

THE EFFECT OF LABOR FORCE PARTICIPATION ON THE ECONOMY AND BUDGET

Gaurav kumar*

Email id: kumargaurav.in@gmail.com

DOI: **10.5958/2278-4853.2022.00151.3**

ABSTRACT

To calculate the labour force, you must include both those who are now working and those who are seeking for employment. The unemployed who aren't actively seeking for employment are not included in the labour market. Students, retirees, and stay-at-home mothers are excluded from the work force. Because they have given up hunting for a job, discouraged people do not participate in the workforce. It is necessary to be available, willing to work, and to have recently sought for employment in order for you to be considered a member of the labour force. The number of people without jobs, but who are actively looking for work, is known as the official unemployment rate. In addition to the number of people, the size of the labour force is determined by how confident these individuals are in their ability to find work. As a result, during and after a recession, the available labour pool diminishes. True even if there's no change in the number of persons who would prefer full-time employment. Even if people have stopped looking for work, their absence from the labour force is included in the calculation of the actual unemployment rate.

KEYWORDS: *Labor Force Participation, LFP and Economy, Economic Impact of LFP.*

INTRODUCTION

The work force is monitored by the Bureau of Labor Statistics. Among other things, it gives the most recent data on the present state of employment in the country each month. The average person was 42 and a half. Using the median, you may find out where half of the population ages and the other half does not. 5.1 million of those were between the ages of 16 and 19. Another 9.2 million people were 65 years of age or older. The others were between the ages of 20 and 64, which are considered prime working age [1].

When you include occupations in healthcare and jobs connected to healthcare in other industries, the healthcare business employed 14% of all workers in 2016. Next, retail commerce employed 11% of the workforce. Manufacturing accounted for 11% of total employment, while education accounted for 9%. Hospitality and other lodging establishments each employed 7% of the workforce.

KEY TRENDS

The labour force participation rate is the percentage of the entire population that is willing and able to work. As more women entered the workforce, the rate rose from 1960 to 2000. It peaked

at 67.3 percent in January 2000. 8 By April 2004, it had fallen to 65.9 percent. As of October 2015, it had fallen to 62.3% as a result of the global financial crisis that began in 2008. Only 62.9% had been reached by the end of November of last year.

This decrease should indicate a decrease in the quantity of workers. Higher salaries should have been easier to negotiate because there were fewer workers to bargain with. As a result, the gap between rich and poor widened. Job outsourcing left 910 workers unable to compete. They also couldn't hold a candle to the technological prowess of robots. More than a dozen businesses found it more efficient to update capital equipment than to hire more staff.

The output of a workforce is measured by its productivity, which is defined as the quantity of products and services it produces [2].

By how much is produced by a certain quantity of labour and a set amount of capital, it is determined. Their output rises in direct proportion to their output. Productivity improvement is a top priority for businesses since it helps them make more money. Having a competitive edge comes from having a high rate of productivity. Individual workers, businesses, and countries all face this problem.

The Bureau of Work Statistics (BLS) anticipates the labour force to grow by 8.4 million jobs between 2018 and 2028. The fastest-growing jobs are those requiring a master's degree. A high school diploma isn't enough to go ahead in today's job market.

Increasing numbers of elderly Americans will lead to an increase in the need for healthcare and social services. The most significant expansion in private educational services is expected in the near future.

Both technology and outsourcing will cause a loss of manufacturing employment. Manufacturers are always looking for ways to make their products at a cheaper cost. Consequently, they are making industrial processes more efficient by utilising robots. The remaining employment will need computer training.

Other nations' workers, who may be paid less, are becoming increasingly competitive with the American labour force. The level of living in countries like China and India is lower than it is in the United States. Outsourcing of American employment is mostly due to this factor.

IMPACT ON THE ECONOMY

The workforce in the United States is highly trained and adaptable, allowing it to swiftly adapt to shifting corporate demands. Nearly a third of the working population holds a bachelor's or associate's degree. Only 7.7 percent of the population did not complete high school. That's a lot better than it was 25 years ago.

Investment in human capital in the United States has, however, decreased. In the United States, for example, the level of arithmetic proficiency of children has been steady since 2000. Those in other nations, on the other hand, have improved. Math exam results in the United States have dropped below the worldwide average as a result.

United States labour mobility is far greater than in any other modern country. Compared to Europeans, Americans are three times more likely to relocate in order to get a better position. These employees are more able to negotiate pay, switch jobs, and establish their own enterprises because of their mobility.

