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GLOBAL EMPLOYMENT TRENDS 2014

Risk of a jobless recovery?

Global Employment Trends 2014

Risk of a jobless recovery?

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Preface

The global labour market situation remains uneven and fragile. True, there are encouraging signs of economic recovery in those advanced economies most affected by the global financial crisis which erupted in 2008. Also, a number of emerging and developing countries – including recently in Sub-Saharan Africa – are enjoying relatively robust economic growth. The world economy may thus be growing somewhat faster than over the past three years.

However, the report finds that those economic improvements will not be sufficient to absorb the major labour market imbalances that built up in recent years. First, over the foreseeable future, the world economy will probably grow less than was the case before the global crisis. This complicates the task of generating the over 42 million jobs that are needed every year in order to meet the growing number of new entrants in the labour market.

Second, and more fundamentally, the root causes of the global crisis have not been properly tackled. The financial system remains the Achilles heel of the world economy. The state of many banks is such that many sustainable enterprises, notably small ones, have limited access to credit, thereby affecting productive investment and job creation. Significant financial bubbles have re-appeared in a number of advanced and emerging economies, adding new uncertainties and affecting hiring decisions. Also, global labour incomes continue to increase at a slower pace than justified by observed productivity gains, thus affecting aggregate demand.

Third – and this is an important new finding in view of the post-2015 development debate – little progress is being made in reducing working poverty and vulnerable forms of employment such as informal jobs and undeclared work. If confirmed, this trend would unambiguously delay the achievement of development goals.

To ensure lasting job recovery, the report highlights the role of a strategy that combines short-term measures (job-friendly macroeconomic and labour market policies) with further action to tackle long-standing imbalances. Such a strategy would strengthen the economic recovery and pave the way for more and better jobs.

Raymond Torres
Director of the ILO Research Department

Executive Summary

Global unemployment increased by 5 million people in 2013…

The uneven economic recovery and successive downward revisions in economic growth projections have had an impact on the global employment situation. Almost 202 million people were unemployed in 2013 around the world, an increase of almost 5 million compared with the year before. This reflects the fact that employment is not expanding sufficiently fast to keep up with the growing labour force.

The bulk of the increase in global unemployment is in the East Asia and South Asia regions, which together represent more than 45 per cent of additional jobseekers, followed by Sub-Saharan Africa and Europe. By contrast, Latin America added fewer than 50,000 additional unemployed to the global number – or around 1 per cent of the total increase in unemployment in 2013.

Overall, the crisis-related global jobs gap that has opened up since the beginning of the financial crisis in 2008, over and above an already large number of jobseekers, continues to widen. In 2013, this gap reached 62 million jobs, including 32 million additional jobseekers, 23 million people that became discouraged and no longer look for jobs and 7 million economically inactive people that prefer not to participate in the labour market.

… and, on current trends, it would rise by a further 13 million people by 2018…

If current trends continue, global unemployment is set to worsen further, albeit gradually, reaching more than 215 million jobseekers by 2018. During this period, around 40 million net new jobs would be created every year, which is less than the 42.6 million people that are expected to enter the labour market every year. The global unemployment rate would remain broadly constant during the next five years, at half a percentage point higher than before the crisis.

… affecting young people disproportionately…

Young people continue to be particularly affected by the weak and uneven recovery. It is estimated that some 74.5 million young people – aged 15–24 – were unemployed in 2013; that is almost 1 million more than in the year before. The global youth unemployment rate has reached 13.1 per cent, which is almost three times as high as the adult unemployment rate. Indeed, the youth-to-adult unemployment ratio has reached a historical peak. It is particularly high in the Middle East and North Africa, as well as in parts of Latin America and the Caribbean and Southern Europe.

Importantly, in the countries for which information exists, the proportion of young people neither in employment, nor in education or training (NEET) has continued the steep upward trend recorded since the start of the crisis. In certain countries, almost one-quarter of young people aged 15 to 29 are now NEET.

… intensifying long-term unemployment in advanced economies…

As the recovery remains weak, the average length of unemployment spells has increased considerably, a further sign of feeble job creation. In many advanced economies, the duration of

unemployment has doubled in comparison with the pre-crisis situation. In the crisis countries in the euro area, for instance, the average duration of unemployment has reached up to 9 months in Greece and 8 months in Spain. Even in countries where encouraging signs of an economic recovery have appeared, such as the United States, long-term unemployment affects more than 40 per cent of all jobseekers.

Such long unemployment spells are detrimental to the speed of labour market recovery even when economic activity is set to accelerate. First, they constitute a considerable burden for the public purse, requiring governments to raise taxes or cut spending elsewhere if they do not want to or cannot increase the fiscal deficit. More importantly, jobseekers who have been out of employment for long periods lose their skills at an accelerating pace, making it more difficult for them to find alternative employment at a similar occupation or skill level.

… and interrupting earlier progress in terms of, first, participation rates…

Labour force participation rates are not improving and remain more than 1 percentage point below their pre-crisis level. The drop in participation rates has been particularly pronounced in East and South Asia, where many women have left the labour market. At the same time, as educational attainment improves, young people enter the labour market at a higher age in these regions, strengthening their future labour market prospects. In the Developed Economies region, on the other hand, participation rates have dropped as young workers in particular do not see opportunities in the labour market. Other regions, such as Central and Eastern Europe, experienced an increase in participation rates. There, and in other countries with less well developed social security systems and which suffered from large losses in (formal) employment, many previously economically inactive people returned to the labour market, often to take up informal employment in order to make up for loss in household income.

… second, vulnerable employment, expected to have reached 48 per cent of total employment…

Vulnerable employment – that is, either self-employment or work by contributing family workers – accounts for almost 48 per cent of total employment. Persons in vulnerable employment are more likely than wage and salaried workers to have limited or no access to social security or secure income. The number of people in vulnerable employment expanded by around 1 per cent in 2013, which is five times higher than during the years prior to the crisis.

… third, working poverty, with 839 million workers living on less than US$2 a day…

The number of working poor continues to decline globally, albeit at a slower rate than during previous decades. In 2013, 375 million workers (or 11.9 per cent of total employment) are estimated to live on less than US$1.25 per day and 839 million workers (or 26.7 per cent of total employment) have to cope with US$2 a day or less. This is a substantial reduction in comparison with the early 2000s when the corresponding numbers of working poor below US$1.25 and US$2 were more than 600 million and more than 1.1 billion, respectively. However, the progress in reducing working poverty has stalled. In 2013, the number of workers in extreme poverty declined by only 2.7 per cent globally, one of the lowest rates of reduction over the past decade, with the exception of the immediate crisis year.

… and finally, stubbornly high informal employment.

