

**BRITISH COLUMBIA BUSINESS INDICATORS****November 1994****Labour Force Participation Rates**

Over the last thirty years the structure of the British Columbia labour force has experienced dramatic changes. Some of these changes have been the result of economic and social shifts, while others have come about due to demographic changes.

In terms of demographics, the most important change has been the ageing of the population. In a demographic sense, ageing means that higher proportions of the population will be in the older age groups. This ageing process will be accelerated as members of the "baby boom" generation begin to reach retirement age early next century, and this will have important side-effects for the labour force in British Columbia.

But perhaps the most significant change in the labour force has been the result of the social changes that have brought about the increase in female participation rates.¹ Since 1966, female participation rates have risen from 35 per cent to 58 per cent. By contrast, male participation rates have fallen over five percentage points from 79 per cent to under 74 per cent. The combined effect is a rise in the participation rate of the total population from 57 per cent in 1966 to around 66 per cent today.

The increase in female participation rates is largely the consequence of more women voluntarily seeking employment outside the home. Another factor is the changing structure of the family. There are more single mothers,

and people are marrying later, which means fewer women have the choice of staying at home. Also, it may be that more families need dual incomes in order to survive than was the case in the past, which, again, means fewer women have the choice of staying out of the labour force.

For males, the fall in participation rates is partly due to the increased incidence of early retirement. In addition, fewer males of retirement age are working, largely due to improvements over the past several decades in the support systems available to seniors (e.g., OAS, GIS, CPP, employer and private pension plans, as well as national health care plans). This does not entirely explain the decline, though, since rates have fallen slightly even in the younger age groups for males.

The effects of the change in labour force participation rates are far-reaching. One of the major benefits of an increased participation of females in the labour force is the accompanying increase in access to pensions, which should help ease some of the problems with poverty among elderly women in the future. Another consequence of increased female participation is the greater need for child care services. With more single parent families and the greater economic necessity of dual income families, the demand for quality child care services will remain strong.

¹ The labour force participation rate is the ratio of the labour force (employed plus unemployed) to the population aged 15 and over.

The rapid rise in female labour force participation rates appears to be levelling off. This is primarily due to the ageing of the population. Although rates continue to rise, albeit more slowly, for specific age groups, there are proportionately more women in the older age groups, and people in these age groups tend to have lower labour force participation rates. The overall effect is a dampening of the growth in participation rates.

Age Specific Participation Rates

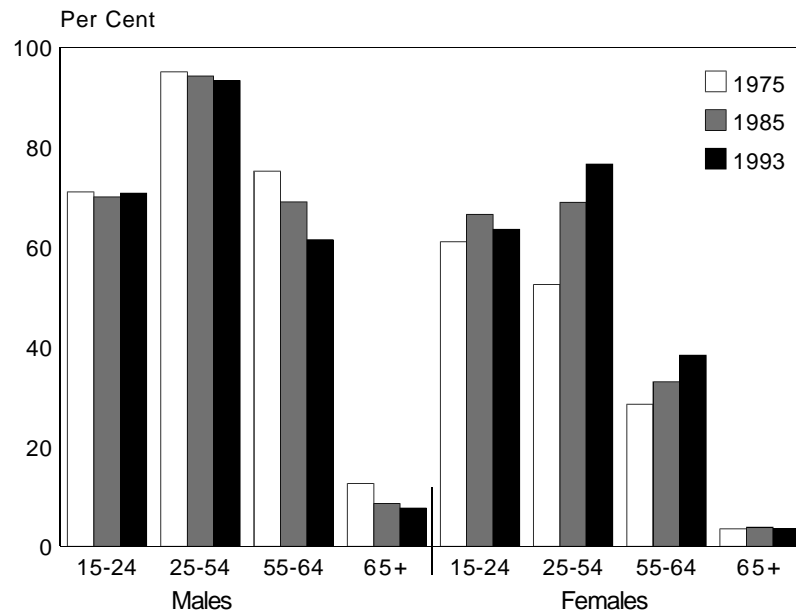
The participation rates for people under 25 are somewhat unstable. The rates for those in the 15 to 19 age group are particularly volatile. Although female rates for the 15 to 24 age group have been increasing as with other age groups, there has been some fluctuation. One possible explanation for the volatility with the younger age groups is an increase in the number of discouraged workers. With the particularly high unemployment rates for youth, and the diminished prospects for employment, more young people have chosen to either upgrade their skills through higher education, thereby removing themselves from the labour force, or

have simply given up looking for work. It is likely that male and female participation rates for this group will remain fairly close to each other through the long-term.

