

Richer countries tend to have higher labour force participation rates, with all four OECD countries having rates greater than the Asia/Pacific average; the OECD average is 6 percentage points above the Asia/Pacific average of 69% (Figure 5.1). The highest participation rates are observed in Cambodia, Japan, Nepal and New Zealand with rates greater than 80% in 2012. Labour force participation rates are low, at below 60%, in Armenia, Hong Kong (China), India, Pakistan, Sri Lanka and Timor-Leste. In many countries **labour force participation rates among older workers are relatively close to those for the total population, while rates for younger workers are significantly lower**: on average across the region participation rates are 69% for the total population; 63% for older workers and 49% for younger workers. Participation rates are lowest for young people in Korea as related to a high level of educational attainment (see “Educational attainment and student performance”).

Looking ahead, demographic projections show that – if male and female labour participation by five-years age groups remain at current levels (the “unchanged” scenario in Figure 5.2) – **the labour force will decrease** by close to 10% in Japan, with further declines until 2040, **and also in China and Korea**. The baseline scenario involves that recent increases in female labour force participation for younger cohorts are projected to increase the participation rate for women aged 15-64 in many countries, but its effect on the overall labour force size is rather modest, except for in Japan and Singapore (Figure 5.2). The decline in female labour force participation since the early 2000s in China feeds into the baseline scenario projecting a labour force of a smaller size for China than when participation rates were held constant at their 2012 levels (“unchanged” scenario).

The **target scenario** assumes that economies will be able to **achieve a 25% reduction in the gender gap in participation rates for each country by 2025 and 50% by 2040** compared with the baseline scenario. This scenario would have a significant effect on the size of the labour force in many countries, including India, where the labour force would be 11% larger as a result of around 61 million more women in the labour force. In Singapore the recent increase in female employment is expected to feed into increasing participation rates in the future which achieve this target (as shown by the similarity in the “baseline” and “target” scenarios in Figure 5.2). Japan and Korea would need to achieve close to gender parity in labour force participation to avoid the looming decline of their labour force.

Definition and measurement

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 for at least one hour in the reference week. It provides an indication of the relative size of the supply of labour available to engage in the production of goods and services. Data was taken from the *International Labour Organization’s Key Indicators of the Labour Market (KILM) Database* for non-OECD countries and the *OECD Employment Database* (2013) for the four OECD countries. Labour force participation data refers to the population aged 15 and over.

The labour force projections presented here are based on population projections for persons aged 15-64 years, by five-year age groups. Three scenarios are considered:

1. *Unchanged*: Participation rates by gender and for each five-year age group are held constant over the period 2013-40 at their 2012 values; changes in labour force size are driven by changes in working-age population size alone.
2. *Baseline*: In many countries, there has been a trend increase in the participation of women which has offset a decline in participation rates for men. There have also been different trends by age groups. For example participation rates for youth have fallen in many countries in response to a lengthening of the time spent in education. Rather than assuming fixed participation rates, the baseline scenario therefore assumes constant labour force entry and exit rates for five-year age groups at their historical average over the period 2003-12 (2005-10 for China).
3. *Target*: The gender gap for each five-year age group in 2025 is assumed to be 25% lower than its value in 2012 and 50% lower in 2040. All other estimates for the female participation rate are obtained by linear interpolation. Where the projected reduction in the gender gap in the baseline scenario is already greater than the targeted reduction, the baseline projected labour force is taken instead (e.g. Singapore).

The projections are based on the *OECD Population and Demography Database* and the *OECD Employment Database*.

Figure note

Figure 5.2: The labour force projections are based on population projections for persons aged 15-64 years, by five-year age groups, as reported by the *OECD Demography and Population Database* (http://stats.oecd.org/Index.aspx?DataSetCode=POP_FIVE_HIST).

