



**Australian Social Trends
2007**

**Article: Labour force
participation – an
international comparison**

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SYMBOLS AND USAGES

billion	1,000 million
kg	kilogram
m	metre
n.a.	not available
n.e.c	not elsewhere classified
n.p.	not published
n.y.a.	not yet available
no.	number
'000	thousand
'000m	thousand million
\$	dollar
\$m	million dollars
\$b	billion dollars
\$US	American dollar
%	per cent
*	estimate has a relative standard error of 25% to 50% and should be used with caution
**	estimate has a relative standard error of greater than 50% and is considered too unreliable for general use
. .	not applicable
—	nil or rounded to zero (including null cells)

Where figures have been rounded, discrepancies may occur between the sums of the component items and totals.

Labour force participation – an international comparison

Female labour force participation is lower than men's in many OECD countries. However, it is women who have been the driving force behind an overall increase in participation in the majority of OECD countries in the past decade.

As the Australian population ages it is projected that overall workforce participation will reduce and economic growth will slow. In 2005, Australia's labour force participation rate for those aged 15–64 years was 76% – above the OECD average (70%) for that year, but below some other OECD countries including Sweden, Canada, New Zealand and the United Kingdom (UK).

Recent government policies to improve workforce participation have included the Welfare to Work package implemented in July 2006. This \$3.6 billion Australian Government initiative is designed to support and assist those people who can move off income support and into work (particularly parents, disability support recipients, long-term unemployed and mature age job seekers).¹

Changes in recent years to tax offsets (including the Mature Age Worker Tax Offset available from 2005–06), pensions (including the Pension Bonus scheme introduced in 1998) and superannuation (including gradually increasing the age of access between 2015 and 2025) have also occurred in an attempt to encourage older workers to retire later.²

This article examines how trends in Australia's labour force participation compare with other similar OECD countries. It focuses on men and women aged 15–64 years and examines their overall labour force participation as well as participation by women with children,

Data sources and definitions

This article uses the most recent data available from the Organisation for Economic Co-operation and Development (OECD) Labour Force Statistics database.

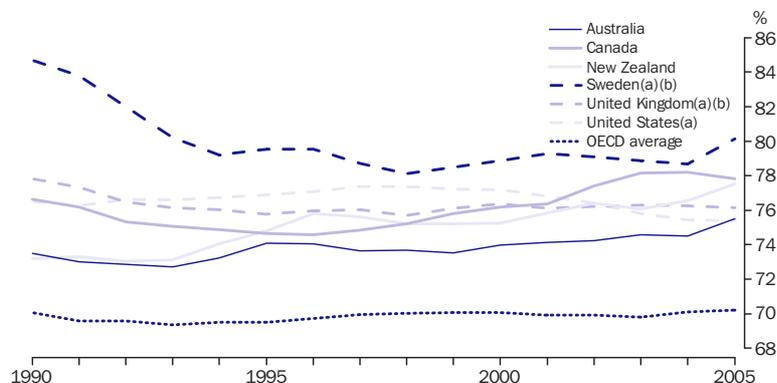
A comparison of selected labour force indicators is made with OECD countries that are similar economically and culturally to Australia, including Canada, New Zealand, the United Kingdom (UK) and the United States of America (USA). Sweden is also used in comparison to Australia and the above countries, mainly due to its relatively high labour force participation rates.

Unless otherwise stated, *OECD averages* are averages of all OECD countries and are not restricted to the countries listed above. For some topics examined in this article data were not available for all OECD countries and averages are instead presented only for those OECD countries with available data.

Persons in the *labour force* are either employed or unemployed. The *labour force participation rate* for any group in the population is the labour force component of that group, expressed as a percentage of the population of that group. The *employment rate* for any group is the number of employed people expressed as a percentage of the population in the same group.

Most data are for persons aged 15–64 years unless otherwise stated. Data for Australia relates to the civilian labour force. Some countries used in this comparison include defence personnel in their statistics of persons in the labour force (Sweden and the UK).

Labour force participation rate of persons aged 15–64 years, selected countries



(a) Aged 16–64 years.