For the population between 25 and 54, it is likely that male participation rates will experience only a slight further decline, while female rates will likely continue to rise slightly, particularly in the older age groups. The reason for this expectation of a continuing rise in female rates is that females who are entering the older age groups are in age cohorts where female participation rates have traditionally been higher than the cohorts preceding them, and therefore, are more likely to remain in the work force as they get older.

In the 55 to 64 age range, male participation rates will likely start to bottom out as levels of early retirement stabilize, but female rates should continue to rise because of the cohort differences between current 55 to 64 year olds and future 55 to 64 year olds. The one caveat that should be mentioned with regard to falling male participation rates is the stability of the pension system. Currently rates are falling

Participation Rate by Gender and Age



Source: Statistics Canada, Labour Force Survey

Figure 1

because today's seniors have more income security than yesterday's seniors, but if the current government pension arrangements are weakened, this security may no longer exist for tomorrow's seniors. If this is the case, it is likely that early retirement will become less prominent, and, in fact, the retirement age may even be increased in the future. This scenario would result in higher male (and probably female) participation rates for the older age groups.

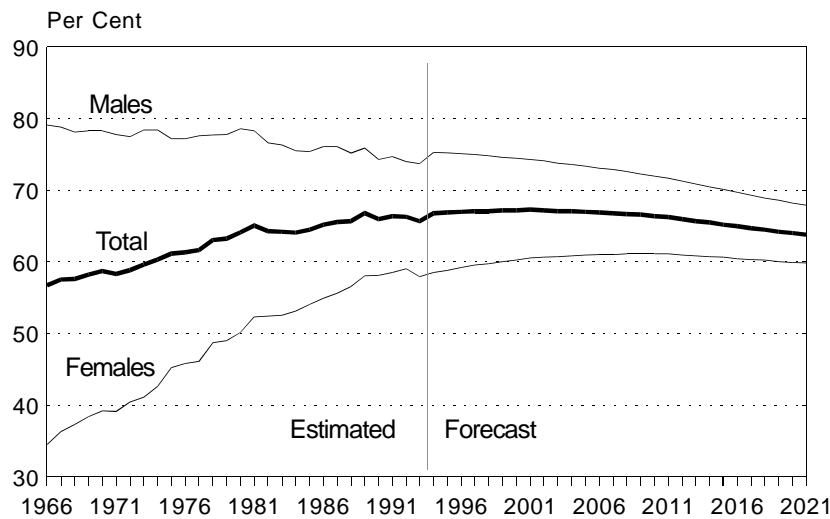
Labour force participation rates for the 65 and over age group could also be affected by any changes in the pension system. Currently, the male participation rates are declining quite rapidly, due mainly to increased income security, but that trend should bottom out soon due to the maturation of the CPP, and could even reverse itself if public pension plans are significantly weakened in the future. Female rates have been fairly stable in the 2 to 4 per cent range, and will likely remain at that level.

Given the changes in the age structure of the population, and the resulting impact on the labour force, it can be seen from Figure 2 that male participation rates are expected to

continue to decline, whereas female rates will likely climb slightly before starting to fall. The overall participation rate will likely level off before starting a slow decline. The main reason for the decline, as mentioned above, is the ageing of the population. As the baby boomers reach retirement age, larger proportions of people will be leaving the labour force. So despite continued climbs in the female participation rates for specific age groups, the incidence of proportionately more people in the older age groups where participation rates are much lower, will cause a decline in the overall rate.

The consequences of this decline have been touched on already. The public pension system, as it stands, may not be sufficient to handle the strain put on it by the growing retirement population. This could force retirees back to work in order to achieve financial security. However, even if this happens, the overall labour force participation rate will probably still trend downward because seniors will still have a substantially lower rate than the rest of the population, and their growing numbers will continue to bring down the participation rate.

B.C. Labour Force Participation Rates Estimated and Forecast



Sources: Historical data - Statistics Canada, Labour Force Survey;
Forecast - BC STATS, based on Population Forecast 10/94
Prepared by BC STATS, October 1994

Figure 2