

# Labor Force Participation Rates by Gender

by Sophia



## WHAT'S COVERED

This tutorial will cover what labor force participation rates by gender can indicate about the quality of life in a country.

Our discussion breaks down as follows:

1. Employment and Unemployment
2. Labor Force Participation Rate
  - a. Labor Force Participation Rates vs. GDP
3. High Labor Force Participation Rates by Women
  - a. Domestic Work

## 1. Employment and Unemployment

Let's begin by talking about measuring employment data in general. What kinds of employment information do economists collect and study?

Well, throughout this course on macroeconomics, we have learned that the most reported figure in the media is the unemployment rate. We know that the government collects information and publishes an unemployment rate.

We also know that there is employment data, published as job gains or losses by sector.

However, there is also something called the labor force participation rate, which will be the focus of this tutorial.

As a reminder, unemployment refers to any person who is 16 years or older who is not working, but is available for work, and has made efforts to find work during the last four weeks.

When we calculate our unemployment rate, we take the number of people in a country who are unemployed and we divide by the labor force (not the population).



#### FORMULA TO KNOW

##### Unemployment Rate

$$\frac{\text{Unemployed}}{\text{Employed} + \text{Unemployed}} = \frac{\text{Unemployed}}{\text{Labor Force}}$$

Remember, the labor force is made up of all of the employed people plus all of the unemployed people who would like a job.

This means that there are people in the population who are not in the labor force. These are people who are not looking for work, either because they do not want a job or they are not available for work, or they have given up looking.

[[example]] For example, people not in the labor force could be anyone under the age of 16, retirees, and stay-at-home parents. They are not working, but they also are not considered unemployed.}}

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## 2. Labor Force Participation Rate

Obviously, then, our population is composed of people who are in the labor force and not in the labor force.

When we look at it this way, we can calculate a **labor force participation rate**, which is a percent of the population actively seeking work and defined as being able to do so.

Employment data such as unemployment and employment figures give us an idea as to whether our economy is growing or contracting, or whether we are in an expansionary period, or a contractionary or recessionary period.

However, labor force participation rates are a bit different. These can help us to describe our population more than unemployment and employment figures can.

These participation rates can tell us information about our demographics, such as if there is a significant portion of the population too old to work.

⇒ **EXAMPLE** Suppose a significant portion of a country's population is over age 65. Perhaps those people have decided that they are going to retire, or that they simply do not want to work anymore. In situations where countries have a lot of the population over that age, their labor force participation rates will be much lower than in countries where more people are still active members of the labor force.

These participation rates can also tell us about people's attitudes towards work, such as whether or not people want to work, or if they feel confident in their ability to find work. Remember, how we define people as being part of the labor force is their ability to look for work, but also their willingness to seek it out.

We find that during very long recessions, sometimes the labor force participation rates actually began to decline, because people give up hope and stop looking for work.



## TERM TO KNOW

### Labor Force Participation Rate

Percent of the population actively seeking work and defined as being able to do so

#### 2a. Labor Force Participation Rates vs. GDP

We know that the most commonly used indicator in macroeconomics is GDP or Gross Domestic Product. GDP can indirectly capture a lot of ideas, like educational attainment and labor force participation in an economy, because countries with higher GDPs, on average, tend to have more productive and more educated workforces. They also tend to have a more significant portion of their population in the labor force.

Without these things, it would be very difficult to have a high GDP.

However, labor force participation rates can give us a better idea as to the access or availability of jobs for those people who are seeking employment.

They can provide insight into the economic well-being of a people, equality in an economy, birth rates, and standard of living or quality of life--far more than GDP alone.

This can be seen in greater focus when we break down labor force participation rates by gender, age, and ethnicity--especially when we look at it by gender, which we will cover next.

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## 3. High Labor Force Participation Rates by Women

We find that in countries with higher participation rates by women, there is a higher standard of living for families and lower birth rates are more typical, meaning families are choosing not to have as many children.



## THINK ABOUT IT

If a family has two incomes and makes the decision to have fewer children, what impact does this have? Well, overall, it means more resources for the children that the family does have.

It also means a greater possibility for the next generation to enjoy a higher standard of living, on average:

- Families are able to afford better education, possibly college
- Girls see their mothers working and want to do the same, furthering themselves



## HINT

Note, this is the case *on average*. This is not the case in every situation, as there are still families raised on one income, and families having a lot of children.

#### 3a. Domestic Work

On a global level, labor force participation rates by women are increasing in much of the world. However, even though more women are part of the labor force, in most places in the world they are still responsible for most of the domestic work, too.

Therefore, women are working many more hours, in reality, if we account for this.

However, some research is indicating that in the more developed regions, men are beginning to share in the domestic work, taking some of that burden off of women in homes where both the women and the men are working.



## SUMMARY

We began today's lesson by discussing employment data, and how economists collect and study information on **employment and unemployment**. We learned how **labor force participation rates** can provide better insight into the economic well-being of a people, equality in an economy, birth rates, and standard of living or quality of life **vs. GDP** alone. Lastly, we explored what labor force participation rates by gender, especially **high labor force participation rates by women**, can tell us about quality of life in a country.

Source: Adapted from Sophia instructor Kate Eskra.



## TERMS TO KNOW

### Labor Force Participation Rate

Percent of the population actively seeking work and defined as being able to do so.