Labour market is the nominal market in which workers find paying work, employers find willing workers, and wage rates are determined. So labour market issues include employment, unemployment, participation rates and wages. In particular, in recent times, demographic changes have resulted in an increasingly ageing workforce, part of which is willing to take up paid work after retirement. Labour markets provide the structure through which workers and employers interact in relation to jobs, working conditions and pay. In a labour market, employers hire workers. In return, those hired receive a wage or salary. The level of the wage or salary we receive is very important to us. Most of the income we receive will be earned in the form of an hourly wage or a yearly salary. It will determine our ability to pay for or demand goods and services to satisfy our needs. So, labour markets play an important part in determining our material standard of living.

Labour markets may be local or national (even international) in their scope and are made up of smaller, interacting labour markets for different qualifications, skills, and geographical locations. Labour market outcomes are influenced by the institutions and processes of collective bargaining, including the roles played by employers' organizations and trade unions. They depend on exchange of information between employers and job seekers about wage rates, conditions of employment, level of competition, and job location.

That is why the labour market is one of the most important sectors of our market economy. It has a very direct impact on our lives because at some stage or another in life, almost all of us will participate in it.

The labour force (or workforce) participation rate can be defined as the percentage of the working age population who are in the workforce. Thus, the labour force participation rate is affected by the size of the labour force as well as the working age population. People are considered in the workforce if they are either working or actively seeking work.

Labour market policies (LMP), on the other hand, comprise all kinds of regulative policies that influence the interaction between labour supply and demand. They consist of polices that provide income replacement (usually called passive labour market policies) as well as labour market integration measures available to unemployed or those threatened by unemployment.

Thus, governments must examine key labour market indicators that influence one of the economy’s major problems, the level of unemployment, which in turn is influenced by the participation rate.