Informal employment remains widespread in most developing countries, although regional variations are sizeable. In Eastern Europe, CIS countries and a few advanced economies, informal employment still accounts for over 20 per cent of total employment. In Latin

America, some countries have made good progress in maintaining informality rates below 50 per cent but low-income Andean and Central American countries continue to experience rates of 70 per cent or more. Significantly higher informality rates can be found in economies in South and South-East Asia. In some countries in these regions, informality rates reach up to 90 per cent of total employment. Even though progress in reducing poverty has been strongest in these regions, the lack of formal employment opportunities is likely to constitute a barrier to a sustainable further reduction in poverty.

Tackling the employment and social gaps requires job-friendly macroeconomic policies…

A faster recovery in global labour markets is held back by a deficit of aggregate demand. In this respect, the fiscal consolidation currently under way in many advanced economies constitutes a drag on faster expansion of output growth, in addition to weak private consumption. This report shows that a rebalancing of macroeconomic policies and increased labour incomes would significantly improve the employment outlook. Simulation results suggest that in high-income G20 countries, such a rebalancing could reduce unemployment by 1.8 percentage points by 2020, which corresponds to 6.1 million additional jobs. These achievements would also support fiscal goals. Indeed, simulation results suggest such a policy approach would result in a significant improvement over the baseline *status quo* scenario.

Monetary policy continues to be accommodative, providing a beneficial stimulus to aggregate demand. Estimates of the impact of the current monetary policy regime show that unemployment would have been 1–2 percentage points higher in large advanced economies if policy-makers had not undertaken swift monetary action in the face of the financial crisis. Recent trends, however, indicate that an increasing share of the additional liquidity generated by such accommodative monetary policy is flowing into asset markets rather than into the real economy. This is generating the risk of future stock and housing price bubbles, potentially weighing on sustainable job recovery.

Given weak demand, uncertain sources of future demand and ample liquidity, large firms have tended to buy back shares and increase dividend payments to shareholders, rather than investing in the real economy. Estimates show that in certain countries hiring uncertainty can exercise upward pressure on unemployment over and above weak aggregate demand, an effect that can persist even when the recovery in economic activity is taking up. The result is a further constraint on employment creation.

… and greater attention to labour market and social policies

With 23 million people estimated to have dropped out of the labour market due to discouragement and rising long-term unemployment, active labour market policies (ALMP) need to be implemented more forcefully to address inactivity and skills mismatch. Indeed, with more and more potential workers becoming discouraged and remaining out of the labour force, the risk of skills degradation and obsolescence is increasing. However, currently only small amounts of public spending go into active labour market measures. Even in OECD countries, which tend to have relatively advanced institutions and practices in this respect, an average of less than 0.6 per cent of GDP was spent on such measures in 2011. Estimates show that by bringing spending up to 1.2 per cent of GDP, similar to those countries that spend the most on ALMP, an additional 3.9 million jobs could be created in the Developed Economies and European Union region. Regions that currently spend the least on active labour market policies are likely to benefit the most in terms of an improved functioning of their labour markets.

1. Macroeconomic challenges and global labour market developments

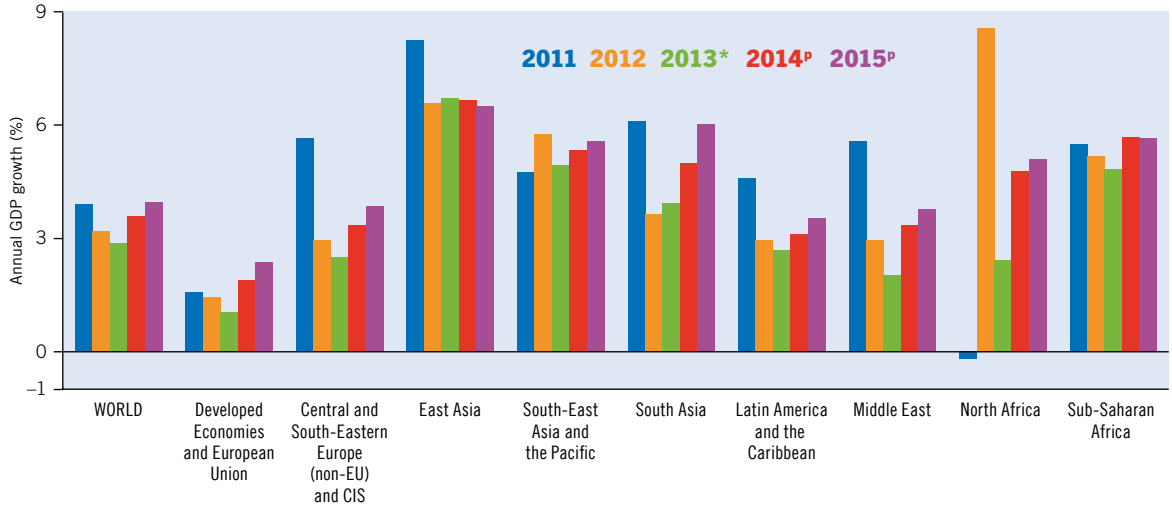
Some positive signs in advanced economies amidst deceleration in emerging economies

In 2013, global economic growth slowed down to 2.9 per cent, its lowest rate since 2009 and more than 1 percentage point below the average annual growth rate over the pre-crisis decade (figure 1). Economic growth in emerging economies slowed down significantly whereas a modest pick-up in activity was recorded in advanced economies towards the end of the year. However, downside risks continue to predominate at the global level as aggregate demand is weak and macroeconomic uncertainty remains elevated.

Weaker economic growth in emerging and developing countries reflects both low aggregate demand, particularly for their exports, and global financial instability associated with macroeconomic policy conditions in advanced economies. Recent outflows of capital from emerging markets in expectation of a less accomodative monetary policy stance in the United States have highlighted their vulnerability to volatile capital flows and external policy developments.[1] The slowdown in emerging and developing countries is also a result of adjustment problems that have clouded the medium-term economic horizon. After a rapid catch-up, some large emerging and developing countries are facing significant bottlenecks, notably in terms of infrastructure and human capital, which are likely to weigh on growth in the coming years.

In 2013, the Developed Economies and European Union region grew at a meagre rate of 1.0 per cent, 0.4 percentage points lower than in the year before. Annual output growth in the United States decelerated from 2.8 per cent in 2012 to 1.6 per cent in 2013, while the

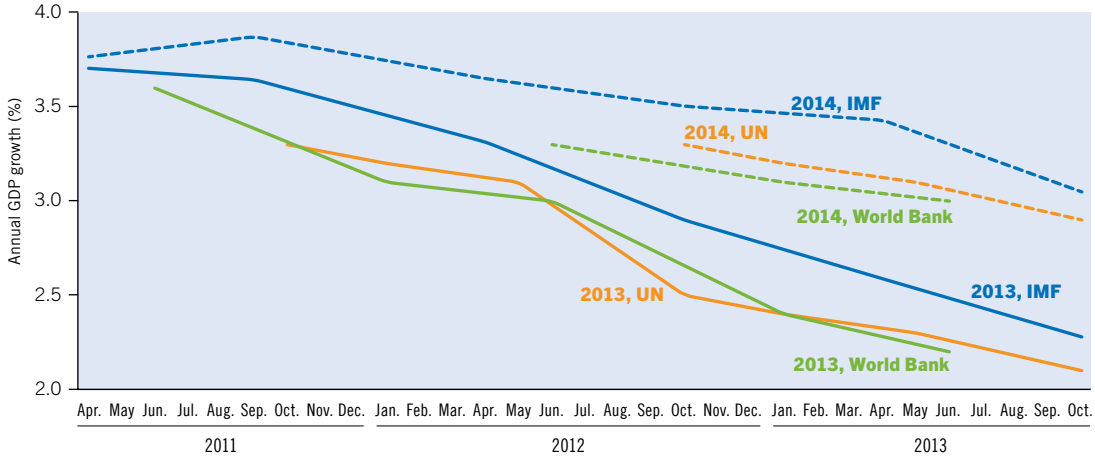
Figure 1. Global and regional GDP growth estimates and projections, 2011–15 (per cent)



Notes: * 2013 are preliminary estimates; 2014–15 are projections.
Source: IMF, *World Economic Outlook*, October 2013.