Because of immigration, the United States has a high degree of mobility in its workforce. More than any other country, the United States is home to 50.7 million immigrants. For the most part, they lacked neither the fortitude nor the adaptability necessary to make it in a foreign land. As a result, Americans have always been more eager to take chances.

There are more people from other nations working in the United States because of immigration. Having a diverse staff allows for new ideas and viewpoints to be brought to the table. Since its inception, it has spurred a great deal of technological advancement. Silicon Valley is the world's premier technology centre because of its variety.

Labor Force Participation Rate

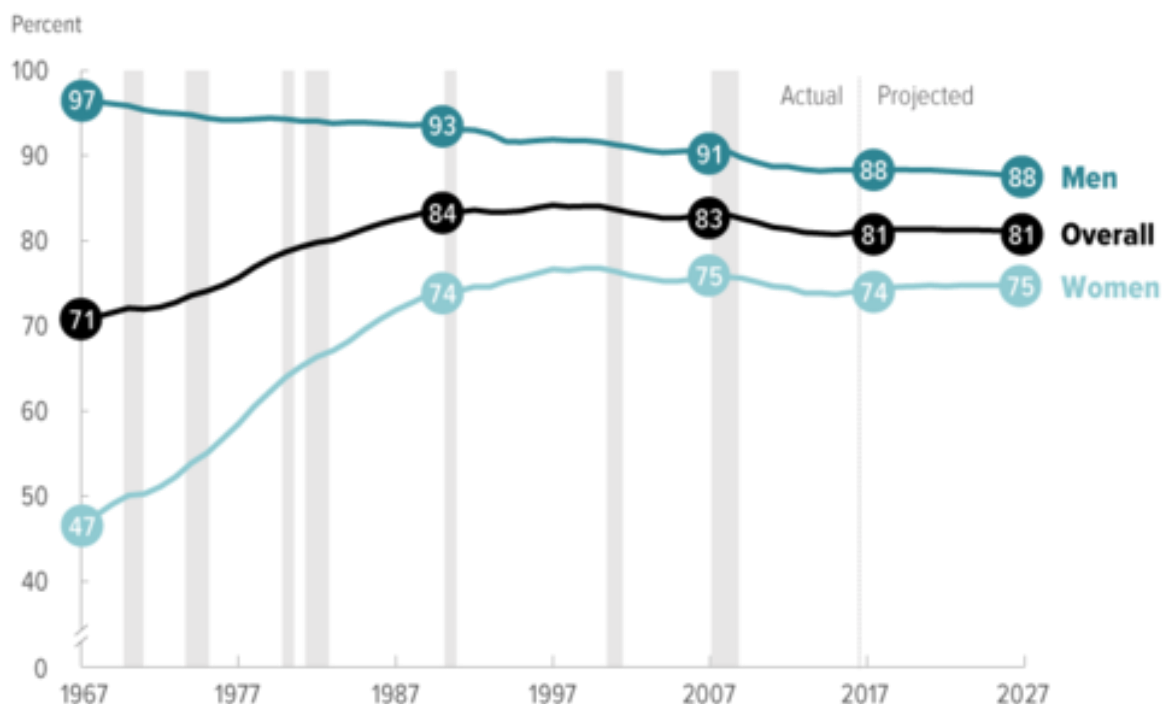


Figure 1 : Labor Force Participation Rate

Economics and the Supply of Labor

It is crucial for women to participate in the workforce because it promotes female empowerment in the home and in the larger community. Women's engagement in the work force and economic development are linked in a U-shaped way (Goldin, 1990, 1995). In the early phases of economic growth, when women are strongly involved in family enterprises or farm work (often unpaid) or produce for the market inside the household, female labour force participation is high. Their

labour force involvement begins to decline as the manufacturing of goods and services shifts from their homes and family businesses to factories and offices. According to Goldin, women's engagement in industry and agriculture is hampered by a social stigma against wage employment done by their spouses. The stigma against married women working is diminishing as women's education levels grow and career options become more enticing.

In spite of the fact that female labour force participation has increased in most nations, there are still significant discrepancies even in the most developed countries. Religion, society, economics, and government regulations all play a role in explaining these disparities. International comparisons of the impact of family-friendly policies give light on current trends in the United States, suggesting a possible role for government policy.

