: Socio-Economic Panel (SOEP); weighted results.

who had indicated that they did not want to enter employment at all during the observation period (INI), in both observation periods almost 10% were in employment in west Germany after two years. While this share is unsurprisingly low, it is far from negligible given the absolute importance of this group as a potential labour force.

### Registered unemployed have worse prospects than hidden labour force

Persons in the hidden labour force who wish to enter employment as soon as possible (HSI) are, therefore, more 'successful' in realising their desire to work than the registered unemployed – despite the fact that the unemployed are much more likely to want to enter employment immediately, are available to the labour market and are also more likely to actively seek work (cf. table 4). Thus, the low rates of transition of unemployed into employment cannot be ascribed to lack of willingness to take up work.

One explanation for the weaker prospects of the unemployed might be that they are considerably older than the members of the hidden labour force, and a larger share also have lower qualifications.<sup>11</sup> These handicaps make advanced and further training for the unemployed all the more necessary. Nevertheless, com-

pared with the hidden labour force, relatively few unemployed persons responded that they 'definitely' or 'probably' wanted to participate in a training measure (40%; hidden labour force: almost two thirds). No less than a third of the unemployed definitely did not want to attend advanced or further training courses (compared with a quarter of the hidden labour force). The courage to try something new was also less characteristic for the unemployed (12%) than for the hidden labour force (a good fifth). This reticence might be due to discouragement: over a third of the unemployed believed it would be 'practically impossible' to find a job (compared with only a good tenth among the hidden labour force). And so the unemployed find themselves in a vicious circle, especially those who have accumulated risk factors (among them frequent rejections of applications, heightening individual frustration), which reduces motivation and can further exacerbate the individual situation. There are often not enough vacancies to offer realistic prospects of finding satisfactory employment. We must also ask to what extent the vacancies meet the employment expectations of the unemployed.

<sup>11</sup> For details of other structural characteristics and gender-specific data cf. Holst, op. cit., pp. 225 ff. and pp. 300 ff. In 1996, for example, the average age of the registered unemployed was 40.5 years, compared to 32.6 (HSI) and 31.4 (HMI) in the hidden labour force. The share of unemployed persons with ten years' schooling or less was 72%, compared to 67% (HSI) and 48% (HMI) for the hidden labour force.

Table 3

Breakdown of longitudinal trends for potential labour force<sup>1</sup> in 1994/96 and 1996/98

	Observation of outflows 1994-1996										
	Western Germany						Eastern Germany				
	GE	RU	EDU	HSI	HMI	INI	GE	RU	EDU	HSI+HMI	INI
Absolute figures 1994											
Random sample	4 886	373	242	180	164	668	2 061	389	109	60	127
Projection (1000s)	29 185	2 437	1 426	908	1 048	4 002	6 570	1 469	296	250	452
Of each category in the 1994 potential labour force, ...% were in the following groups in 1996											
Total	100	100	100	100	100	100	100	100	100	100	100
GE – Gainfully employed	90	46	45	61	46	9	86	40	58	45	4
RU – Registered unemployed	4	42	/	10	/	3	11	46	/	24	9
EDU – In education <sup>2</sup>	0	/	34	/	/	/	/	/	30	/	/
HSI – Hidden labour force with strong interest in employment	1	/	7	13	11	3	2	4	/	/	/
HMI – Hidden labour force with moderate interest in employment	1	/	9	6	19	4	/	/	/	/	/
INI – Inactives with no interest in employment	3	10	/	9	21	80	1	10	/	16	83
	Observation of outflows 1996-1998										
	Western Germany						Eastern Germany				
	GE	RU	EDU	HSI	HMI	INI	GE	RU	EDU	HSI+HMI	INI
Absolute figures 1996											
Random sample	4 901	413	229	178	170	630	1 974	355	105	64	108
Projection (1000s)	29 669	2 541	1 210	948	1 020	3 764	6 695	1 340	300	253	378
Of each category in the 1996 potential labour force, ...% were in the following groups in 1998											
Total	100	100	100	100	100	100	100	100	100	100	100
GE – Gainfully employed	90	37	39	58	30	8	82	42	46	52	6
RU – Registered unemployed	5	41	/	11	/	3	13	47	/	26	/
EDU – In education <sup>2</sup>	0	/	44	/	6	2	1	/	43	/	/
HSI – Hidden labour force with strong interest in employment	1	3	8	13	13	/	1	/	/	/	/
HMI – Hidden labour force with moderate interest in employment	1	2	5	/	19	3	1	/	/	/	/
INI – Inactives with no interest in employment	3	17	/	14	27	82	2	10	/	10	88

(/) Not listed due to small number of cases (fewer than ten).

