

Declining female labour force participation

Penny Basset

In 1991, for the first time in nearly four decades, the participation rate of women in the labour force reversed its previous course and began to decline. This drop, however small or brief it may prove to be, breaks one of the longest and most important trends in the Canadian labour market.

This article looks at the overall trends in the labour force participation rates of both men and women between 1953 and 1993 and the main factors contributing to these trends. It then examines the recent reversal in the upward trend of women's participation in the light of business cycles with a focus on the last recession and variations among specific age groups.

Long-term trends

The composition of the Canadian labour force by sex, which began to change during the Second World War, has undergone a spectacular transformation over the last four decades ([Chart A](#)). In 1953, 82.9% of men were in the labour force, compared with only 23.4% of women. Four decades later, women's participation rate has more than doubled (57.5%) while men's rate has actually declined to 73.4%. [\(1\)](#) Thus, the labour force participation rates of men and women have been converging over the years, with women playing a much stronger role in this development.



Chart A The gap between male and female labour force participation rates has narrowed.

Source: *Labour Force Survey*

Note: Estimates prior to 1966 are based on persons aged 14 and over; subsequent estimates exclude 14 year-olds.

Components of the trend

The downward trend in men's participation rate is primarily due to an increasing tendency towards early retirement, particularly in recent years. ⁽²⁾ The growth in female participation has occurred among women of all working ages ([Chart B](#)) with the core 25 to 54 age group being the main contributor. As women have aged, the rise in participation has moved in a wave-like fashion through the age groups. While women aged 25 to 44 years increased their participation in the labour force most during the mid to late seventies, those aged 45 to 54 were the leading group during the eighties. ⁽³⁾ Although the participation rate of young women (15 to 24 years) has been rising on the whole, it has fluctuated over the years. The smallest increase occurred in the case of women aged 55 to 64 years - from 30.8% in 1975 to 36.4% in 1993.



Chart B The participation rate of women under 25 has dropped sharply in recent years.

Source: Labour Force Survey

Although women from all walks of life contributed to the growth in labour force participation, the most important boost came from the entry of mothers - with children living at home - into the labour force ([Chart C](#)).



Chart C Women with children at home have been largely responsible for increased female participation rates.

Source: Labour Force Survey

The impact of the business cycle

While the overall trend in women's labour force participation has been one of continuous growth, the rate

of growth has not been uniform. Predictably, women's participation rate increased sharply during periods of economic expansion and slowed down considerably during recessions.

Over the last 30 years, women joined the labour force in great numbers during the first three expansionary periods - 1961 to 1974, 1975 to 1979 and 1980 to 1981 - when women's participation rate increased, on average, 1.1 percentage points each year. However, this trend slackened to an average 0.9 of a percentage point annually during the fourth economic expansion, which started in 1983 and ended in 1989. As expected, during most of the recessionary periods, growth in women's participation slowed down; and in the 1990 to 1992 recession, it actually declined an average 0.4 of a percentage point.

The varying effect of recessions

With respect to women's participation in the labour force, recessions affect all age groups, but not to the same extent. The younger the group, the more the labour force participation declines.

The participation rate of women 15 to 24 years started to decline before the onset of the recent recession, and fell over six percentage points between 1989 and 1993. This sharp drop can mainly be attributed to two factors. First, it appears that, following the rule of "last in, first out," youths are the most likely to lose their job in times of economic downturn. Second, as rising unemployment tends to discourage job search, those completing high school may choose to enter postsecondary studies to improve their prospects later. These factors lead to a further decline in labour force participation ([Sunter, 1994](#)). On the other hand, the seniority gained by older women provides greater job security during periods of economic downturn so their participation rates do not fall or slow down as much.

Indeed, the participation rate of women 25 to 64 years continued to increase in 1990. In 1991, however, participation rose only for the 45 to 54 year-olds, while the remaining three age groups stayed at their 1990 levels. By 1992, the participation rates of the two younger groups (25 to 34 and 35 to 44 year-olds) had fallen as had youths'. As economic activity started to pick up again in 1993, the participation rates of women under 35 continued to decline.

Summary

The small decline in the overall female participation rate between 1990 and 1992 - a break from a long-term trend - appears to have resulted from the recession. Young women suffered most, but this group's participation rate tends to improve when the labour market recovers. Although youths accounted for less than one in five women in the labour force, sharp declines in their participation rate, combined with a slowdown in labour force participation growth among older women, managed to drag down the overall rate.

While the participation rate of women under 45 has fallen recently, the rate for women aged 45 to 54 continues to rise. The participation rate of mothers with children living at home shows even stronger

growth. It is, therefore, quite likely that the overall female labour force participation rate will continue its upward movement as the economic recovery gains momentum.

Notes

Note 1

The Labour Force Survey changed its population coverage over this period. Estimates prior to 1966 are based on persons aged 14 and over; subsequent estimates exclude 14 year-olds.