[1] In fact, according to some accounts, around one third of the effect of quantitative easing on the long-term interest rate in the United States was undone merely through expectations of a less accommodative monetary policy, raised by the U.S. Federal Reserve in May 2013 (World Bank, 2013a).

Figure 2. Evolution of global GDP growth estimates and projections, 2013 and 2014 (per cent)



Note: The graph shows global GDP growth estimates/projections for 2013 and 2014, produced by the International Monetary Fund (IMF), the World Bank and United Nations (UN) at different points in time.

Source: IMF, *World Economic Outlook*; UN, *Project LINK Global Economic Outlook*; UN, *World Economic Situation and Prospects*; World Bank, *Global Economic Prospects* (several editions).

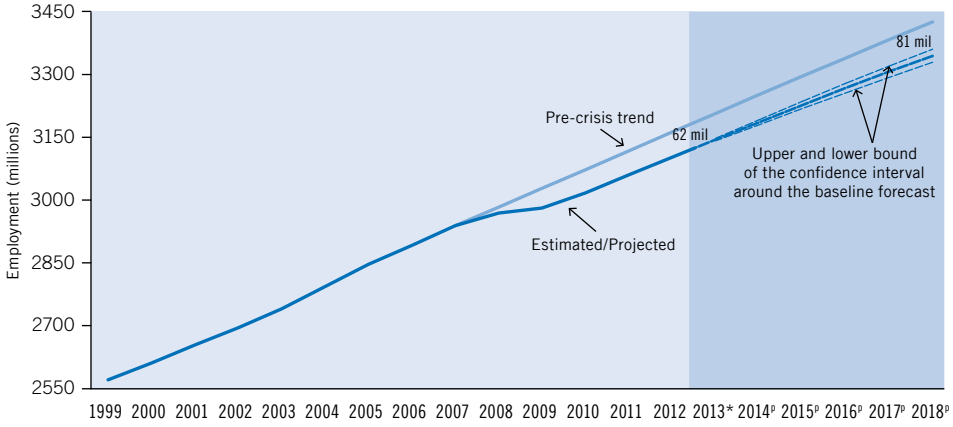
shift in fiscal and monetary policies have kept growth in Japan at a relatively strong 2.0 per cent, unchanged from the previous year. Growth in the euro area remained weak, although the region managed to exit recession during the year. The European Union as a whole experienced stagnation, with a growth rate close to zero in 2013. The only two regions worldwide in which growth did not slow between 2012 and 2013 were South Asia and East Asia, which saw accelerations from 3.6 to 3.9 per cent and from 6.6 to 6.7 per cent, respectively. All other regions lost momentum in growth, with Central and South-Eastern Europe growing at a rate of 2.5 per cent, Latin America and the Caribbean at 2.7 per cent and Sub-Saharan Africa at 4.8 per cent in 2013. This is 0.3–0.5 percentage points lower than in 2012. A more pronounced deceleration took place in South-East Asia and the Pacific, where the growth rate dropped from 5.7 per cent in 2012 to 4.9 per cent in 2013. The largest growth decelerations took place in the Middle East and North Africa, mainly due to political events.

The world economy is expected to see a modest recovery, with growth of 3.6 per cent in 2014, mainly driven by a pickup in activity in advanced economies (IMF, 2013). However, economic growth projections have consistently proved too optimistic over the past 2 years (figure 2). In fact, several international organizations, including the IMF, expected the recovery to occur much earlier. Projections had to be revised downwards repeatedly, illustrating a broader problem with the assessment of the foundations of future growth. Unless a more solid foundation for future growth is built, the growth projections for 2014 may fail to materialize once again, thereby adversely affecting the employment outlook.

Unemployment edges higher in 2013 and is expected to remain at elevated levels for many years to come

Labour markets have been affected by the slower-than-projected economic recovery. Employment growth slowed down in 2013 across most regions, leading to a further upward revision of unemployment rates (see box 1 for a comparison of the current forecast with an earlier one). Global employment grew by a mere 1.4 per cent in 2013 – broadly unchanged from 2012, but lower than in any year of the pre-crisis decade. Employment growth deteriorated in every geographic region except South Asia and North Africa. Indeed, it was the strong acceleration of employment growth in South Asia that helped keep global employment growth stable in 2013 compared with 2012. The largest slowdowns occurred in Central and

Figure 3. The crisis-related global jobs gap



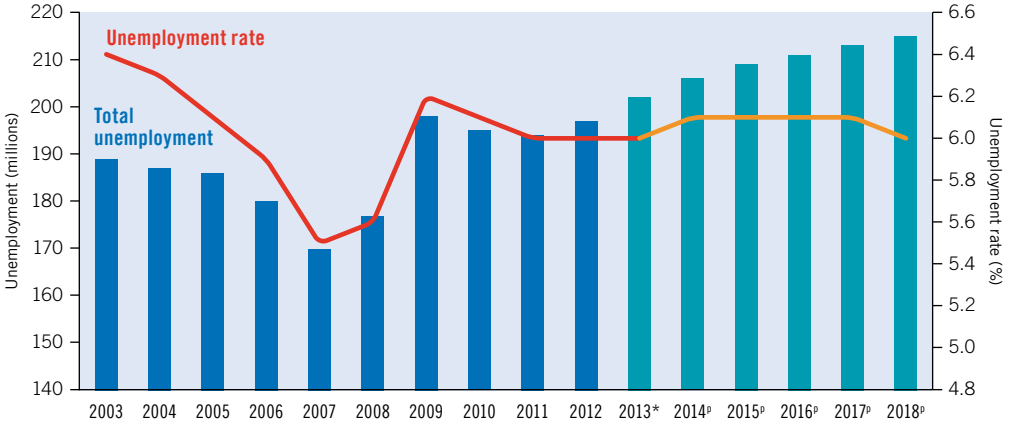
Notes: * 2013 are preliminary estimates; 2014–18 are projections. The graph shows the global jobs gap, i.e. the difference between the actual or projected evolution of total employment on the one hand and employment as implied by the pre-crisis trend on the other hand.