<sup>1</sup> Persons aged 16 to 59 in the first year of the longitudinal comparison. — <sup>2</sup> In educational training or tertiary studies if aged under 26.

Source: Socio-Economic Panel (SOEP); weighted results.

### Inactives with moderate interest in employment often take up marginal employment

Here we examine the 'quality' of the new employment in terms of occupational status. We differentiate between insured full- or part-time employment (liable for social security contributions), marginal employment (not liable for contributions), civil servants, self-employment and,

additionally, persons on maternity/parental leave. In the following longitudinal study we only observe persons – separately for each labour market category – who were inactive in 1996 but were working two years later.

Of these employed persons, the large majority (four fifths) of the hidden labour force who wanted to find work immediately or within one year (HSI) were in insured employment two years later (cf. table 5). The

Table 4

Expectations of inactives of working age<sup>1</sup> in 1998

	Western Germany					Eastern Germany			
	Total	Unem- ployed	HSI <sup>2</sup>	HMI <sup>3</sup>	Training <sup>4</sup>	Total	Unem- ployed	HSI <sup>2</sup> +HMI <sup>3</sup>	Training <sup>4</sup>
Absolute figures									
Random sample	1 260	536	334	218	172	670	458	68	144
Projection (1000s)	5 661	2 446	806	826	1 583	2 063	1 448	162	454
as % of inactives in each category									
Labour market prospects <sup>5</sup>									
Easy	12	4	11	26	19	4	2	15	7
Difficult	62	60	75	61	60	69	65	75	79
Practically impossible	26	36	14	13	22	27	32	10	13
Full-time/Part-time <sup>6</sup>									
Full-time employment	55	60	47	27	69	65	63	47	81
Part-time employment	23	16	37	54	/	9	9	24	/
Both acceptable/Don't know yet	23	24	17	19	27	26	28	30	16
Active jobsearch <sup>7</sup>									
Yes	40	72	43	/	11	61	78	40	10
Availability <sup>8</sup>									
Yes	52	89	64	10	9	72	93	47	4
Motivation <sup>9</sup>									
Earn money	46	59	43	30	36	49	46	54	57
Other	6	3	6	7	8	3	3	8	2
Both in equal measure	49	38	51	63	56	48	51	38	40
Intention to gain further qualification <sup>10</sup>									
Definitely not	20	33	12	12	9	11	14	/	/
Unlikely	21	27	23	21	11	23	28	15	10
Likely	36	24	37	46	48	38	41	39	28
Definitely	23	16	28	21	32	27	18	38	58
Intention to do something new <sup>11</sup>									
In current/learned occupation	23	33	24	27	/	28	34	35	/
Do something new	14	12	23	21	5	15	17	21	/
Not important	24	37	26	24	/	37	47	35	/
Inapplicable, have no occupation (yet)	40	17	28	28	92	20	/	/	94
Intention to enter self-employment <sup>12</sup>									
Definitely not	49	61	46	51	31	57	69	40	18
Unlikely	38	30	39	40	51	34	22	50	68
Likely	9	6	9	8	16	9	8	/	14
Definitely	3	3	6	/	/	/	/	/	/
Enter employment when? <sup>13</sup>									
Preferably immediately	41	80	45	/	/	64	83	42	/
Within the next year	20	14	55	/	21	14	11	30	21
Later	38	6	/	100	76	22	6	28	75
Net earning expectations <sup>14</sup>									
Can't say, depends	50	33	63	62	63	41	32	47	67
Amount <sup>15</sup> for full-time job (DM)	2600	2483	2548	2358	3291	2053	1921	2270	3695
Amount <sup>15</sup> for part-time job (DM)	1366	1459	1136	1343	/	1385	1347	1663	/

(/) Not listed due to small number of cases (fewer than ten).

