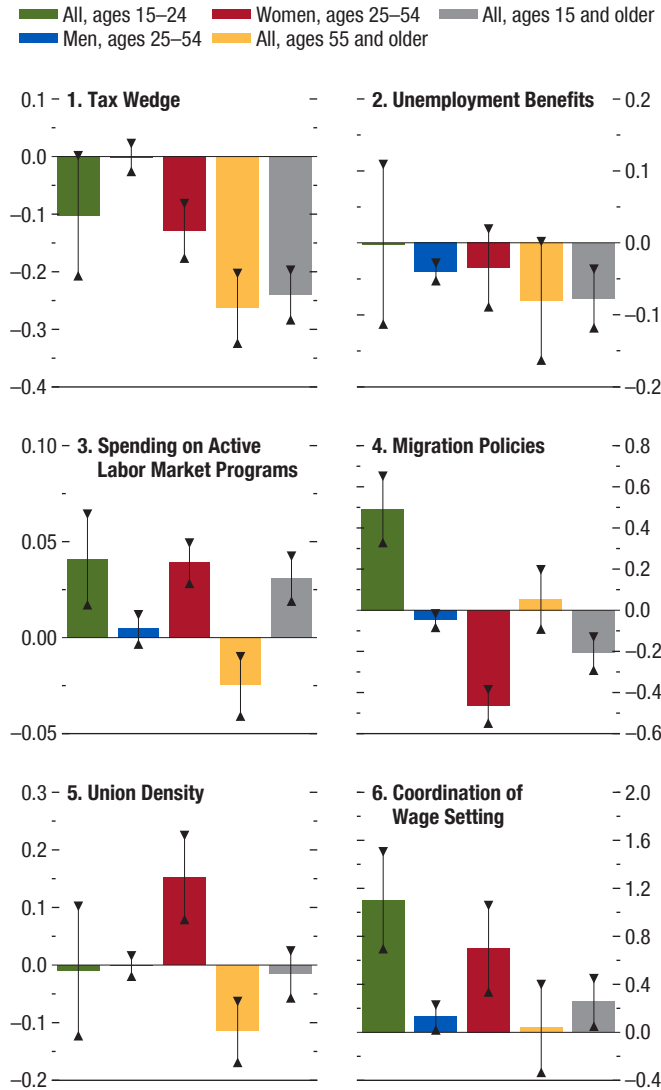


**Figure 2.11. Drivers of Participation Rates: Policies**  
(Percentage points)

Higher tax wedges and more generous unemployment benefits depress participation, while spending on active labor market programs and higher levels of wage-setting coordination are associated with higher participation. Policies that encourage the integration of migrants are associated with higher participation of prime-age workers.



Source: IMF staff calculations.

Note: The bars denote the estimated change in participation from a one-unit increase in the policy variable, while the vertical lines show the 90 percent confidence interval. See Annex 2.4 for variable definitions and specification details. Tax wedge is measured in percent of labor costs. The unemployment benefits gross replacement rate is measured in percent of work income. Public spending on active labor market policies is measured per unemployed person and as percent of per capita GDP. Union density is measured as net union membership as a proportion of wage earners in employment. Migration policy is an index constructed by cumulating major changes in policies and regulations guiding the postentry rights and other aspects of migrants' integration, with a higher value denoting more restrictive policies. Coordination of wage setting is an index, ranging from 1 (decentralized) to 5 (centralized).