

2. Participation in the world of work (KILM 1)

KILM 1. Labour force participation rate

Introduction

The labour force participation rate is a measure of the proportion of a country's working-age population that engages actively in the labour market, either by working or looking for work; it provides an indication of the relative size of the supply of labour available to engage in the production of goods and services. The breakdown of the labour force by sex and age group gives a profile of the distribution of the economically active population within a country.

The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working-age population. The labour force is the sum of the number of persons employed and the number of unemployed. The working-age population is the population above a certain age – ideally aged 15 and older – prescribed for the measurement of economic characteristics.

Table 1 contains national estimates of labour force participation rates by sex and age group (total, youth and adult, as nationally defined). This series covers 211 economies over the years 1980 to 2010. The KILM electronic versions (software and KILMnet) contain an additional table of ILO estimates of labour force participation rates according to the following standardized age groups: 15+, 15-24, 15-64, 25-54, 25-34, 35-54, 55-64 and 65+. The participation rates in table 1a of the software version are harmonized to account for differences in national data and scope of coverage, collection and tabulation methodologies as well as for other country-specific factors such as military service requirements.¹ The series includes both nationally reported and imputed data and includes only estimates that are national, meaning there are no geographic limitations in coverage. It is this series of harmonized estimates that serve as the basis of the ILO's world and regional aggregates of the labour force participation rate reported on in the *Global Employment Trends* series and made available in the KILM 7th edition software as table R1. Table 1b on the software is based on available national estimates and is the table selected for the print version of the KILM.

Use of the indicator

The indicator for labour force participation rate plays a central role in the study of the factors that determine the size and composition of a country's human resources and in making projections of the future supply of labour. The information is also used to formulate employment policies, to determine training needs and to calculate the expected working lives

1. These labour force estimates, along with projections of labour force participation rates are also published in the ILO's Economically Active Population Estimates and Projections Database (EAPEP, Sixth Edition). The database is the result of a joint collaboration between the ILO Department of Statistics and the Employment Trends Unit. For further information on the methodology used to produce harmonized estimates, see V. Bourmpoula, S. Kapsos and J.M. Pasteels: "Economically Active Population Estimates and Projections (EAPEP): Methodology and results", ILO, Geneva, forthcoming 2011.

of the male and female populations and the rates of accession to, and retirement from, economic activity – crucial information for the financial planning of social security systems.

The indicator is also used for understanding the labour market behaviour of different categories of the population. According to one theory, the level and pattern of labour force participation depend on employment opportunities and the demand for income, which may differ from one category of persons to another. For example, studies have shown that the labour force participation rates of women vary systematically, at any given age, with their marital status and level of education. There are also important differences in the participation rates of the urban and rural populations, and among different socio-economic groups.

Malnutrition, disability and chronic sickness can affect the capacity to work and are therefore also considered as major determinants of labour force participation, particularly in low-income environments. Another aspect closely studied by demographers is the relationship between fertility and female labour force participation. This relationship is used to predict the evolution of fertility rates, from the current pattern of female participation in economic activity.²

Comparison of the overall labour force participation rates of countries at different stages of development reveals a U-shaped relationship (see figure 1a). In less-developed economies, labour force participation rates can be seen to decline with economic growth. Economic growth is associated with expanding educational facilities and longer time spent studying, a shift from labour-intensive agricultural activities to urban economic activities, and a rise in earning opportunities, particularly for the prime working age (25 to 54 years) head of household so that other household members with lower earning potential may choose not to work. These factors together tend to lower the overall labour force participation rate for both men and women, although the effect is weaker for the latter and shows a wider variation.

It is also instructive to look at labour force participation rates for males and females by age group. Labour force activity among the young (15 to 24 years) reflects the availability of educational opportunities, while labour force activity among older workers (55 to 64 years or 65 years and over) gives an indication of the attitude towards retirement and the existence of social safety nets for the retired. Labour force participation is generally lower for females than for males in each age category (as verified in the subsequent Trends section). At the prime working age, the female rates are not only lower than the corresponding male values, but often exhibit a somewhat different pattern. During this period of their life-cycle, women tend to leave the labour force to give birth to and raise children, returning – but at a lower rate – to economically active life when the children are older. In developed economies, the profile of female participation is, however, increasingly becoming similar to that of men and the rates are also approaching male levels.