Since World War II, female labour force participation rates in the United States have been steadily increasing. However, in the mid-1990s, these rates began to plateau. In 1990, the United States ranked sixth out of 22 OECD nations in terms of female labour force participation, making it one of the most economically advanced countries. Although the US placed 17th in 2010, other countries have caught up and overtaken the United States (Blau and Kahn, 2013). Parents in the United States and other OECD nations have a lot more alternatives for flexible work schedules and longer parental leave programmes (both in terms of actual time off and monetary rewards). When compared to the other OECD countries, where family-friendly policies have been implemented to a greater extent, the decline in the participation rate of American women in the labour force between 1990 and 2010 is attributable to the greater expansion of these policies in those countries (nearly 30%). Such policies have a favourable influence on employment, as well as a role in the stagnation of participation rates in the United States.

Increasing the number of family-friendly regulations may encourage more women to enter the workforce, but they may also lead to women being pushed into lower-paying "mother track" employment. U.S. female workers have a higher rate of full-time employment and managerial or professional roles than female workers in these other nations, according to Blau and Kahn (2013a). According to Ruhm's research, lengthier leave entitlements (more than 26 weeks) have a detrimental impact on wages (1998). Women's success in the workplace may be compromised by regulations that make it easier for women to work and raise children at the same time.

Age and the Labor Market

Middle-aged and older workers have historically been the most likely to be involved in the workforce. A U-shaped relationship exists between poverty and age since children and the elderly are the most likely demographics to suffer from it. When Costa (1998) studied men's labour market participation trends from 1880 to 1990, he discovered that the U-shape has been considerably compressed throughout the century, with older men and those in college the most affected. The steep right-hand side of the U-shape of poverty may be connected with the drop for older adults, for the United States and maybe the wider OECD as well. Youth unemployment is on the rise as a result of people deferring work until later in life to focus more time on studying, which has resulted in lower participation rates.

Employment of Women

Over the past half-century, women's participation in the workforce has increased dramatically in many nations, resulting in a revolution in women's lives and responsibilities. Women currently account for little under half of the workforce in the United States. Only one in three women worked full time in the early 1960s, compared to 86% of males. More over a third of women (36%) worked part-time. Approximately half of all women had no paid employment at all. As a result, the revolution was well underway. Slowly but surely, women transitioned from domestic chores to jobs in offices and factories. Full-time and part-time employment for women rose steadily between 1963 and 1975. Part-time paid work for women ceases for the most part in the mid-1970s, therefore the significant growth in the 1980s and 1990s is virtually entirely due to women working full-time. In 1997, 57% of all women were employed full-time and 23% were employed part-time. There were only 1 in 5 unpaid female workers in the United States in 1997, down from 1 in 2 female workers in 1963 to 4 out of 5 female workers in 1997.

Many emerging nations, such as China, Vietnam, and Bangladesh, have witnessed comparable increases in women's employment, with significant percentages of women in the workforce in many of these countries. Women's employment rates range from 20–50% in Islamic nations, whereas they range from 50–80% in Asian countries (United Nations 2000). In Europe, women's economic activity is relatively high in the Nordic nations (60–65 percent) and fairly low in the southern European countries (30–40 percent). Matriarchs—especially those who had children—were the driving force behind an unprecedented shift in the allocation of time between paid job and housework. Over the past 30 or 40 years, there has been minimal change in the employment of single women without children. Just as in 1963, these women were just about as likely to work full-time or part-time in 1997 as they were in 1963. In 1997, 58 percent of single moms worked full time, compared to 50 percent in 1963, a significant increase. In 1963, one in three single mothers did not work for money; by 1997, that number had risen to one in five.

Although women's employment changes were mostly driven by married women's job choices, both because much more women than men are married and because married women's work choices changed far more than those of unmarried women. In comparison to the early 1960s, both married women with children and married women without children are far more likely to work for pay and full time now. Only 41 percent of married women with no children at home worked full time in 1963; in 1997, 60 percent of married women with no children at home worked full time and the percentage not working outside the house went from 43 percent to 19. In 1963, less than one in four women worked full-time, and married moms were less likely to do so. Full-time employment has more than quadrupled to 49% by 1997. Sixty percent of married moms did not work outside the house in 1963; by 1997, less than one in four had not worked (Waite and Nielsen 2001). As in the US, Canada and Australia saw changes in the employment of married women similar to the US; as in the Nordic nations, where more than eighty percent of married women work; as in Germany; Belgium; and the Netherlands there were more modest changes (Spain and Bianchi 1996). To some extent, working as a married woman or a married mother generates dual-career families in all of these nations.