(b) Includes defence personnel.

Source: OECD Labour Force Statistics database.

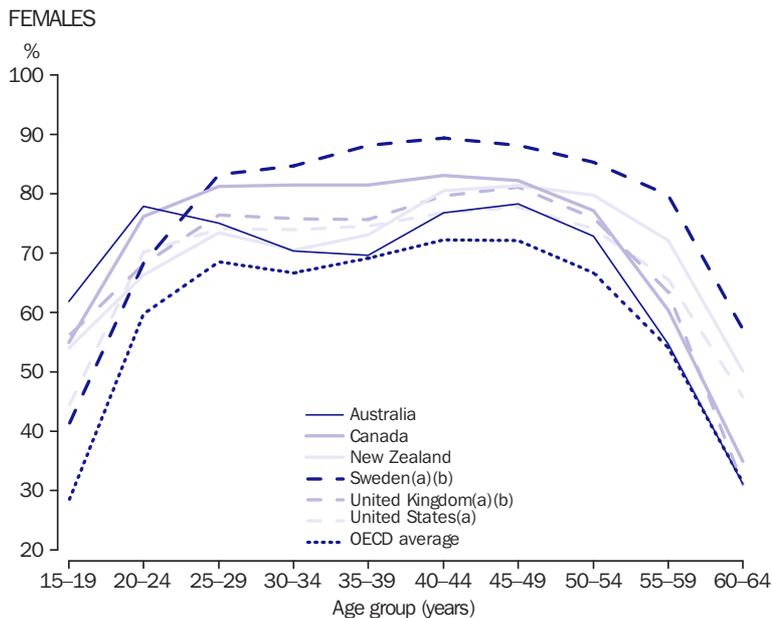
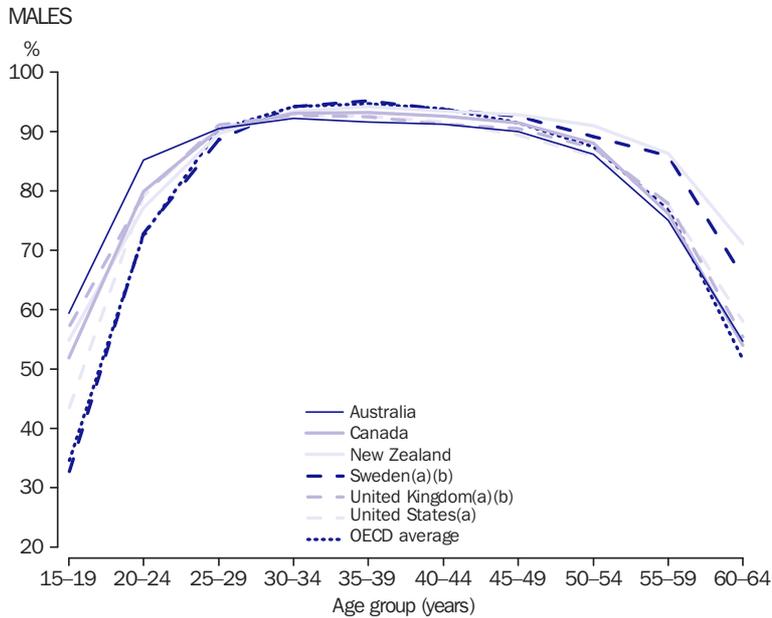
older men and women, participation in part-time work, and participation by level of education.

Recent trends in labour force participation

Australia's labour force participation for persons aged 15–64 years has shown a small net increase in the last 15 years, from 74% in 1990 to 76% in 2005, with the main driver being the increasing participation of women. In 1990, 62% of Australian women aged 15–64 years were in the labour force, increasing to 68% by 2005. However, for Australian men aged 15–64 years, the labour force participation rate decreased over this period from 85% to 83%. This was consistent with participation rates for men and women over the same period for comparison countries, with the exception of Sweden where for both men and women participation



Labour force participation rate of persons aged 15–64 years, selected countries — 2005



(a) Aged 16–64 years.
 (b) Includes defence personnel.