Source: ILO, *Trends Econometric Models*, October 2013.

South-Eastern Europe and CIS, Latin America and the Caribbean and South-East Asia and the Pacific. As a consequence, the crisis-related global jobs gap, measuring the number of jobs lost in comparison to pre-crisis trends, widened further to 62 million workers in 2013 (figure 3). The jobs gap includes not only the increase in unemployment, but also those people who have remained outside or dropped out of the labour force after having been discouraged by long spells of unemployment and/or perceived low prospects of finding new job opportunities. At the global level, the ILO estimates a total of 23 million people are currently in this situation, so called "discouraged workers". As unemployment continues to persist, by 2018 the global gap is projected to rise to 81 million; this includes some 30 million discouraged workers who might never come back to the labour market.

The global unemployment rate remained at 6.0 per cent of the global labour force, unchanged from 2012. The number of unemployed around the world is estimated to have reached 201.8 million in 2013, an increase of 4.9 million from a revised 196.9 million in the previous year. There were 31.8 million more unemployed persons around the world in 2013 than in 2007, prior to the onset of the global economic crisis (figure 4). On the basis of current macroeconomic projections, the ILO expects little improvement in the global labour market in 2014, with the global unemployment rate ticking up to 6.1 per cent and the number of unemployed rising by a further 4.2 million.

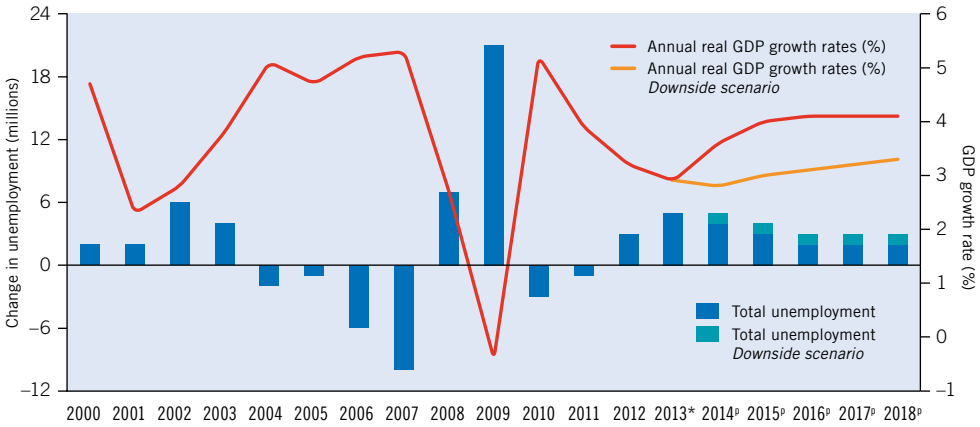
Figure 4. Global unemployment trends and projections, 2003–18



Note: * 2013 are preliminary estimates; 2014–18 are projections. The graph displays past trends and projections for global unemployment.

Source: ILO, *Trends Econometric Models*, October 2013.

Figure 5. Annual change in global unemployment and GDP growth, 2000–18, baseline and downside scenario



Note: * 2013 are preliminary estimates; 2014–18 are projections. The graph displays past trends and projections for annual changes in global unemployment. The chart also includes projections for the annual change in global unemployment under the assumption of a further deterioration in world economic developments from 2014 onwards.

Source: IMF, *World Economic Outlook*, October 2013; ILO, *Trends Econometric Models*, October 2013.

Should a sustainable economic recovery fail to materialize once again, a downside scenario would imply that unemployment would rise much faster than in the baseline (figure 5). In such a scenario, global economic growth in 2014 would reach only 2.8 per cent, which is 0.1 percentage points less than in 2013 and 0.8 percentage points below the baseline. Also, after 2014, output growth would be around 1 percentage point lower in each year than in the baseline. Based on these assumptions, unemployment is projected to increase by a further 5 million jobseekers relative to the baseline projection of 215 million in 2018. The unemployment rate would reach 6.2 per cent in 2018 compared to 6.0 per cent in the baseline. Most of the additional increase in unemployment in the downside scenario would occur in the Developed Economies and European Union region, with almost 3 million more unemployed by 2018 than in the baseline scenario.

Labour market developments differ widely across regions and countries (table 1). In the Developed Economies and European Union region, 8.6 per cent of the labour force is unemployed, which is almost 3 percentage points higher than in 2007. Unemployment rates in the United States and the United Kingdom have declined, whereas they have edged up further in Italy and France. Only small improvements in the unemployment rate were seen in Canada, Japan and Germany. In the medium-term, only the United States is expected to see substantially declining unemployment rates, and even there, the unemployment rate is projected to remain above pre-crisis levels. For other G7 countries, the unemployment rate is not projected to move substantially from current levels for the foreseeable future.

Across the regions, the highest unemployment rates are observed in North Africa and the Middle East, at 12.2 and 10.9 per cent respectively in 2013, largely unchanged as compared with 2012. In Central and South-Eastern Europe and CIS the unemployment rate remained relatively high in 2013, at 8.2 per cent, with an estimated increase of the unemployment rate in Turkey and the Russian Federation. Latin America and the Caribbean only saw a marginal decline in its regional unemployment rate, which edged down from 6.6 to 6.5 per cent. In Brazil, the unemployment rate went down slightly, while it ticked up in Mexico and Argentina. No significant changes in the regional unemployment rate are forecast in the year to come. In all other regions, unemployment rates remained roughly unchanged in 2013, as compared with the year before.

The global employment-to-population ratio stood at 59.6 per cent in 2013, unchanged from 2012 and still well below the pre-crisis level of 60.7 per cent.[2] The male

[2] The employment-to-population ratio measures employment as a share of the working-age population aged 15+.

Table 1. Global, regional and country-specific estimates and projections of the total unemployment rate, 2007–16 (percentage points)