Note 2

Several important factors give rise to this early retirement phenomenon, including the following: the strengthening of the Canadian social security net through Old Age Security and the Guaranteed Income Supplement; the increasing incidence and amount of private retirement pensions; the more limited re-employment opportunities for older workers; and the aging of the population. This last component tends to depress the overall labour force participation rate since the older age groups participate less.

Note 3

Many of these women would have been responsible for the rise in participation in the seventies.

Reference

- Sunter, D. "[Youths - waiting it out.](#)" *Perspectives on Labour and Income* (Statistics Canada, Catalogue 75-001E) 6, no. 1 (Spring 1994): 31-36.
-

Author

Penny Basset is the Assistant Director of the Labour and Household Surveys Analysis Division of Statistics Canada.

Source

Perspectives on Labour and Income, Summer 1994, Vol. 6, No. 2 (Statistics Canada, Catalogue 75-001E). This is the fifth of seven articles in the issue.

 HIGHLIGHTS

 TABLE OF CONTENTS

 SUBJECT INDEX

 AUTHOR INDEX

 FRANÇAIS

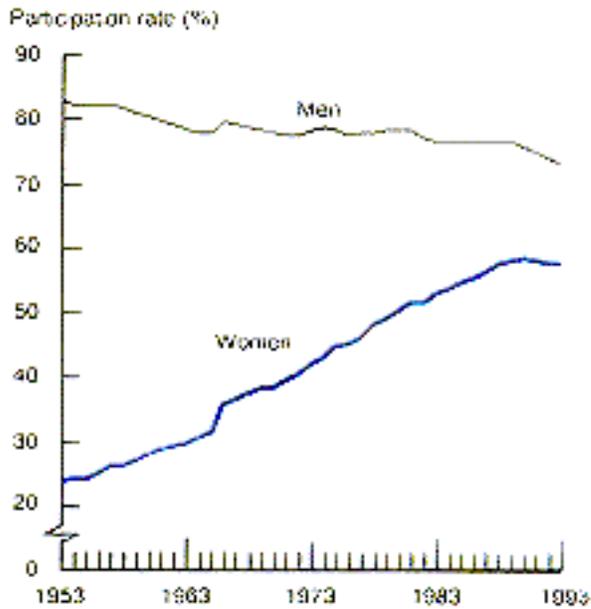
 HELP

 HOME



Chart A

The gap between male and female labour force participation rates has narrowed.

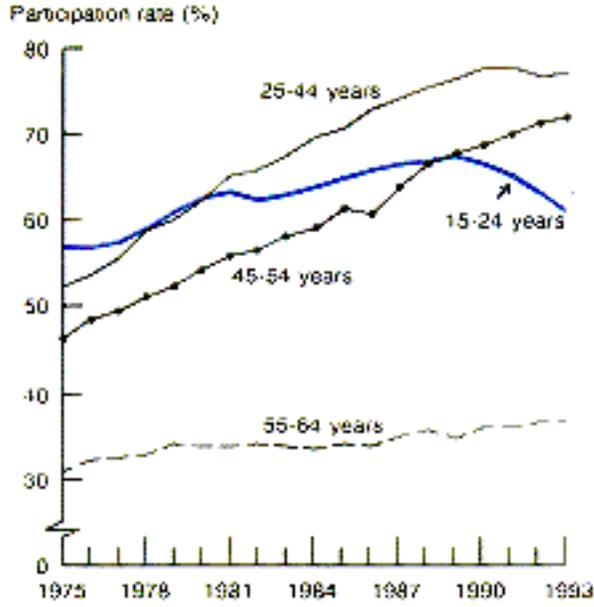


Source: Labour Force Survey

Note: Estimates prior to 1966 are based on persons aged 14 and over; subsequent estimates exclude 14 year-olds

Chart B

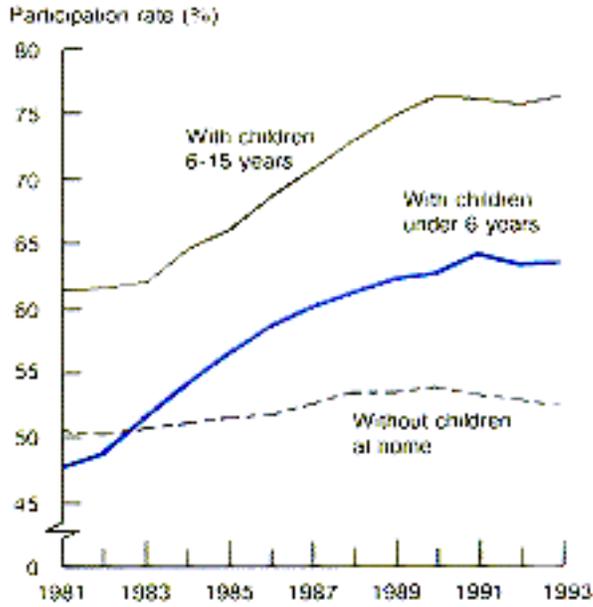
The participation rate of women under 25 has dropped sharply in recent years.



Source: Labour Force Survey

Chart C

Women with children at home have been largely responsible for increased female participation rates.



Source: Labour Force Survey