Source: OECD Labour Force Statistics database.

rates fell over the 15 years to 2005. Internationally, Australia's overall labour force participation rate in 2005 (76%) was six percentage points above the OECD average (70%), similar to the USA (75%) and the UK (76%) but below Canada (78%), New Zealand (78%) and Sweden (80%).

OECD employment definitions

Unless otherwise stated, OECD full-time and part-time employment data presented in this article are based on OECD common definitions: *full-time workers* as those who usually work 30 hours or more per week in their main job; while *part-time workers* are those who usually work less than 30 hours per week in their main job.

Care should be taken when comparing *employment rates* of women in different countries due to maternity (parental) leave arrangements – generally, women who are on *paid maternity leave* are considered to be employed, while women on *unpaid leave* are considered not in the labour force. Australia and the United States are the only OECD countries without legislated minimum paid maternity leave provisions, although paid maternity leave may still be available.³

Sweden's overall participation rate was one of the highest rates in the OECD, second only to Switzerland at 81%.

Participation rates by age

Labour force participation varies between men and women across the lifecycle. In 2006, the Productivity Commission identified three population groups where Australian participation rates are below other leading OECD countries – prime working aged men (25–54 years of age), child-bearing aged women (25–44 years), and older men and women (55–64 years).³

...men and women aged 15–24 years

In 2005, young Australian men and women in the age groups 15–19 and 20–24 years had higher labour force participation than young people in comparison countries.

Among young men aged 15–19 years, participation rates ranged from 33% in Sweden to 59% in Australia, with the OECD average being 34%. For women, all countries in the comparison were above the OECD average of 28%, ranging from 41% in Sweden to 62% in Australia.

...men and women aged 25–54 years

In all of the countries examined, people aged 25–54 years had higher rates of labour force participation than their younger counterparts.

Australian men in this age group had a similar labour force participation pattern across the life cycle to men in other countries, with participation generally peaking between the ages 30–44 years and gradually declining thereafter.



However, Australian men aged 25–54 years tended to have slightly lower labour force participation rates than men in other countries examined and the OECD average.

Australian women aged 25–54 years also tended to have lower labour force participation rates than women in comparison countries. They also had a different pattern of participation, curtailing their labour force participation to a greater extent during the peak child-bearing years (between 25–39 years).

Women in Australia substantially curtail their labour force participation whilst they have young children, as they do in many other developed countries. However, the dip between the ages 25–39 years was more pronounced for Australia than it was for New Zealand, the UK, and the USA. In contrast, the participation rates for Canada remained stable over this age range, and for Sweden increased rather than dipped, peaking at 40–44 years in 2005.

...men and women aged 55–64 years

Participation rates among people in the 55–64 years age group declined with age in all the countries examined. Recent increases in the participation rate of older Australians have been encouraging for policy makers, with a rise in the participation rate among the 55–64 years age group of eight percentage points (48% to 56%) from 2000 to 2005, which substantially exceeded the rise in the OECD average.² However, there is still a marked decline in participation from age 55 years and the participation rates for older Australians remain lower than many of the comparison countries.

OECD research suggests that early retirement decisions in Australia are affected by a range of welfare benefits, especially the Disability Support Pension.² A Department of the Treasury paper on Australia's demographic challenges also notes the importance of flexible work arrangements to allow people the ability to make choices about extending their working life.⁴

In 2005, participation rates for Australian men aged 55–59 and 60–64 years were 75% and 55% respectively, similar to the rates for men in Canada, the UK and the USA in the same year. These rates were well below those for men in New Zealand (86% and 71%) and Sweden (86% and 66%).

For women in older groups, the pattern and rate of fall was very different among the selected countries. Also, compared with men, the rapid decline in participation rates at older ages tends to occur five years earlier. Between the age groups of 50–54 and

OECD labour force participation data

Labour force participation data presented in this article are from the OECD labour force statistics database. Some of the differences observed between participation rates for Australia and other countries reflect differences in statistical treatment between countries, rather than actual differences in workforce participation.