To some degree, the way in which the labour force is measured can have an effect on the extent to which men and women are included in labour force estimates. Unless specific probes are built into the data collection instrument, certain groups of workers may be underestimated – particularly the number of employed persons who (a) work for only a few

2. See, for example, ILO: “Female labour force participation rate and fertility”, in *Key Indicators of the Labour Market, Third Edition*, Chapter 1 (Geneva, 2003).

hours in the reference period, especially if they do not do so regularly, (b) are in unpaid employment, or (c) work near or in their home, thus mixing work and personal activities during the day. Since women, more so than men, are found in these situations, it is to be expected that the number of women in employment (and thus the female labour force) will tend to be underestimated to a larger extent than the number of men.

Definitions and sources

The labour force participation rate is defined as the ratio of the labour force to the working-age population, expressed as a percentage. The labour force is the sum of the number of persons employed and the number of persons unemployed.³ Thus, the measurement of the labour force participation rate requires the measurement of both employment and unemployment. Employment should, in principle, include members of the armed forces, both the regular army staff and temporary conscripts.

The labour force participation rate is related by definition to other indicators of the labour market. The inactivity rate is equal to 100 minus the labour force participation rate, when the participation rate is expressed as a number between 0 and 100. KILM 13 shows the harmonized inactivity rates of persons according to the standardized age bands used in table 1a of the KILM software. The employment-to-population ratio (KILM 2) is equal to the labour force participation rate after the deduction of unemployment from the numerator of the rate. The unemployment rate (KILM 9) is related to the labour force participation rate and employment-to-population ratio in such a way that two of them determine the value of the third.

A comprehensive source of data for determining the labour force participation rate and related indicators is specialized surveys of households or individuals, often referred to as labour force surveys. Such surveys can be designed to cover virtually all the non-institutional population of the country, all branches of economic activity, all sectors of the economy and all categories of workers, including the self-employed, unpaid family workers, casual workers and multiple jobholders. In addition, such surveys generally provide an opportunity for the simultaneous measurement of the employed, the unemployed and the economically inactive in a coherent framework.

Population censuses are another major source of data on the labour force and its components. The labour force participation rates obtained from population censuses, however, tend to be lower, as the vastness of the census operation inhibits the recruitment of trained interviewers and do not allow detailed probing on the labour market activities of the respondents.

Limitations to comparability

3. Resolution concerning statistics of the economically active population, employment, unemployment and underemployment, adopted by the 13th International Conference of Labour Statisticians, Geneva, October 1982; http://www.ilo.org/global/What_we_do/Statistics/standards/resolutions/lang--en/docName--WCMS_087481/index.htm (see box 2 for excerpts relating to employment and box 9 for excerpts relating to unemployment, the sum total of which equal the “labour force” (currently active population)).

National data on labour force participation rates may not be comparable owing to differences in concepts and methodologies. The single most important contributor to data comparability is the nature of the data source. Labour force data obtained from population censuses are often based on a restricted number of questions on the economic characteristics of individuals, with little possibility of probing. The resulting data, therefore, are generally not consistent with corresponding labour force survey data and may vary considerably from one country to another, depending on the number and type of questions included in the census. Establishment censuses and surveys can – by their nature – only provide data on the employed population, leaving out the unemployed and, in many countries, workers engaged in small establishments or in the informal economy who fall outside the scope of the survey or census.

For international comparisons of labour force data, the most comprehensive source is undoubtedly labour force surveys. National labour force surveys tend to be similar in several essential features, and data derived from them are likely to be more comparable than data obtained from other sources or from a combination of different sources. Nevertheless, despite their strength, labour force survey data may contain non-comparable elements in terms of scope and coverage, mainly because of differences in the inclusion or exclusion of certain geographic areas, and the incorporation or non-incorporation of military conscripts. Also, there are variations in national definitions of the labour force concept, particularly with respect to the statistical treatment of “contributing family workers” and “unemployed and not looking for work”.

