

Chapter 17

The Determinants of Female Labor Force Participation: Evidence From Aggregated and Disaggregated Panel Data of Developing Countries

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ABSTRACT

The female labor participation is recently considered as one of the factors leading to economic development in developing countries by amplifying total labor force as qualitative and quantitative. In this study, the authors investigate the factors affecting female labor participation in developing countries, applying panel data model for 83 developing countries over the period of 1990-2014. Empirical results indicate that u-shaped and incompatibility hypotheses are valid in the developing countries. Additionally, improving education levels and increasing male participation in labor markets lead women to more participate in labor markets. These results show the importance of enhancing education level and therefore the policies towards providing it.

INTRODUCTION

International Labour Organization (ILO, 2016) defines labor force participation rate as “... a measure of the proportion of a country’s working-age population that engages actively in the labor market, either by working or by looking for work”, therefore, it demonstrates the relative size of the supply of labor available in labor markets. In this context, an increase in female labor force participation (FLFP) boosts the supply of female labor, leading to higher labor inputs and faster economic growth. Additionally, following the economic growth, women’s capabilities typically improve and thus this enables women

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to engage in work outside the home. In other words, female labor supply is considered as both a driver and an outcome of development (Verick, 2014).

One of the biggest problems of developing countries is the lack of resources, namely production factors. The insufficient capital and labor amount impedes the development of these countries and therefore makes difficult to reach the level of developed countries. Hence, development strategies tend to increase the amount of capital and labor in developing countries. On the other hand, the structure of labor markets in developing countries exhibits male dominant feature, as a result of being considered male workers as primary earners. In general, women are generally employed less in comparison to men in all countries and work at lower wages (Yenilmez & Girginer, 2016). An increase in women's labor force participation may contribute to economic growth in developing countries. Additionally, female labor force can increase the growth potential in the economies where skilled female labor is abundant (Kinoshita & Guo, 2015).

In fact, the argument that an increase in FLFP can boost economic growth by increasing labor supply is the rationale of improving the participation of women in labor markets. In this context, determining the factors affecting female labor force participation leads policy makers to implement effective policies towards increasing women's employment by allow policy makers to select the primary tools with the limited public budget, which is a common problem seen in developing countries. In this context, employing panel data method, we aim to investigate empirically the factors behind FLFP. In the econometric estimations, we use several models to analyze the impact of all variables on FLFP. We, also, divide the developing countries into sub-groups to determine the differences in estimations across the country groups. We apply panel data method for developing countries covering the period 1990-2014. The paper is organized as follows: section 2 provides an overview of the determinants of FLFP. Section 3 describes the data and econometric methodology. Section 4 presents the estimation results and Section 5 sets out conclusion.

LITERATURE ON THE DETERMINANTS OF FEMALE LABOR FORCE PARTICIPATION

Reviewing the literature, we find that the studies investigating the determinants of FLFP mainly focus on various factors. According to Shah and Al-Qudsi (1990), they are divided into two groups that are background and intervening. Background factors consist of demographic and socio-cultural ones, influencing the supply factors, and intervening factors consist of supply and demand ones. While socio-cultural factors include protective norms, non-desirability of specific jobs, and status considerations; demographic ones include age, family size, age of youngest child, marital status, household headship, and family type. Supply factors consist of husband's income, occupation, and income, which are related to husbands, and women's education, skill level, and motivation to work are the main ones, which are related to women. The availability of child care and attractiveness of jobs can also be considered as the variables including in the supply factors. The demand factors affecting FLFP include the variables related to the demand for female workers such as rate and character of economic development, the size of the informal sector, discrimination against the female employment, and regulations about wages and sex discrimination in hiring. In this study, considering the factors explained above, we select the variables used in the econometric models, which can be accounted for as follows:

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