Figure 5.1. Labour force participation by age group, 2012

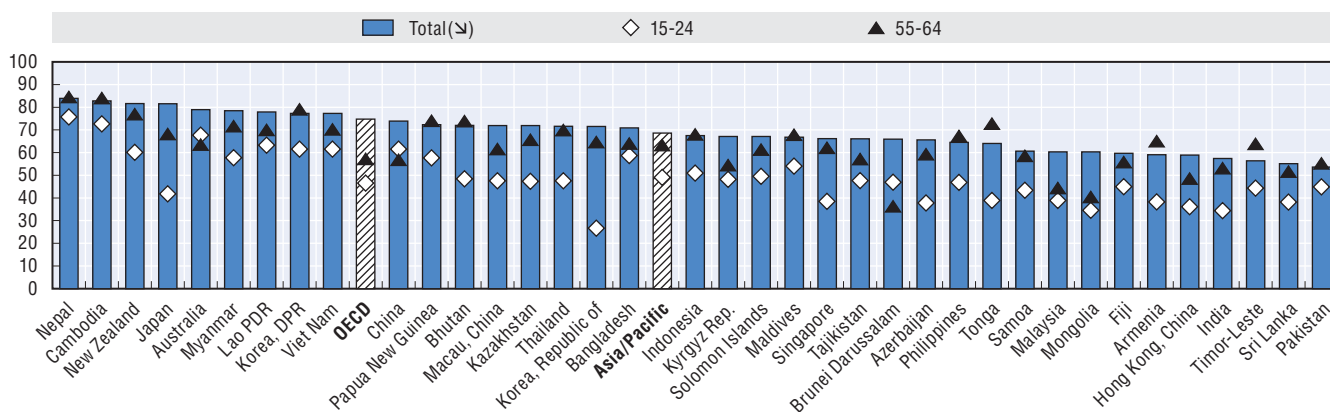
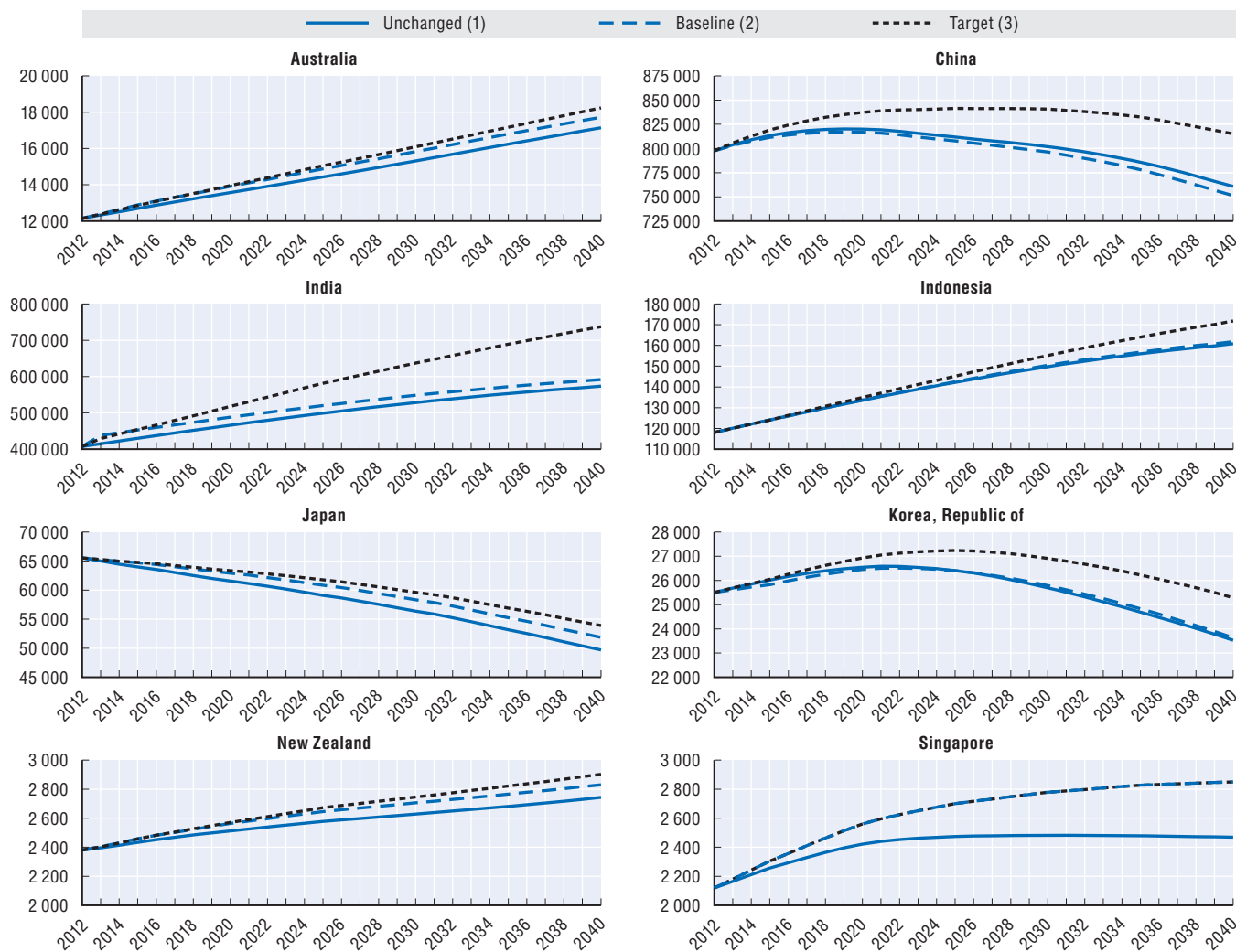


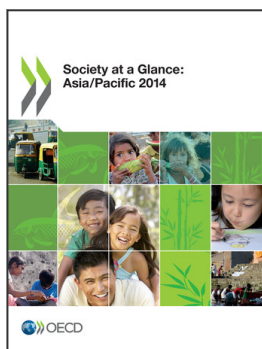
Figure 5.2. Labour force projections, selected countries, 2012-40

Projected number of persons aged 15-64 in the labour force, thousands



Source: ILO, Key Indicators of the Labour Market (KILM). OECD's Secretariat's calculations based on the OECD Population and Demography Database and the OECD Employment Database.

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