Country/region	2007	2012	2013*	2014p	2015p	2016p
World	5.5	6.0	6.0	6.1	6.1	6.1
G20 Economies	5.1	5.7	5.8	5.8	5.8	5.8
G20 Advanced Economies	5.7	8.4	8.4	8.4	8.3	8.1
G20 Emerging Economies	4.9	4.9	5.0	5.1	5.1	5.1
Developed Economies and the European Union	5.8	8.6	8.6	8.6	8.4	8.2
Australia	4.4	5.2	5.6	5.7	5.7	5.8
Canada	6.0	7.2	7.1	7.0	7.0	6.9
Japan	3.9	4.3	4.1	4.0	4.0	4.0
United States	4.7	8.2	7.5	7.2	6.8	6.4
European Union	7.2	10.5	11.0	11.1	11.1	10.9
France	8.0	9.9	10.5	10.9	10.8	10.7
Germany	8.6	5.4	5.3	5.3	5.4	5.4
Italy	6.1	10.7	12.2	12.6	12.7	12.7
United Kingdom	5.4	8.0	7.5	7.3	7.2	7.1
Central and South-Eastern Europe (non-EU) and CIS	8.2	8.0	8.2	8.3	8.2	8.2
Russian Federation	6.0	5.5	5.8	5.8	5.8	5.8
Turkey	10.3	9.2	9.9	10.0	9.7	9.6
Middle East	10.2	10.9	10.9	11.0	10.9	10.8
North Africa	11.1	12.1	12.2	12.2	12.1	12.1
Sub-Saharan Africa	7.5	7.6	7.6	7.6	7.5	7.5
South Africa	22.3	25.0	25.3	25.2	25.1	25.1
Latin America and the Caribbean	6.9	6.6	6.5	6.5	6.5	6.5
Argentina	8.5	7.2	7.3	7.4	7.4	7.3
Brazil	8.1	6.9	6.7	6.6	6.5	6.5
Mexico	3.4	4.9	5.0	4.9	4.8	4.7
East Asia	3.8	4.4	4.5	4.7	4.8	4.9
Republic of Korea	3.2	3.2	3.2	3.3	3.3	3.4
South-East Asia and the Pacific	5.5	4.1	4.2	4.3	4.3	4.3
Indonesia	9.1	6.1	6.0	6.0	6.0	6.0
South Asia	4.1	3.9	4.0	4.0	4.1	4.1

Notes: *2013 are preliminary estimates; 2014–18 are projections. Estimates and projections for individual G20 countries are shown only when they are based on a minimum number of actual data points. Figures might differ from national estimates or those published in the Panorama Laboral (ILO, 2013a), mainly as a result of differences in geographical coverage.

Source: ILO, *Trends Econometric Models*, October 2013.

employment-to-population ratio stood at 72.2 per cent and the female ratio at 47.1 per cent, both essentially unchanged from the previous year. The global male unemployment rate edged up to 5.8 per cent in 2013 from 5.7 per cent in 2012, while the rate for women remained unchanged at 6.4 per cent. The employment-to-population ratio and unemployment rate indicators paint a picture not of a sharp or abrupt deterioration in the global labour market in 2013, but rather of a continued, gradual weakening, which is a result of the combination of persistently elevated unemployment rates combined with a gradual decline in the growth rate of the world's working-age population.

Box 1. What explains differences in unemployment projections?

As in previous editions of *Global Employment Trends*, global and regional unemployment levels and rates have been revised to take into account new information as it becomes available and revisions in economic growth projections. This box provides an overview of the revisions since the latest projection update in July 2013 (table B1.1). A distinction is made between revisions due to differences in the various input data used in *Trends Econometrics Models* (TEM) – including national unemployment rates, changes in GDP growth rate estimates and projections – and changes in labour force and population estimates.

New data on unemployment rates. Revisions in the historical unemployment data come either from revisions made by the original sources or from the fact that sometimes data releases from national labour force surveys contain a substantial time lag, which can be up to 1 or 2 years or even more in some rare cases.

Overall, there were 37 new observations in TEM October 2013 as compared to the TEM July 2013; 17 of these new data points refer to the period 2000–11, and 20 refer to 2012. For example, there were six more observations for Azerbaijan (2000–05), five more observations for Kuwait (2006–08, 2010–11), two more observations for Qatar (2006 and 2008) and one more observation for Tajikistan (2009).

In addition, the unemployment rate for India (2012) was revised upwards as the results of the all-India household survey (68th round survey programme during the period July 2011 to June 2012, conducted by the National Sample Survey Office) became available. This survey is the internationally comparable and utilized source for the historical series for the Indian unemployment rate.

Moreover, prior to 2012 there were some substantive revisions on some of the unemployment rate input data. For example, the unemployment rate was revised upwards by more than 1 percentage point for Colombia (2002–06) and Tunisia (2005), and the unemployment rate for Armenia (2008) was revised downwards by about 12 percentage points.

In both TEM July and October 2013, unemployment estimates were preliminary for 52 countries for which only some quarters were available at the end of 2013. In the most recent model run (TEM October 2013), the most recent quarter available was the third quarter, whereas in the previous model run, the most recent quarter available was the second. However, even with the additional information, the point estimate for these countries did not change significantly.

GDP growth rates. Taken from the IMF's *World Economic Outlook* (WEO) database, GDP growth estimates and forecasts change from one version of the WEO to another. For example, between the WEO October 2013 and the WEO July 2013 update, the GDP growth rate for Botswana was revised, specifically, for 2009 it was revised downwards by 3.1 percentage points. For 2012, the global GDP growth rate was revised upwards by 0.1 percentage points. For 2013, the global GDP growth rate was revised downwards by 0.2 percentage points. Such revisions of GDP and unemployment input data can also lead to revisions in the estimated relationship between the unemployment rate and the GDP growth rate, resulting in further revisions to global and regional estimates of key labour market indicators.

The baseline estimate of the global unemployment rate in 2012 and 2013 has been revised upwards respectively by 0.04 and 0.01 percentage points. In 2012 and 2013, respectively, 36 and 46 per cent of the revision was caused by GDP growth rate revisions, and 64 and 54 per cent was caused by changes in the unemployment input data. However, the current estimates remain within the confidence interval that accompanied the previous forecasts.

Labour force estimates. The newest version of the ILO *Economically Active Population Estimates and Projections* (EAPEP) database (2013 edition) provided a new labour force benchmark for the GET estimates. In the meantime, the all-India household survey referring to 2012 became available. At the global level, this revision reduced the labour force estimate for 2012 by 12.4 million, which translated into a reduction in the estimated global participation rate of 0.2 percentage points. Overall, the impact of the labour force revision on the global unemployment rate was negligible compared with the revisions of GDP growth rates and unemployment input data.

Table B1.1. Comparison of unemployment estimates/projections from July and October 2013

	2007	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
Unemployment (millions)												
TEM, October 2013	170.0	177.0	197.9	195.2	193.9	196.9	201.8	206.0	208.8	211.0	213.1	215.2
TEM, July 2013	169.9	178.3	197.8	195.0	193.2	196.3	202.2	205.9	208.5	210.6	212.7	214.8
Unemployment rate (per cent)												
TEM, October 2013	5.5	5.6	6.2	6.1	6.0	6.0	6.0	6.1	6.1	6.1	6.1	6.0
TEM, July 2013	5.5	5.7	6.2	6.1	5.9	5.9	6.0	6.0	6.0	6.0	6.0	6.0

* 2013 are preliminary estimates; 2014–18 are projections.

Source: ILO, *Trends Econometric Models*, July and October 2013.