The percentage of the working population aged 16-64 who are either employed or looking for work is known as the labour force participation rate. People who are still in school, stay-at-home moms, and retirees are excluded from the labour force.

A country's working-age population may be assessed using the labour force participation rate. The number of persons who are either employed or looking for work is referred to as the participation rate. There will be no statistics on those who are not actively seeking for work, such as students, housewives, and those over 64 years old. When the economy is stagnant or in the midst of a recession, this measure is critical. It's that time of year again when unemployment statistics are being scrutinized.

When the economy is in a slump, the labour force participation rate often declines. During a recession, economic activity is low, which means that there are fewer jobs available across the country. Jobless persons are less likely to look for work, which results in decreased participation rates. The unemployment rate in the economy is also influenced by the percentage of people who participate in the workforce. Unemployment is a critical issue to keep an eye on on a regular basis in the economy.

In order to better comprehend unemployment data, participation rate is taken into consideration. Any economy might suffer from an ageing population. As a result, the labour participation rate is taken into consideration. A higher than average rate is a good indicator. However, if it falls below a certain threshold, it might be a red flag for the entire economy. Because of this, both the participation rate and unemployment statistics should be examined in tandem in order to gain an understanding of the economy's total employment situation [2].

Participation in the workforce as a percentage of total population

Between January 1948 and January 2000, the US labour force participation rate increased from 58.6 percent to 67.3 percent. A few demographic variables are to blame for this rapid rise. After World War II, a large number of post-war newborns were old enough to enter the workforce. A greater proportion of women than ever before sought work. The number of Latino workers in the workforce grew significantly in the 1990s.

Three recessions occurred during the next 20 years, resulting in a large number of individuals being forced out of the labour field, some for good. Baby Boomers' retirements and other demographic shifts coincided with recessions.

After the recession of 2001, the LFPR dropped to 65.9% in April 2004. It was never able to regain its previous heights, which were set in the year 2000. By September of that year, the participation rate had fallen to 62.4% due to the financial crisis of 2008. It has barely grown to 63.4% by January of 2020.

In April 2020, the LFPR fell to 60.2 percent as millions of workers were laid off or furloughed as a result of the 2020 recession. So far, this is the lowest it's dipped since January 1973 (60.0 percent).

Over the past two decades, the seasonally adjusted civilian labour force participation rate has been shown in the graphs below. It also demonstrates the steep decline after the financial crisis and the delayed recovery. The epidemic is also reflected in the April 2020 decline [3-6].

Workers' participation is permitted by law.

Conventions and guidelines of the International Labor Organization

Conventions and suggestions on worker engagement were first agreed upon by the International Labor Organization (ILO). Convention 155 of the International Labor Organization (ILO) is critical. Workers' representatives must be supplied with enough information regarding employer safety and health measures, and they have the right to speak with their union about such information as long as it does not reveal business secrets, according to Art.19 of the convention.

The right of employees and their representatives to inquire about and engage with the employer on any element of workplace safety and health should be guaranteed. It's also important for them to understand OSHA regulations and acquire sufficient training on workplace safety and health. Workers' rights and positions with regard to workplace safety and health are further defined in ILO Recommendation 164, which is an addendum to this agreement. ILO Recommendation 129 offers suggestions for improving internal communication in the workplace.

European occupational safety and health (OSH) regulations A "real form of consultation" (as defined by the European law on OSH) has been included to the ILO convention 155. Workers in all EU Member States and those countries that have agreed to implement the *acquis communautaire* into national law, as well as enterprises that operate on a transnational basis inside the EU, are guaranteed the same minimum level of rights and protection under the *acquis communautaire*.

A worker representative for safety and health can be elected, chosen, or appointed in line with national legislation or practises of representation, according to Article 3c of the Framework Directive. As a result, the specifics of EU Member State participation in Art.11, No.2 vary greatly.

Article 16 of Directive 89/391 states that particular directives can also benefit from these types of involvement. The Framework Directive imposes additional responsibilities on the employer when it comes to dealing with single workers:

Health circles are based on the notion of quality circles, which originated in Japanese management philosophies. Japan's emphasis on using workers' knowledge to improve firm performance was highlighted in quality circles. They were frequently employed in Europe and the United States as a tool to include workers in work-related decisions.