Non-comparability may also arise from differences in the age limits used in measuring the economically active population. Some countries have adopted non-standard upper age limits for inclusion in the labour force, with a cut-off point of 65 or 70 years, which will affect broad comparisons, and especially comparisons of those at the higher age levels. Finally, differences in the dates to which the data refer, as well as the method of averaging over the year, may contribute to the non-comparability of the resulting statistics.

To a large extent, these comparability issues have been addressed in the construction of the ILO estimates of labour force participation rates shown in table 1a (software only).⁴ Only household labour force survey and population census data that are representative of the whole country (with no geographic limitation) were used in the construction of the estimates. In countries with more than one survey source, only one type of source was used. If a labour force survey was available for the country, labour force participation rates derived from these were chosen in favour of those derived from population censuses.

Trends

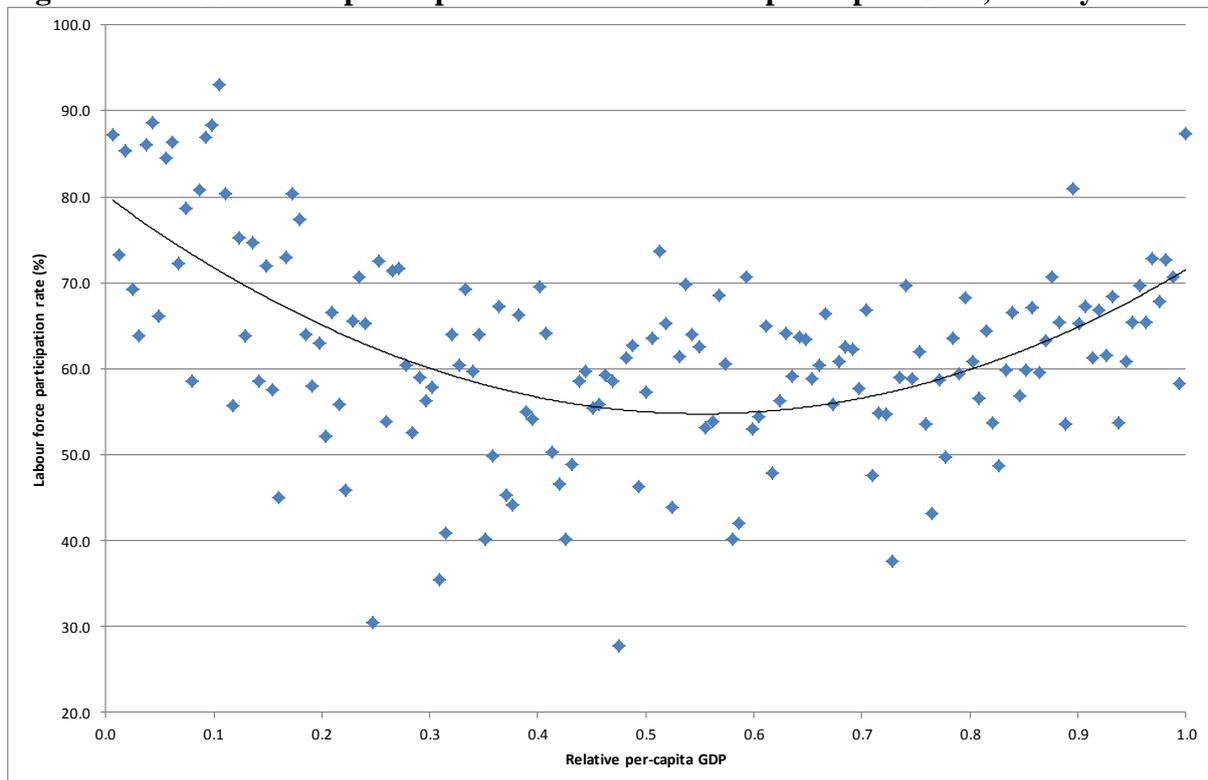
Labour force participation rates tend to be highest in the poorest countries, where only a small proportion of the working-age population can afford to remain outside of the labour force. Figure 1a shows the U-shaped relationship described above. Low unemployment rates combined with high labour force participation rates in developing economies are indicative of