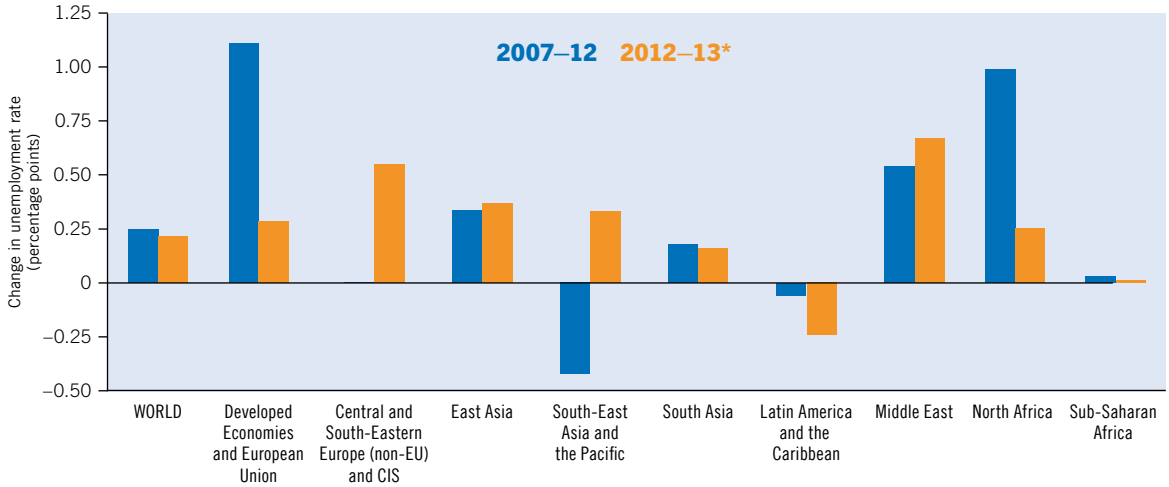
Labour market situation of youth worsens further

The labour market outlook for young people worsened in nearly every region of the world. The global youth unemployment rate rose to 13.1 per cent in 2013, from 12.9 per cent in 2012 and 11.6 per cent in 2007. The largest increase occurred in the Middle East region. This region has one of the highest youth unemployment rates in the world, with 27.2 per cent of young people in the labour force without work in 2013, versus 26.6 per cent in 2012. Central and South-Eastern Europe and CIS, East Asia, South-East Asia and the Pacific and North Africa all saw a substantial increase in youth unemployment rates (figure 6). In the Developed Economies and European Union, the region that registered the largest increase in youth unemployment rates over the period 2007–12, unemployment among young people rose further to 18.3 per cent of the youth labour force.

In total, 74.5 million young people aged 15–24 were unemployed in 2013, an increase of more than 700,000 over the previous year. There were 37.1 million fewer young people in employment in 2013 than in 2007, while the global youth population declined by only 8.1 million over the same period. The global youth labour force participation rate, at 47.4 per cent in 2013, remains more than 2 percentage points below the pre-crisis level, as more young people, frustrated with their employment prospects, continue to drop out of the labour market. The global youth unemployment rate is expected to edge up to 13.2 per cent in 2014, with increases projected in the three Asian regions and in the Middle East, partially offset by a projected decline in the Developed Economies and European Union region.

The share of young people (aged 15–29) that are neither in employment, nor in education or training (NEET) has risen in 30 out of the 40 countries for which data are available for 2007 and 2011–12 (see figure 7). In Ireland and Spain, the NEET rate rose by more than 9.4 and 8.7 percentage points respectively since 2007. In both countries, the NEET rate is over 20 per cent. The largest declines in NEET rates occurred in Turkey and Macedonia, but in both countries, the NEET rate remains very high, at 34.6 per cent in Turkey in 2011 and 32.1 per cent in Macedonia in 2012. NEET rates are also high in Brazil where they stood at 18.4 per cent in 2009 with considerable heterogeneity among labour market groups; only 12.1 per cent of Brazilian males were NEET but it affected 21.1 per cent females and even rose to 28.2 per cent among Afro-Brazilian female youth, a particularly high-risk group. High and/or rising NEET rates are a major concern for policymakers, as this group is neither engaged in employment, nor investing in skills development. Young people that are among the NEETs may be less engaged and more dissatisfied with their societies than their peers who are employed or in the educational system.

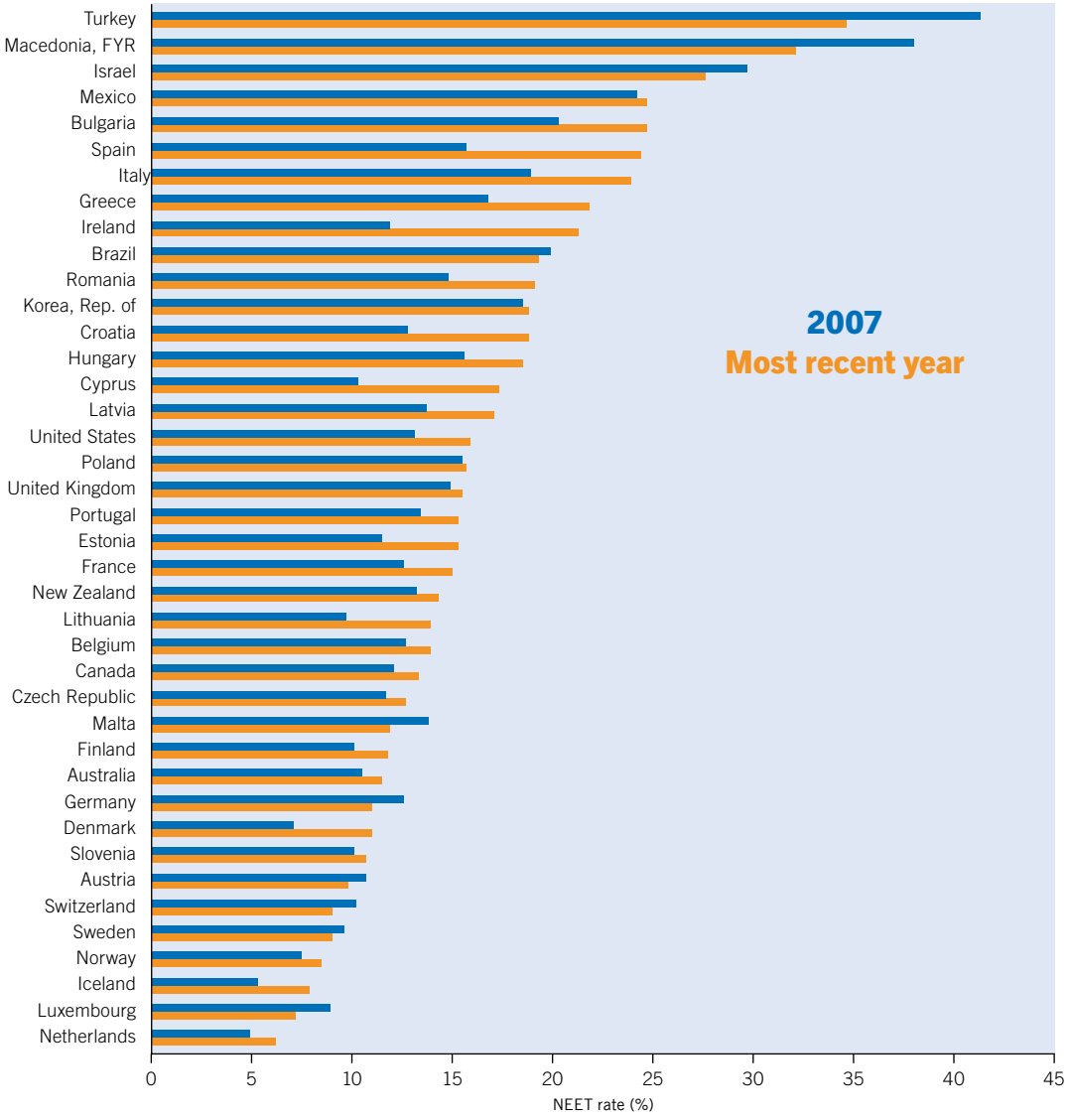
Figure 6. Average annual change in the youth unemployment rate, selected time periods (percentage points)



Note: * 2012–13 are preliminary estimates.