1 Persons aged 16 to 59 years. — 2 Hidden labour force with strong interest in employment (HSI). — 3 Hidden labour force with moderate interest in employment (HMI).

4 In educational training or tertiary studies if aged under 26. — 5 Question: "If you were to look for work now, is it or would it be easy, difficult or practically impossible for you to find a suitable job?" — 6 Question: "Are you interested in a full-time or part-time position, or would either be acceptable?" — 7 Question: "Have you actively looked for work within the last three months?" — 8 Question: "If you were offered a suitable position now, would you be able to start work immediately?" — 9 Question: "People work for different reasons. What is your main motivation? To earn money or other reasons?" — 10 Question: "Do you intend to gain further qualifications or skills through classes or courses?" — 11 Question: "Would you like to work in your current or learned occupation or would you prefer to do something new, or is it unimportant?" — 12 Question: "How likely is it that you will enter self-employment or work in a freelance capacity?" — 13 Question: "Approximately when would you like to start work?" — 14 Question: "At least how high would the net salary have to be for you to accept a job offer?" — 15 Average amount.

Source: Socio-Economic Panel (SOEP); weighted results.

share of the previously unemployed in this category, by contrast, was much lower (three fifths). Only about a quarter of those who planned to enter employment at a later date were in insured employment. Enormous differences can be noted between the two sub-categories in the hidden labour force. While those with a strong interest in finding employment (HSI) who started working mainly entered insured employment, over half of those with a moderate interest (HMI) who took up work entered marginal employment. This is about the same share as among the other inactives (INI) who entered employment. In this group the share of people who entered self-employment (17%) was above average.

Likewise, an above-average share of the unemployed<sup>12</sup> and persons in training, who usually have another source of social insurance, entered marginal employment. However, for these groups, this type of employment probably represents a temporary measure alongside jobsearch or qualification activities, and is unlikely to lead to financial or social risk (increased precariousness<sup>13</sup>).

## Changing role of women and flexible forms of employment

The new types of employment, such as marginal or part-time work as the main employment activity, are primarily used as a mode of (re-)integration into employment. They offer a means to reconcile family and work-related duties. The interplay between social change and changes in the employment system can, however, only be analysed accurately if the hidden labour force is also taken into account.

An interpretation of employment behaviour, however, also requires account to be taken of other structural characteristics of the groups with relevance for the labour market. In western Germany these include continued conformity to the traditional gender roles in the family, where the wife is responsible for family work and the husband for financing the household.<sup>14</sup> It is only against this background that we can understand why six out of ten unemployed persons list 'earning money' as the primary motivation for working, compared with only three out of ten of those who wish to enter employ-

ment two to five years later (HMI) (cf. table 4). Two thirds of this category of the hidden labour force are in fact women, of whom over 80% are married.<sup>15</sup> In contrast, only a good four tenths of the unemployed are women (HSI: almost three fifths), of whom over half are married (HSI: almost three quarters). The importance of housework and family work increases with the size of the household. This is another reason why women who wish to enter employment at a later date (HMI) take up employment with reduced hours of work: their households are usually larger (3.9 persons) than those of unemployed women (2.7 persons); the opposite is true for men (HMI: 2.5 persons; RU: 2.9 persons). The type of employment desired reflects these figures (cf. table 4): While in 1998 three fifths of the unemployed were looking for a full-time job, only a good quarter of the hidden labour force with a moderate interest in employment (HMI) were interested in full-time employment (HSI: almost half). Over half of the moderately interested wanted to work part time, compared with less than a quarter of the unemployed; most of the latter hoped to find more extensive employment. This difference is expressed in the SOEP random sample, for example, by the somewhat higher net earning expectations expressed by people wanting to work part time (RU: DM 1,459; HMI: DM 1,343).

## Conclusion

The hidden labour force in Germany consists of around 1.8 million persons, divided more or less equally between persons with a strong interest in employment and those with a moderate interest. The analysis of the SOEP data shows that in western Germany the larger part of the hidden labour force consists of women (1998: 1.1 million).

