



# Labour Supply: Labour force

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# Labour force

# Among the purposes of statistics of labour force employment, unemployment and underemployment

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to monitor the economic situation

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to formulate and implement policies for decent work and human resources development, employment creation and poverty reduction, income support as well as other social programmes.

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# Statistics of labour force, employment, unemployment and underemployment provide measures of




Labour supply



Labour demand (input)



The structure of employment



the extent to which the available labour time and human resources are actually utilised or not

# Why measure labour force?

- Essential for **macro-economic and human resources development planning and policy formulation.**
  - When collected at different points in time, the data provide the basis for monitoring current trends and changes in the labour market and employment situation, which may be analysed in connection with other economic and social phenomena so as to evaluate macro-economic policies.
- **Serve as an essential base for the design and evaluation** of government programmes geared to employment creation, vocational training, income maintenance, poverty alleviation and other similar objectives.

## Why measure labour force? (cont'd)

- The **measurement of the relationships between employment, income and other socio-economic characteristics** of the population provides information on the adequacy of employment of different sub-groups of the population, the income-generating capacity of different types of economic activities, and the number and characteristics of persons unable to ensure their economic well being on the basis of the employment opportunities available to them.
  - Information on employment and income, disaggregated by branches of economic activity, occupations and socio-demographic characteristics, is needed for collective bargaining, for assessment of the social effects of structural adjustment policies on different subgroups of the population, and for the analysis of race, sex or age, inequalities in work opportunities and participation and their changes over time.

# Why measure economically active population? (cont'd)

- It is important that statistics of the economically active population are measured in such a way that they **identify and describe all workers and work situations in sufficient detail to allow relevant gender comparisons** to be made, not only to promote gender equality but also for improving the statistics themselves.

# Economically active population

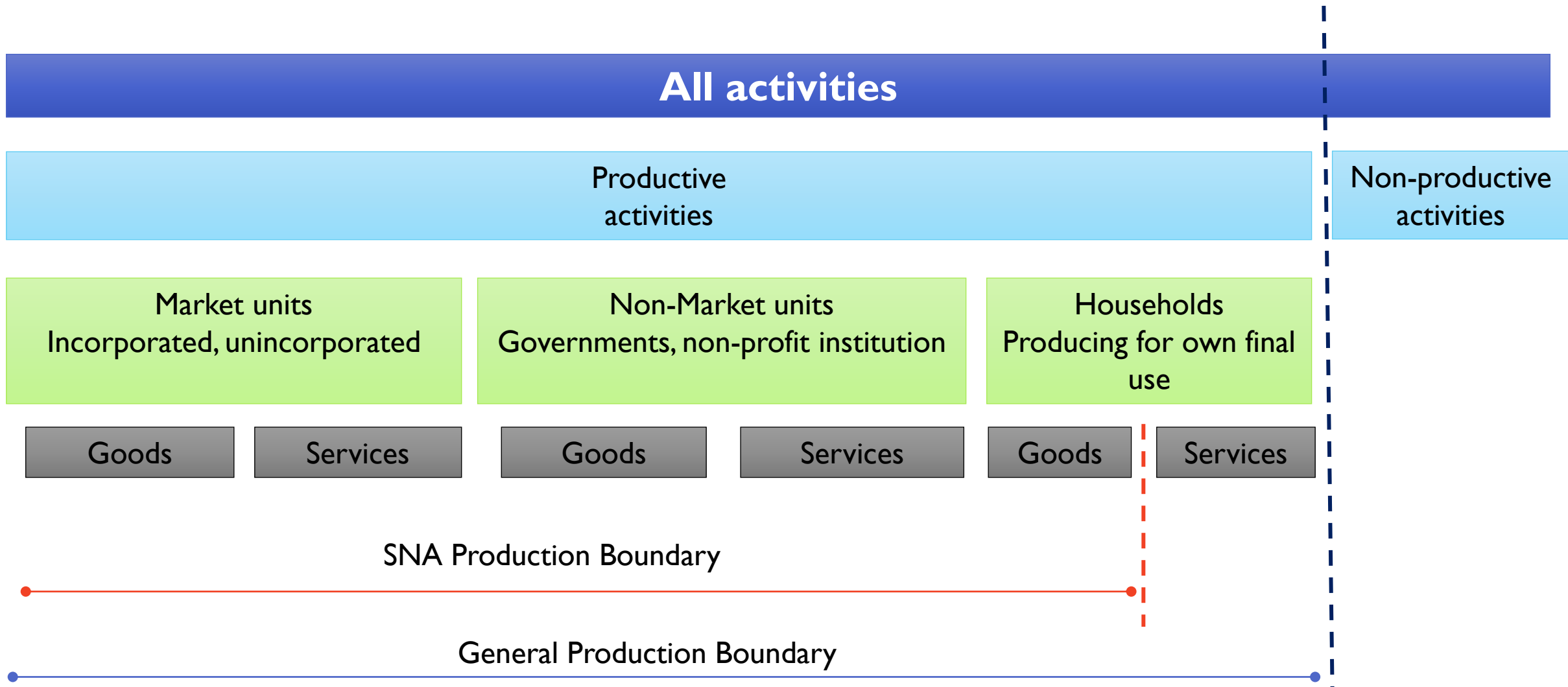
- Comprises all persons of either sex who **furnish the supply of labour for the for the production of economic goods and services**, as defined by the System of National Accounts (SNA, 2008), during a specified time-reference period.
- If and only if they **contribute or are available to contribute to the production of goods and services** falling within the SNA production boundary.



