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Greater female labor force participation would help mitigate the challenges posed by population aging, which is one of the most pressing issues facing major economies worldwide.

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Approach

Given that higher labor force participation strengthens economic growth and contributions to the social security system, this study examines the structural and cyclical factors that shape its dynamics for men and women between 1984 and 2024. Understanding these factors helps inform public policy aimed at increasing women's participation in the labor market, with the goal of mitigating the negative effects of population aging in countries where the population is aging and fewer young people are available to sustain the economy.

This study analyzes the working-age population participating in the labor market based on household surveys conducted by National Administrative Department of Statistics (DANE) in the seven largest cities in the country. It applies the synthetic panel methodology based on birth cohorts, as used by Aaronson (2014) and documented by Deaton (2019).

Contribution

This study contributes to the understanding of the structural and cyclical determinants of urban labor force participation for women and men in Colombia. It provides projections of the future behavior of the overall labor force participation rate (LFPR), explicitly considering demographic changes, cohort effects, and potential reductions in the gender gap. Additionally, it quantifies the impact of an increased female LFPR on potential GDP growth, highlighting the macroeconomic benefits of closing the gender gap. It also emphasizes the broader social implications of female participation, particularly its effect on contributions to the social security system and public finances—critical aspects in Colombia.

Results

The main findings show that the upward trend in the LFPR between 1984 and 2014 was primarily driven by increased female participation in the labor market, which contributed to narrowing the gender gap. Conversely, the decline in the LFPR between 2014 and 2024 is largely explained by population aging and higher educational attainment among young people, which leads to delayed labor market entry.

The reduction in the gender gap in labor force participation is largely attributable to observable factors, particularly education. In 1984, educational differences accounted for 10.1 percentage points (pp) of the gender gap, while by 2024, this contribution had disappeared. Moreover, women's participation in the labor market is significantly affected by the economic cycle, mainly due to the added worker effect.

Furthermore, higher female participation implies greater potential for growth. Halving the gender gap leads to an increase of up to 0.4 pp in annual growth, resulting in a cumulative rise of 4.5 pp in potential

GDP compared to the baseline scenario. Contributions to the social security system also benefit by easing the pressure on public finances and stimulating economic activity.