A long-term presence is preferred in order to have a long-term impact on the company's safety and health. Management should actively develop and define competencies of health circles, and incorporate them into the overall process landscape because health circles are not hierarchical in nature. Otherwise, they may run afoul of the higher ups [7].

There are no requirements to join a health circle, and members decide the chair. They can be implemented on a temporary or permanent basis, depending on the needs of the business. As a rule, health circles are led by experienced organisational psychologists, ergonomists, or even corporate physicians in the beginning of their existence. A moderator is a person who acts as a facilitator in a group debate on health issues.

Psychosocial hazards and the strain they place on employees may be assessed using health circles, but they aren't restricted to just one type of risk. When it comes to physical dangers and

other hazards in the workplace, this strategy can produce good findings and strategies for improvement.

Additionally, additional types of group engagement may be traced back to the various ways that people organize their work. In order to enhance working conditions, health circles are regularly built, while other forms have a mostly indirect influence through enabling self-determination and boosting job satisfaction, which are well-known resources [8].

In order to implement new technologies, work methods, or organisational changes, project groups or work groups are frequently formed. Using them for training can also be beneficial. Ad hoc project groups are formed and disbanded when the project is completed. They often include management representatives, employee representatives, employees, and external experts or consultants, particularly in Scandinavian nations.

Teamwork is primarily a concept in which groups of employees replace managerial control with self-discipline and shared accountability. A team leader is frequently chosen by the employees themselves. Management may choose a team leader from time to time. There are a number of ways in which OSH benefits can be realised; they include promoting communication, motivating employees, and empowering them to make their own decisions [9].

Safety and health management is aided by the use of questionnaires about working conditions. The purpose of a questionnaire is to gather information from a predetermined sample of people. The management can compile statistics or gain a representative picture of working conditions in a firm or in areas of a company by using quantitative surveys. Face-to-face or group interviews are widely used to acquire qualitative estimates of individuals or groups of individuals.

Workers' psychosocial strain may be assessed using questionnaires and interviews, which are a key component of risk assessment. These tools can also be used to improve the company's safety culture. External consultants or specialists with methodological experience in psychology or social sciences should conduct the interviews since they demand such a high degree of knowledge.

The term "peer observation" refers to the practise of having coworkers monitor one other's behaviour at work. It is possible to discover weaknesses in the organisation of the workplace or to remedy poor work habits through observation. In this way, the worker receives constructive criticism from a coworker and gains valuable job experience. In risk assessments, near miss reporting systems, or to improve the company's safety culture, peer observations can be employed [10].

Programs involving mentors for young employees in a corporation are also well-known. In addition to psychological and medical assistance, peers may also be employed as support or contact individuals in the avoidance of psychological stress following work-related accidents.

Feedback Mechanisms Inside the body

The so-called suggestion method is the most basic type of feedback system. However, it may also be utilised to build safe and healthy work practises in the workplace as part of the company's

innovation cycle. A single suggestion system or a quality circle can be used to generate ideas. It is common for them to be supported by an incentive programme [11].

The company's safety and health management has built a particular type of internal feedback system known as a "near miss reporting system." The "iceberg model" is the theoretical framework for this system. Individuals and groups are often unaware of many potentially hazardous circumstances. However, each and every risky circumstance has the potential to lead to a workplace accident or contribute to the long-term health of the workers. It is deemed vital to become aware of harmful conditions and behaviours and begin the learning cycle in order to enhance occupational safety and health.

The Goals and Outcomes of the Involvement of Employees

Workers' engagement in occupational safety and health management (OSH) is aimed at reducing workplace accidents and improving the health of workers. It is possible to summarise some of the targeted outcomes and consequences, as well as to conduct a more in-depth analysis of managerial motives.

One of the most important rights for employees, as well as their representatives, is to be well-educated about potential health and safety risks at work and how to avoid them through appropriate safety measures. In addition to the above considerations, employers and employees share a mutual interest in working together to reduce accidents and prevent work-related illness [12].

Second, the involvement of workers can be utilised to influence workplace behaviour or to mainstream preventative measures based on behaviour. It is seen to be the most important factor in increasing workers' acceptance of safety and health at work. There are several examples of this, such as personal protective gear. Workers are more likely to wear personal protection equipment (PPE) if they are involved in the selection process. Peer observations, interviews, and methods for reporting near-misses are some of the instruments used in programmes aimed at improving business safety culture [13].