In 2006 the Productivity Commission produced estimates of participation rates for Australia and other OECD countries that had been adjusted to take account of the more important differences in statistical practice in compiling workforce statistics as well as differences in population age structures between comparison countries. Adjustments were made for defence personnel, institutionalised populations (only applied to Australia), missing data in some age brackets (did not apply to Australia) and paid maternity leave.

The most significant adjustment to published data for Australia was for institutionalised persons, which were excluded from the general population to be consistent with the approach in most other OECD countries. The exclusion of institutionalised persons increased Australia's overall labour force participation rate by 1.1 percentage points in 2005.

The net impact of these adjustments on overall participation rates was to increase Australia's labour force participation rate for persons aged 15 years and over from 64% to 66% in 2005 and to also raise Australia's ranking within the OECD from 10th to 5th place behind Iceland, New Zealand, Canada and Switzerland.

People aged 15 years and over: labour force participation rates, selected OECD countries — 2005

Country	Published participation rates		Adjusted ^(a) participation rates	
	Rate %	Rank no.	Rate %	Rank no.
Australia	64.4	10	65.5	5
Canada	67.2	5	66.9	3
NZ	67.8	4	67.5	2
Sweden ^(b)	71.9	3	63.2	9
UK	62.6	12	61.5	13
USA	66.0	8	65.4	6
OECD average ^(c)	60.2	..	59.7	..

(a) Age standardised to the 2005 Australian population and adjusted for treatment of defence personnel, institutionalised populations, missing data for some age brackets and maternity leave.

(b) Published participation rates relate to persons aged 16–74 years.

(c) OECD unweighted average.

Source: Abhayaratna, J and Lattimore, R 2006, *Workforce Participation Rates – How Does Australia Compare?*, Productivity Commission Staff Working Paper, Canberra.



55–59 years, the participation rate for Australian women in 2005 dropped from 73% to 55%, and then again to 31% by age 60–64 years.

Comparatively, female participation rates in Sweden were 85% for women in the 50–54 years age group, 80% for 55–59 years and 57% for 60–64 years. The largest decline in participation occurred between the age groups of 55–59 and 60–64 years for females in the UK, where the rate dropped by 33 percentage points from 64% to 31%.

Part-time work

Part-time employment is a particular feature of Australian women's involvement in the workforce. Both men and women may choose part-time work for many reasons, including to seek work-life balance, spend more time caring for family, study, ease into retirement or try out a new career through flexible employment.

Using OECD common definitions for part-time employment, in 1985, 20% of employed men and women aged 15–64 years worked part-time and in 2005, over a quarter (27%) of employed Australians were working part-time. Comparing this 2005 result with those for Canada, New Zealand, Sweden, the UK and the USA, this is the largest proportion of men and women in part-time employment and is also 11 percentage points above the OECD average of 16% for that year.

The proportion of employed men aged 15–64 years working part-time in Australia (15%) in 2005 was double the rate of part-time employment for men in the USA (7%) and also well above that of each of the other countries in this analysis and the OECD average (8%). In 2005, Australia had a higher

Disability benefit recipients

In Australia, the Disability Support Pension (DSP) (among other benefits) provides income support for people with disability. In June 2006, 712,000 people received the DSP, equivalent to 7% of the labour force.^{5,6}

Prior to July 2006 the DSP was available for people under the Age pension age who were unable to work or be retrained for work of at least 30 hours per week due to their illness, injury or disability, or who were permanently blind, or participating in the Supported Wage System.

The Welfare to Work reforms included a tightening of the working hours eligibility criteria for new recipients of the DSP. From July 2006, to be eligible for the DSP, new recipients must be unable to work or be retrained for work of at least 15 hours per week due to their illness, injury or disability, or be permanently blind, or participating in the Supported Wage System.⁷ As a result of the reforms, more people with disability face work requirements to receive income support.²