4. The comparability issues still apply in full to the KILM table 1 published here and shown as table 1b (national estimates) in the electronic version.

large shares of workers in vulnerable employment and in working poverty (see KILM 3 and 18 for more information). The majority of countries with the lowest relative per-capita GDP and highest labour force participation rates are in sub-Saharan Africa. It is interesting to note that higher overall labour force participation in the region in comparison with many higher income economies is driven mainly by higher female participation rates. Economic need pushes all able bodies, women included, into employment regardless of conditions or availability of child-care/household support (see also figure 1b).

At the other end of the scale – with GDP per capita in the highest quintile (0.8 to 1) – are 28 countries in the Developed Economies and European Union region. Here, at the highest levels of economic development, higher educational attainments as well as higher income prospects push more men and women into the labour force in comparison to middle-income economies.

Figure 1a. Labour force participation rate and relative per-capita GDP, latest years



Note: The relative per-capita GDP is a simple ranking based on the relative size of the GDP per capita as measured by the IMF for the 162 countries with corresponding national estimates of labour force participation rates. The latest year of corresponding data is used.

Sources: KILM table 1b (labour force participation rate, national estimates) and IMF, World Economic Outlook Database, April 2010 version (per-capita GDP).

Participation rates are lower for females than males for almost all countries (see figure 1b). Exceptions include countries in sub-Saharan Africa (chart vi), namely: Equatorial Guinea and Mozambique, where the female participation rate in the latest recorded year was 4 percentage points higher than the male participation rate, and Benin, Burundi, Rwanda and Togo, where female rates were higher by a smaller margin. Nepal was the only country outside of sub-Saharan Africa with female participation higher than men (2 percentage points

in 2003). In some other countries, such as Lao People's Democratic Republic and Sierra Leone, female participation rates are nearly equal to those of men.

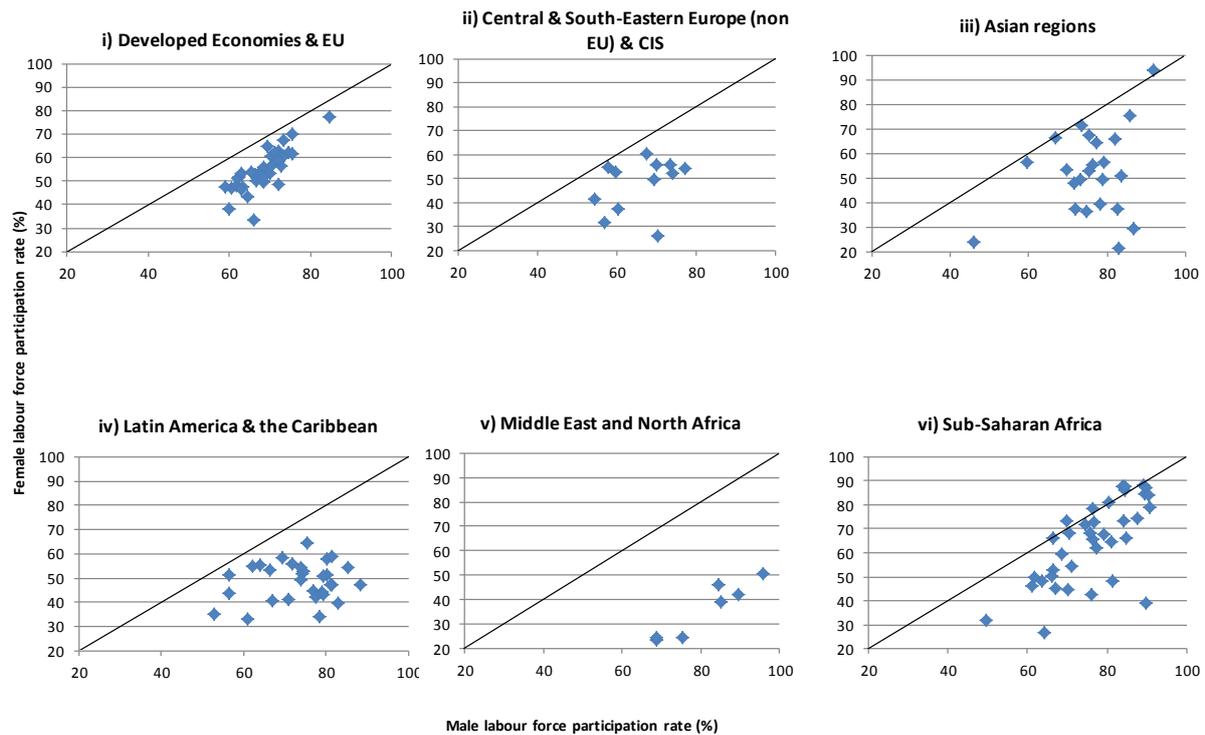
Female participation rates were lowest, both in absolute terms and relative to male participation rates, in the Middle East and North Africa (chart v), as well as in some South Asian economies. In these countries, women often face more barriers – educational, cultural and institutional – to labour market entry. In the Islamic Republic of Iran, Jordan and Syrian Arab Republic, female participation rates were as low as 14 or 15 per cent, compared to participation rates of men as high as 74 per cent, suggesting that labour market opportunities are specifically scarce for women. The gender gap in labour force participation remains significant in all countries of the region with available data as illustrated by the distance between the data points and the gender parity line. The highest gender differentials were seen in Pakistan and Syrian Arab Republic, where male participation rates were a respective 59 and 60 percentage points higher than female rates in 2007.