Source: ILO, *Trends Econometric Models*, October 2013.

Figure 7. Young people that are neither in employment, nor in education or training (NEET) as the share of the population aged 15–29 (2007 and most recent year)



Source: ILO, *Key Indicators of the Labour Market*, 8th edition, table 10c.

Where are the decent jobs?

In addition to the slowdown in employment and increase in unemployment, the last year has also seen a notable deceleration in wage employment growth, which expanded by only 28.1 million in 2013, down sharply from the annual growth of more than 35 million over the previous two years. Central and South-Eastern Europe and CIS, East and South Asia saw the largest deceleration in wage employment growth as compared with 2012. Wage employment growth was also down in comparison with pre-crisis trends. If the pre-crisis trend in the wage employment share since 2000 had continued, there would now be almost 22 million more workers in wage employment as opposed to vulnerable employment (table 2). This gap compared with pre-crisis trends is expected to increase to more than 60 million by 2018. In contrast to wage employment trends, vulnerable employment around the world increased by 13.4 million in 2013 compared with an increase of only 5.3 million in 2012 and 3.3 million in 2011.[3]

[3] Vulnerable employment comprises own-account workers and contributing family workers, two employment groups on average characterised by higher poverty rates and limited social protection.

Table 2. The global wage employment gap (millions)

	2007	2012	2013*	2014p	2015p	2016p	2017p	2018p
Global wage employment – actual/projected	1394	1542	1570	1596	1622	1650	1676	1702
Global wage employment – continuation of pre-crisis trends	1394	1557	1592	1626	1661	1695	1729	1763
Global wage employment gap	0.0	15.4	21.6	30.2	38.3	45.2	52.9	60.6

Notes: * 2013 are preliminary estimates; 2014–18 are projections.The table shows the global wage employment gap, i.e. the difference between actual or projected wage employment on the one hand and wage employment as implied by the pre-crisis trend (2000–08) of the wage employment share on the other.

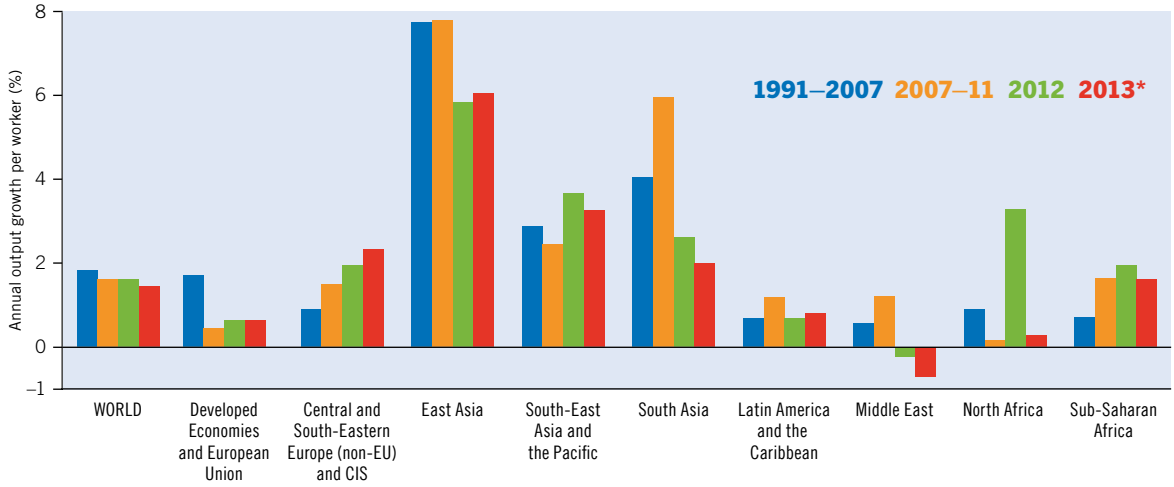
Source: ILO, *Trends Econometric Models*, October 2013.

By sector, services accounted for more than half of total global employment growth in 2013, while agricultural employment accounted for around one quarter. Overall, just below 32 per cent of the world's workforce was employed in the agricultural sector in 2013, a decline of 11.7 percentage points over the previous two decades. The services sector employed 45.1 per cent of the world's workers in 2013 and the share of services workers increased by 10.1 percentage points over the same period. Industrial employment now accounts for around 23 per cent of all global employment, an increase of only 1.6 percentage points over the past two decades. In 2013, employment in industry grew by 9.7 million, compared with an average of more than 21 million new industrial jobs annually between 2010 and 2012.

Labour productivity growth trends provide further insights related to these observed global labour market dynamics. Global productivity growth (measured as growth in output per worker) declined from 1.6 per cent in 2012 to 1.4 per cent in 2013, reaching its second lowest value at any time over the past decade (figure 8). In this light, the output of firms and economies is growing slowly both because labour input has not increased substantially and productivity is growing more slowly compared with past years.

Slower productivity and employment growth have coincided with a strong recovery in corporate profits and global equity markets. The FTSE global all cap index, which tracks 7,200 publicly traded stocks across 47 countries, gained more than 18 per cent in the year to mid-December 2013 and had risen more than 158 per cent since the low reached in March 2009. The year 2013 saw a further widening between trends in global profit growth and equity prices on the one hand and the global labour market on the other. Modest relative global wage growth in recent years, coupled with a long-term decline in labour shares of national income in many countries, provides further evidence to this effect (ILO, 2013b).

Figure 8. Annual output growth per worker, world and regions, selected periods (per cent)



Note: * 2013 are preliminary estimates.

Source: ILO, *Trends Econometric Models*, October 2013; World Bank, *World Development Indicators*, 2013; IMF, *World Economic Outlook*, October 2013.

Moreover, it is important to note that the large increases in global asset prices are occurring as interest rates set by central banks across much of the developed world remain at or near the zero bound, with several large central banks still engaged in large-scale quantitative easing programmes. The successful efforts by central banks to keep interest rates low, while generally being supportive of economic recovery, may have unintended consequences in terms of firms' incentives and the overall risk appetites of market participants. In many economies, share buybacks and dividends are at or near record levels, while hiring remains muted, as further discussed in chapter 3.