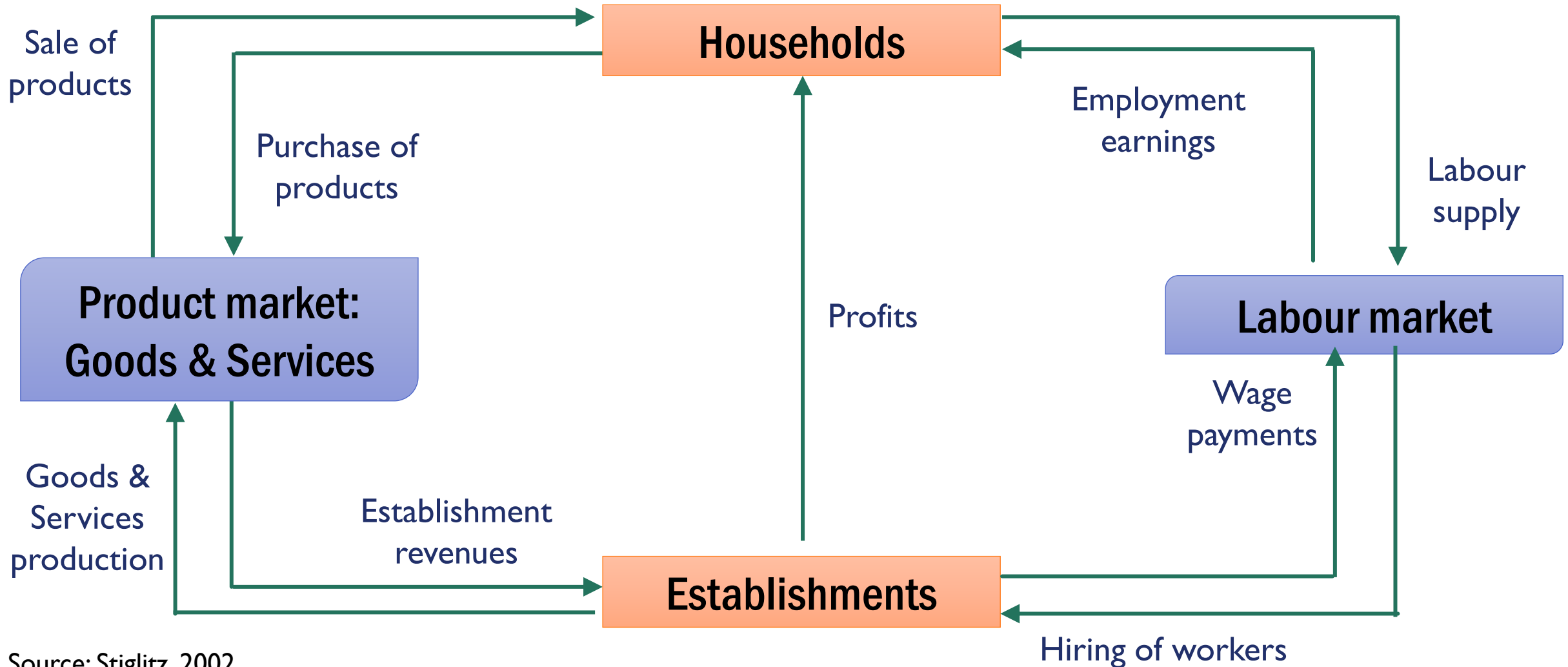
# SNA 2008 production boundary comprises of