The gender gap in labour force participation rates is lowest, on average, for countries in the regional groupings Central & South-Eastern Europe (non-EU) & CIS (chart ii) and Developed Economies & European Union (chart i). In these regions, and in sub-Saharan Africa, there is a strong, positive correlation between male and female participation rates, suggesting that the economic, social and other determinants of labour force participation are generally the same for both sexes.

That this correlation (higher female participation related to higher male participation across countries) is even stronger in the Middle East and North Africa, where a persistent gender gap in labour force participation remains, may seem counter-intuitive. A simple explanation is that, although structural factors have caused female participation rates to remain considerably lower than male participation rates in the region, there are other factors that cause both participation rates to increase. The gender gaps in most countries in the region have narrowed over time, but still, a sustained increase in female participation relative to the male participation rate will be required for the gap to narrow further.

In Latin America & the Caribbean (chart iv) there is only a weak positive correlation between female and male participation rates. In the Asian regions (chart iii), however, there is evidence of a negative correlation between male and female labour force participation rates. The trend is largely driven by South Asian countries, notably Bangladesh, India and Pakistan, that consistently rank among the highest in terms of male labour force participation rates and lowest in terms of female participation rates.

Figure 1b. Labour force participation rates, by sex and KILM region, latest years



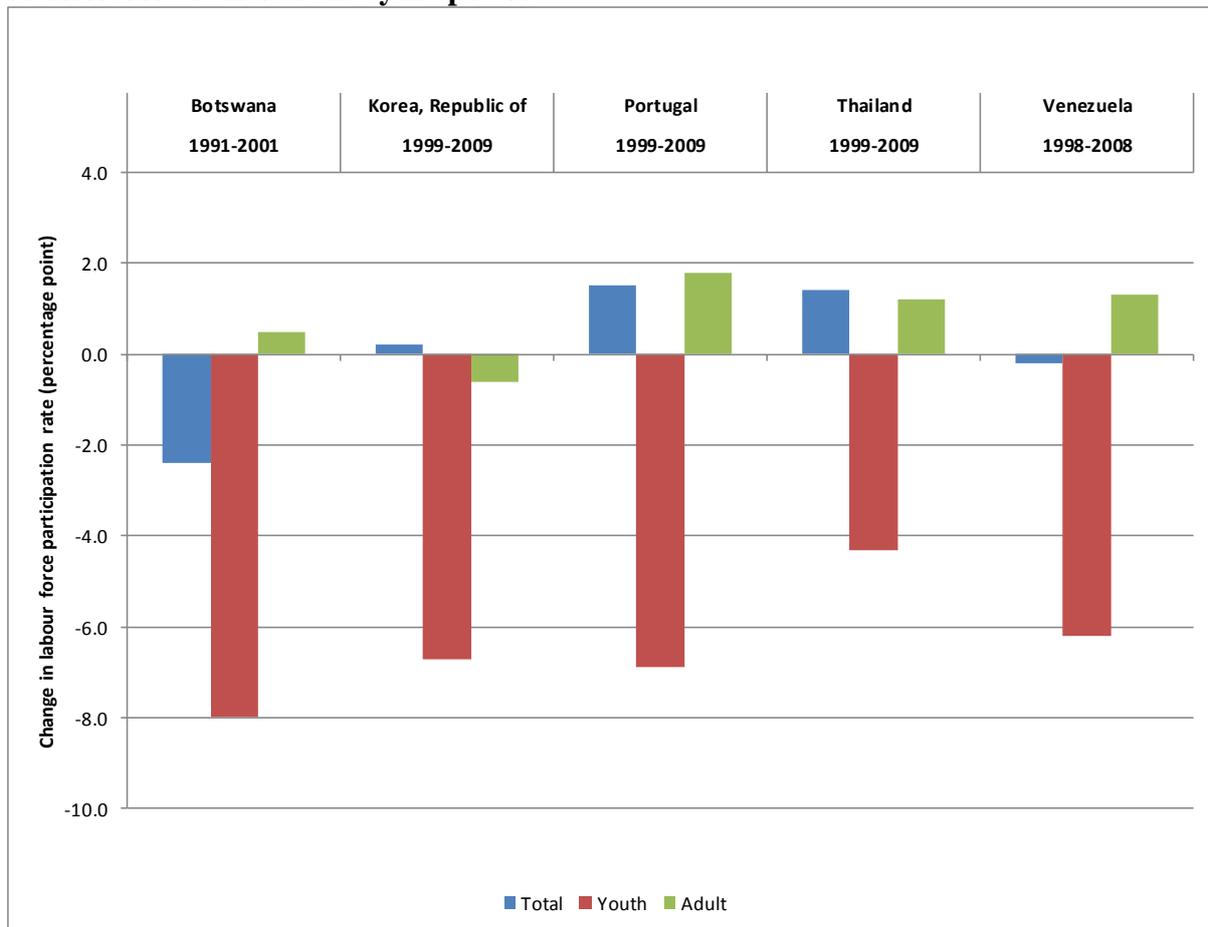
