

EXTENSIVE VS. INTENSIVE MARGIN: CHANGING PERSPECTIVE ON THE EMPLOYMENT RATE*

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Abstract

The employment rate is one of the most popular statistics to monitor labour markets, but it measures only the extensive margin of labour supply, i.e. the decision of work. The intensive margin (how much to work) receives considerably less attention. If labour markets are characterised by a very high proportion of stable full-time jobs, a set of statistics based only on the extensive margin is fully satisfactory, as individuals have the same intensity of work. This does not hold, however, for many European labour markets, where the share of part-time jobs (how many hours of work) and limited duration contracts (how many months of work) have risen considerably over the past 15 years. In this paper we propose a straightforward way to calculate an employment rate weighted by the intensive margin. We present statistics for 26 EU countries, based on EU-SILC 2007, for both individuals and households. In Southern Europe countries (Spain, Greece and Italy) the “intensive margin” employment rate is very close (and in some case higher than) to UK, France and Germany and not far from the EU average. This is due to the lower share of part-time employment on total employment in Southern Europe. We also present two simple applications: a decomposition of the intensive margin and a cross-country comparison of inequality in the distribution of work.

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