- goods & services **intended for the market**, whether for sale or barter;
- goods & services **provided free** to individual households or collectively to the community by government units or non-profit institutions serving households;
- **goods for own use**, but excludes all production of services for own final consumption within households (except for the **paid domestic services rendered by one household to another**, and the own-account production of housing services by owner-occupiers)
- Note: Own-account production of housing services by owner-occupiers is not included for purposes of measuring employment-relevant activities.

# Concept of economic activity



# Simplified diagram: Flows linking the product market and the labour market



Source; Stiglitz, 2002

Note: Some types of self-employment, public sector, capital market and other key elements of the economy not shown.

# Main consideration to set the minimum and maximum age limit

The extent and intensity of the selected age groups' participation in economic activities.

## Minimum age limit

- Young people below a certain age are either too young to be physically able to work or due to national labour legislation or compulsory schooling, not allowed to work.

## Maximum age limit

- It may not be meaningful to include the elderly above a certain age if they generally exercise little or no economic activity.
- This is prevalent in countries where the elderly benefit from sufficient social security coverage to make the unlikely to contribute to the labour market,

# Two measures of economically active population

## Currently active population

- Measured in relation to short reference period such as one week or one day

## Usually active population

- Measured in relation to a long reference period such as one year



# Currently active population

# Currently active population

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Also known as labour force

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Most **widely used measure** of the economically active population

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Based on **short reference period**, it is used for measuring the current employment and unemployment situation of the economy, and the current employment and unemployment characteristics of the population

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When measurement is **repeated at sufficiently frequent intervals**, **current changes over time can be monitored.**

# Labour force framework

Individuals are classified according to their activities during a specified short reference period into three mutually exclusive and exhaustive categories



Gives a measure of number of persons furnishing the supply of labour at a given moment in time.



# Priority rules

First, identify persons above a specified minimum age, during the specified short reference period, were either at work or temporarily absent from work.



Next, identify among the remaining persons those who were seeking and/or available for work.



The rest of the unidentified persons the falls out residually.



- Precedence is given to employment over unemployment and to unemployment over inactivity.
- Employment takes precedent over other activities regardless of the amount of time devoted to it during reference period.

# The activity principle

- Another characteristic of the labour force framework is that a person's labour force status is determined on the basis of **what the person was actually doing during the specified reference period**.
- This is called the **activity principle**.
  - The purpose of the activity principle is to make measurement of the labour force as objective as possible.
  - Thus only persons who were engaged in an economic activity or who were seeking and/or available for such an activity are to be considered for inclusion into the labour force.

# Frequency to measure currently active population

- For situation where there is a stable pattern of employment throughout the year, with little or no seasonal variations and relatively small movements into and out of the labour force or variations of its main components
  - a snapshot picture is probably sufficient to provide an adequate representation of the employment situation for the whole year.
- If significant seasonal patterns of activities or substantial labour force movements exist, the employment picture obtained for one short reference period may not be representative of other periods.
  - measurement should be made over a longer period of time, either by repeating or staggering the current activity measurement so as to cover the desired longer period, or by using the longer period itself as the measurement reference period.

# Indicators of currently active population

## Current activity rate

- **the ratio between the currently active population and the total population**

## Labour force participation rate

- **the ratio of the currently active population (or labour force) to the working age population**
- an overall indicator of the level of labour market activity
- provides important information for studying the factors that determine the size and composition of a country's human resources and to make projections of the future supply of labour.

# Link between the total population and the active population

Population

Population of working age

Population not of working age

Economically active population

Economically inactive population

Economically inactive population

# References

Castillo, Monica. Power Point presentation, “Methodologies: Sources of information on labour statistics (focus on the economically active population)”, National Labour Market Information Training Programme Port of Spain, Trinidad and Tobago. November 2011

Hussmanns, Ralf, Farhad Mehran and Vijay Verma. *Surveys of economically active population, employment, unemployment and underemployment: An ILO manual on concepts and methods*. Geneva: International Labour Office. 1990



# End of Session 4