Note: The diagonal line is a gender parity line, where female and male participation rates are equal. Nearly all countries are below the gender parity line, where female participation rates are lower than male participation rates.

Source: KILM table 1b (“total” age group).

Figure 1c presents the change in labour force participation rates of adults and youth over a ten-year timespan in five countries, covering five regions. The decreases in the labour force participation rates of young people aged 15 to 24 years in all five countries are reflective of the changing dynamics of the attitudes and opportunities of young people. With youth participation rates decreasing from between 4.3 percentage points in Thailand and 8.0 points in Botswana, it is clear that economic participation is no longer an only option for a growing share of young men and women. There has been impressive progress in the proliferation of educational programmes around the world in the last few decades and more and more young people are able to take advantage of the opportunities to stay in school. The quality of education remains a top concern in many countries, however, and assessments of progress toward educating youth should be treated with care.

There is another, less evident explanation behind declining youth labour force participation rates that applies in at least some of the countries listed: discouragement. A person is “discouraged” when s/he has fallen out of the labour force because s/he feels a job search would be futile for whatever reason. S/he is without work, would like to work but has not engaged in an active job search. It is likely that during the Great Recession, when youth unemployment skyrocketed in many countries (see KILM 9), the decrease in youth participation rates was due, in part, to growing numbers of discouraged youth.

Figure 1c. Percentage point change in labour force participation rate, by age group, selected countries over ten-year period



Source: KILM table 1b.