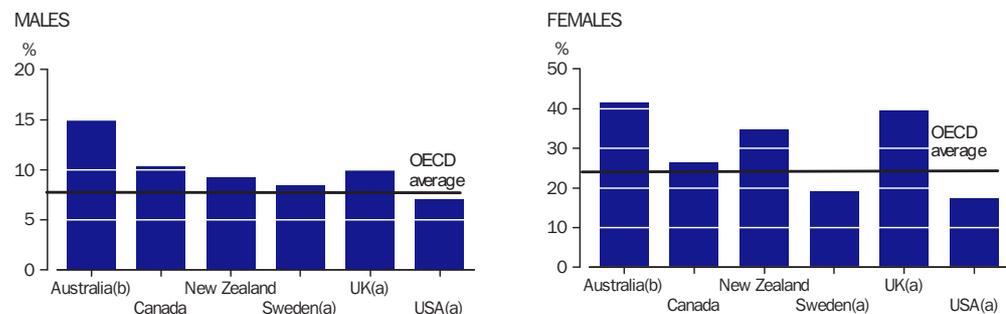
rate of part-time employment of women aged 15–64 years (41%) than the other countries examined. The rate was well above the OECD average (26%) and more than double the rate of part-time employment in the USA (17%).

Increasing the hours worked by those employed part-time may be seen as a potential source of additional labour supply for countries wishing to increase labour participation. According to the ABS Underemployed Workers Survey, in 2005, 67% of men and 49% of women in Australia who were employed part-time, reported that they would prefer to work full-time (35 hours or more each week).⁸

Women with children

Parents make choices about whether to undertake paid work and who cares for their children. However, government policies

Persons aged 15–64 years(a): part-time(b) employment as a proportion of total employment, selected countries — 2005



(a) Sweden and the UK: aged 16–64 years, includes defence personnel; USA: aged 16–64 years, wage and salary workers only.
 (b) Usually works less than 30 hours per week except in Australia where actually works less than 30 hours per week.

Source: OECD Labour Force Statistics Database.



(such as those promoting the flexibility of working time arrangements, the system of family taxation and support to families in the form of child care subsidies and paid parental leave) and the availability of flexible work arrangements within workplaces influence the decisions which parents take.

In 2002, employment rates for women with children in Australia tended to be lower than comparison countries. The OECD average employment rate of women whose youngest child was under six years of age was 59%, nine percentage points above Australia (50%). Sweden's employment rate of 78% in 2002 was 28 percentage points above Australia.

The age of the youngest child has a significant impact on the employment status of women. The employment rate of women with children in 2002 increased with the age of the youngest child in all countries in this comparison except Sweden. In Sweden, the rate increased up to the point where the child was five years of age and decreased when the child was between the ages of 6–14. However, the employment rate for women in Sweden with children of all ages up to 14 years was higher than other countries.

Part-time work was the most common form of employment for mothers with children of all ages in Australia and the UK in 2002. In both Australia and the UK, 58% of employed women with their youngest child under six years of age worked part-time. In most of the remaining

Child care and labour force participation

Child care services help parents to participate in work or study. But in some countries, child care costs can be very high. For example, in the United States, parental-fees to the child care facility can constitute up to 76% of child care financing, with low-income families devoting 25% or more of their family income to child care. By contrast, for families in Sweden, parental fees cover 11% of child care costs on average, with low-income families often paying very low fees, or no fee at all.⁹

In 2005, 21% (711,500) of children in Australia aged 0–12 years received some type of formal child care, and 62% of these were aged 0–4 years.¹⁰ More than half the children receiving child care did so because of their parents' work commitments.¹⁰ However, despite the level of government assistance available, the cost of child care may still be a barrier to access for some Australian families. Access to child care is determined by many factors including location, demand and affordability.

Analysis by the Department of the Treasury suggests that over recent years the supply of formal childcare (including long day, family, after school and occasional care) has generally kept pace with demand.¹¹ At the same time, child care has generally remained affordable, with child care costs remaining constant as a share of net family income.¹¹

countries, although women with children were more likely to work part-time than those without children, full-time work remained more common.