The significance of the hidden labour force for the labour market can be seen in both observation periods (1994/96 and 1996/98). Those in the hidden labour force who are interested in entering employment relatively quickly, especially, are in competition with the registered unemployed for the available jobs. This group not only more frequently finds employment than the registered unemployed, but also takes up a higher share of socially insured full- and part-time jobs.

And even a significant number of persons with a more moderate interest in working finds employment relatively quickly, although around half of them 'only' take up marginal jobs. This precarious form of employ-

<sup>12</sup> Under § 118 (2) Social Code III, unemployment does not exclude the possibility of engaging in employment of up to 15 hours a week.

<sup>13</sup> For example, individual insurance cannot be obtained on the basis of marginal part-time employment.

<sup>14</sup> On the institutional embeddedness of this gender division in German law and the resulting conditions for women's earning opportunities, cf. Holst, *op. cit.*, pp. 91 ff.

<sup>15</sup> Cf. Holst, *op. cit.*, pp. 300 ff. The structural figures presented here but not in the tables refer to 1996.

Table 5  
Occupational status 1998 by employment status 1996  
Western Germany

	Employment status 1996						Structure of all employed
	Employed	Unemployed	Training	HSI	HMI	INI	
	Absolute figures						
Random sample	4 424	155	89	97	64	64	4 765
Projection (1000s)	26 821	930	472	553	310	297	29 383
Occupational status 1998	in %						
Total <sup>1</sup>	100	100	100	100	100	100	100
Marginal employment	7	26	34	12	54	51	9
Self-employment	10	/	/	/	/	17	9
Civil servant	8	6	/	/	/	/	8
Insured employment	73	62	64	81	24	27	72
full-time	62	51	56	58	14	/	60
part-time	11	12	8	23	/	21	12
Maternal/parental leave	3	/	/	/	/	/	3

(/) Not listed due to small number of cases (fewer than ten).

<sup>1</sup> Persons aged 16 to 59 years in the first year of the longitudinal comparison.

Source: Socio-Economic Panel (SOEP); weighted results.

ment is not particularly attractive as the main employment activity, either for the registered unemployed or – indeed even less so – for persons already working in other types of employment. It is only the group of other inactives (INI), who have little interest in working but unexpectedly enter employment, where the share taking up marginal employment is at a similar level.

The studies show that gender-specific employment behaviour following traditional models still exists in western Germany. The 'male-breadwinner model', where wife is equated with housewife, has, however, now been substituted by the 'reconciliation joint-provider model'. In this model the wives make at least some contribution to the household income. This arrangement is fostered by tax regulations, especially in the case of marginal employment, because persons earning not more than DM 630 a month are not subject to joint tax assessment with the higher-earning spouse. However, most persons in marginal employment hope to increase their hours of work.<sup>16</sup> Marginal employment, is thus usually used as a means to (re-)enter the labour market or as a temporary employment form.

It is virtually impossible to earn an independent livelihood through average part-time employment, and especially through marginal employment. However, without the option of these flexible forms of employ-

ment, the rapid rise in employment among married women during the last two decades would hardly have been conceivable. Social change, as expressed, for example, by rising divorce rates (more than every third marriage in western Germany ends in divorce), means that an independent livelihood for married women, too, is becoming increasingly necessary.

The available studies indicate that a continued increase in women's interest in working can be expected in western Germany. The opportunities for many mothers to engage in employment depend, among other things, on the availability of childcare, but also on the willingness of the partner to participate in housework and family work. So far little has changed in this respect.

Gender-specific differences are less marked in eastern Germany, and women still have a high rate of labour market participation. Compared with western Germany, the hidden labour force in the region only plays a minor role.

Elke Holst und Jürgen Schupp

<sup>16</sup> Cf. 'Arbeitszeitpräferenzen in West- und Ostdeutschland 1997 – Potential für Verkürzung der Arbeitszeit gesunken', Elke Holst and Jürgen Schupp, *Wochenbericht des DIW*, No. 37/98, pp. 667-677.