Third, in order to conduct a risk assessment that takes into consideration workplace hazards and dangers to the best of its ability, employees may need to be directly involved. Experts in occupational safety and health (OSH) typically urge that workers be involved in the design and implementation of their workplaces. The workplace must interact with the worker's particular traits, cover the workforce in its variety, and identify psychosocial risk factors or psychosocial strain in the worker when there are dangers or risks.

CONCLUSION

The involvement of workers in management processes is frequently viewed as a good method for motivating employees and strengthening the identification with the firm, as it promotes communication between management and workers respectively.. Models of transformative leadership, for example, make use of this phrase. Motivated employees produce better results than unmotivated ones, according to research. For additional details, see The role of excellent leadership in occupational safety and health for workers' compensation. The EPOC Survey,

performed by Eurofound, found that employee engagement had a beneficial impact on the company's success. "Growth is more likely to be connected with highly innovative organisations that consult with their people than delegate duties," according to Eurofound. It was also shown that direct, one-on-one kinds of worker involvement have a greater impact on employment levels than other forms of participation. It has been shown that risk assessments in the workplace are most effective when carried out by teams with the participation of safety officials and employees. Companies with worker representation are more likely to conduct risk assessments, according to the EU-ESENER OSHA's study. Companies that include their employees in risk assessments are more likely to execute improvement measures.

REFERENCES

1. González María C., Workers' Involvement at the Workplace and Job Quality in Europe, Working Papers on the Reconciliation of Work in Europe, REC-WP 08/2009, Dissemination and Dialogue Centre, University of Edinburgh, 2009. Available at: http://www.socialpolicy.ed.ac.uk/recwoweputiac/working_papers/working_paper_08_09
2. Arrigo, G., Casale, G., A Comparative Overview of Terms and Notions on Employee Participation. In: ILO (Ed.), Working document, No. 8, 2010. http://www.ilo.org/labadmin/what/pubs/lang--en/doc Name--WCMS_123713/index.htm
3. Eurofound – European Foundation for the Improvement of Living and Working Conditions, Participation at work, 17 December 2007, retrieved 13 June 2011, from: <http://www.eurofound.europa.eu/areas/participationatwork/epoc.htm>
4. ILO - International Labour Organization, ILO Convention 155 concerning occupational safety and health and the working environment, 1981a. Available at: <http://www.ilo.org/ilolex/cgi-lex/single.pl?query=011981155@ref&chspec=01>
5. ILO – International Labour Organisation, ILO Recommendation 164, Occupational safety and health recommendation, 1981b. Available at: <http://www.ilo.org/ilolex/cgi-lex/convde.pl?R164>
6. ILO – International Labour Organisation, ILO Recommendation 129, Communication within the undertaking, 1967. Available at: <http://www.ilo.org/ilolex/cgi-lex/convde.pl?R129>
7. Kohte W., Die Stärkung der Partizipation der Beschäftigten im betrieblichen Arbeitsschutz. Edition der Hans-Böckler-Stiftung 9. 2.Ed., 2005. Available at: http://www.boeckler.de/show_product_hbs.html?productfile=HBS-003390.xml
8. EU-OSHA – European Agency for Safety and Health at Work, European Safety and Health Legislation, undated a, retrieved 13 June 2011, from <http://osha.europa.eu/en/legislation>
9. European Commission, Guidance on Risk Assessment at Work, 1996. Available at: <http://osha.europa.eu/en/topics/riskassessment/guidance.pdf>

10. EU-OSHA – European Agency for Safety and Health at Work, Workers’ roles and responsibilities, undated b, retrieved 13 June 2011, from: http://osha.europa.eu/en/topics/riskassessment/workers_role
11. Johannes, D., Qualitätszirkel, Gesundheitszirkel und andere Problemlösungsgruppen, Amtliche Mitteilungen der Bundesanstalt für Arbeitsschutz, May 1993.
12. Ozaki M., Trebilcock A., Forms of workers’ participation. In: Encyclopaedia of occupational health and safety. ILO, 1998, Chapter 21.21
13. EU-OSHA – European Agency for Safety and Health at Work, Workforce diversity and risk assessment. Ensuring everyone is covered. 2009a. Available at: <http://osha.europa.eu/en/publications/reports/TE7809894ENC>