Employment rates for women aged 15–64 years, selected countries — 2002(a)

	Australia	Canada	New Zealand	Sweden	UK	USA	OECD–20(b)
	%	%	%	%	%	%	%
Employment rate of women with youngest child under 6 years(c)	49.6	62.7	49.2	77.5	57.0	59.5	59.2
Employment rate of women with youngest child	58.8	70.5	62.2	82.5	63.8
under 3 years	44.0	58.7	43.2	72.9	57.2	56.6	57.5
3–5 years	58.0	68.1	58.2	82.5	56.9	60.0	61.8
6–14 years(d)	68.3	76.3	74.7	77.4	67.0	69.4	67.0
Proportion of employed women working part-time(e)	38.5	27.9	35.3	34.2	39.9	18.2	30.2
with youngest child under 6 years(c)	58.2	30.3	54.2	41.2	58.0	29.4	38.5
with youngest child 6–14 years(d)	46.9	25.7	40.5	41.3	56.9	26.6	39.6

(a) 2001 in Canada and New Zealand; 2003 in Australia.

(b) Average for 20 OECD countries with available data.

(c) Under 7 years in Sweden.

(d) 6–13 years in the US; 6–16 years in Canada and Sweden; 6–17 years in New Zealand.

(e) Less than 30 hours per week, except in Sweden and the US (less than 35 hours per week).

Source: ABS 2003 Family Characteristics Survey; OECD 2005, *Society at a Glance: OECD Social Indicators 2005*, viewed 5 June 2007, <<http://www.oecd.org/els/social/indicators>>.



Labour force participation(a) by level of education, selected countries — 2003

	Less than upper secondary level		Upper and post-secondary level		Tertiary non-university level		University level		All levels of education	
	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females
	%	%	%	%	%	%	%	%	%	%
Australia	78.6	56.3	89.8	70.2	90.6	77.2	92.2	82.4	86.9	67.5
Canada	75.2	50.9	88.1	74.5	91.6	82.9	89.8	82.6	86.9	74.7
NZ	78.1	56.9	91.8	75.1	89.4	76.8	91.0	82.6	88.2	71.7
Sweden	77.8	64.6	88.2	83.2	88.9	84.9	91.7	90.9	86.6	81.6
UK	67.6	49.7	88.2	76.6	91.1	86.6	93.2	87.4	86.6	74.7
USA	76.1	50.5	84.6	71.9	87.3	79.8	91.4	80.0	85.7	72.6

(a) For persons aged 25–64 years.

Source: OECD Labour Force Statistics Database.

For example, in the USA only 29% of employed mothers with their youngest child under six years of age worked part-time.

Level of education

In Australia, as in other countries, there is a strong correlation between skill level and labour force participation, with labour force participation rates increasing with education level.¹²

In 2003, the labour force participation rate for Australian men with University level education (92%) was 13 percentage points higher than for those with Less than upper secondary level education (79%).

Among women, the difference was greater, with labour force participation rates for University level education (82%), 26 percentage points higher than for Less than upper secondary level education (56%).

While labour force participation increased with education levels in all the countries examined, there were greater differences in labour force participation in some countries. For men in the UK there was a 26 percentage point difference in labour force participation rates between those with University level and Less than upper secondary level education. For women in Canada, the UK and the USA, the difference was even more substantial at 30 percentage points or over.

For each education level examined, Australian men had relatively high labour force participation rates compared with men in other countries selected. In contrast, Australian women tended to have lower participation rates than women in other countries, for most education levels.

Men with University level education in Australia and Sweden experienced among the highest rates of labour force participation (92%) for men across the countries examined in 2003. Women in Sweden with University level education had the highest participation rate among women, with 91% of women with University level education participating in the labour force.

Level of education

The International Standard Classification of Education (ISCED–97) is used to define the levels of education used in this article.

Less than upper secondary level comprises Pre-primary level of education (ISCED 0), Primary level of education (ISCED 1) and Lower secondary level of education (ISCED 2).

Upper and post-secondary level comprises Upper secondary level of education (ISCED 3) and Post-secondary non-tertiary level of education (ISCED 4).

Tertiary non-university level comprises Tertiary-type B education (ISCED 5B).

University level comprises Tertiary-type A education (ISCED 5A) and Advanced research qualifications (ISCED 6).

For more details on ISCED 1997 see *Classifying Educational Programmes: Manual for ISCED–97 Implementation in OECD Countries* (Paris, 1999).



Endnotes

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