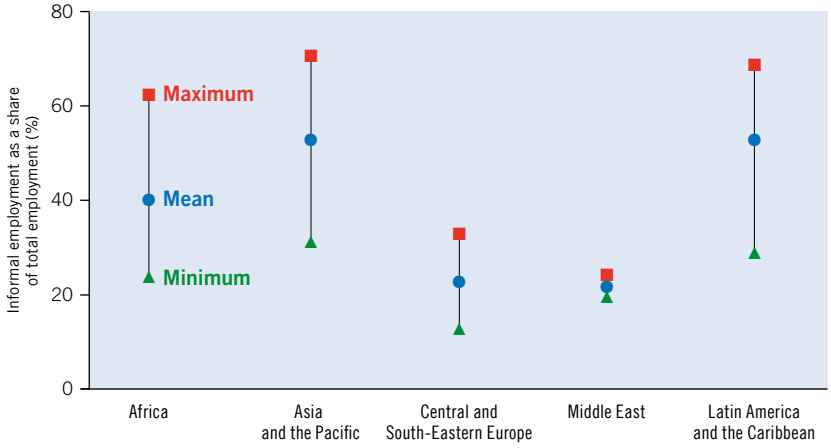
The strong rise in asset prices in some countries that has accompanied the extraordinary monetary policy efforts raises concerns about potential bubbles, which could once again threaten economic growth and labour market prospects. Moreover, strong increases in house prices in some countries may also have adverse knock-on effects on job creation through a negative impact on competitiveness, as will be argued in chapter 2 (box 3).

High rates of informality hamper sustainable progress in poverty reduction

In developing countries, many workers are self-employed in precarious conditions or are employed on a casual basis without a contract and access to social security. Such forms of employment are considered to be informal. Often, employment is informal out of necessity for those not able to find formal jobs and in the absence of privately or publicly provided social protection. Sometimes, informal employment is a tactic to avoid taxation and regulation. In most cases, informal employment procures lower, more volatile pay and worse working conditions than employment in formal arrangements. Women continue to face a higher risk of informal employment than men, as they often have less legal and social protection. Being young in the labour market also increases the risk of informality. Finally, self-employed people face much higher risk of informality in developing countries, in part because the legal framework is weak in many such countries and due to their engagement in low-productivity activities (e.g. street vending).

New estimates of the share of workers in informal employment for 2011 show that informal employment is particularly widespread in the Asian regions and in Latin America and the Caribbean, with a cross-country average of around 50 per cent (figure 9). Informal employment also covers a large share of workers in Africa, at an average of 40 per cent. Estimates for Central and South-Eastern Europe and CIS and the Middle East are relatively lower, but still hover around or above 20 per cent on average. Bringing more workers out of

Figure 9. Estimated informal employment shares, 2011 (per cent)



Note: Mean, maximum, and minimum calculations are based on a sample of 49 countries (8 countries in Africa, 11 countries in Asia and the Pacific, 11 countries in Central and South-Eastern Europe, 16 countries in Latin America and the Caribbean and 3 countries in the Middle East).

Source: Davalos and Ernst, forthcoming; ILO staff calculations.

informality remains crucial in order to reduce working poverty, improve working conditions and generate tax revenues that governments need to strengthen social welfare systems. However, in the past decade, the share of workers in informal employment declined in only 26 out of 49 countries for which estimates are available.

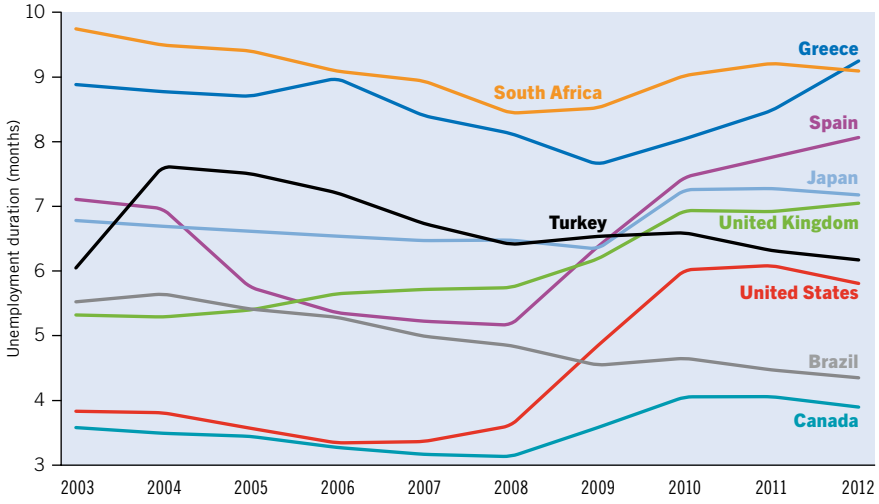
Unemployment is becoming more persistent

The average duration of unemployment has gone up in many economies (figure 10). In the United States, the average unemployed worker found a job after 3–4 months of job search prior to the crisis, but the average duration increased to around 6 months in 2012. In Spain, unemployment duration increased from around 5 months in 2008 to 8 months in 2012. In Greece, where the average unemployment duration has always been high, the unemployed now wait on average more than 9 months before getting back into the workforce, more than 1 month longer than in 2009. Other developed countries experienced similar increases in unemployment duration. In several developing and emerging countries, in contrast, the average unemployment duration has trended downwards and the global economic crisis had only a slight impact on unemployment duration. Only in South Africa did the average unemployment duration increase, rising by 0.5 months to more than 9 months over the period from 2008 to 2011.

Longer spells of unemployment can have persistent effects. As unemployment spells lengthen, labour market attachment tends to diminish and skills to depreciate. The observed increase in the average unemployment duration in some countries can make job searches harder and unemployment more persistent (e.g. Shimer, 2008). This change in the composition of the unemployment pool has likely been another factor inhibiting a labour market recovery.

Unemployment comes with considerable personal and social costs, such as decreased life satisfaction and stigmatization. Further, the fiscal cost of unemployment is often underestimated, both for the short term and for the medium to long term. The most obvious short-term fiscal cost of an increase in unemployment is the immediate cost of higher unemployment benefits and welfare payments. Spain, for example, has seen an increase in fiscal expenditure on unemployment benefits and early retirement plans from 1.5 per cent of GDP in 2007 to 2.9 per cent in 2011, contributing to the increase in public debt in the country. For Ireland,

Figure 10. Average unemployment duration in selected economies (months)



Note: To calculate the average, unemployment is assumed to be distributed equally within the different duration categories, e.g. the average unemployment duration of those unemployed for more than 3 and less than 6 months is assumed to be 4.5 months. The average unemployment duration of those unemployed for at least 12 months is assumed to be exactly 12 months.

Source: ILO, *Key Indicators of the Labour Market*, 8th edition.

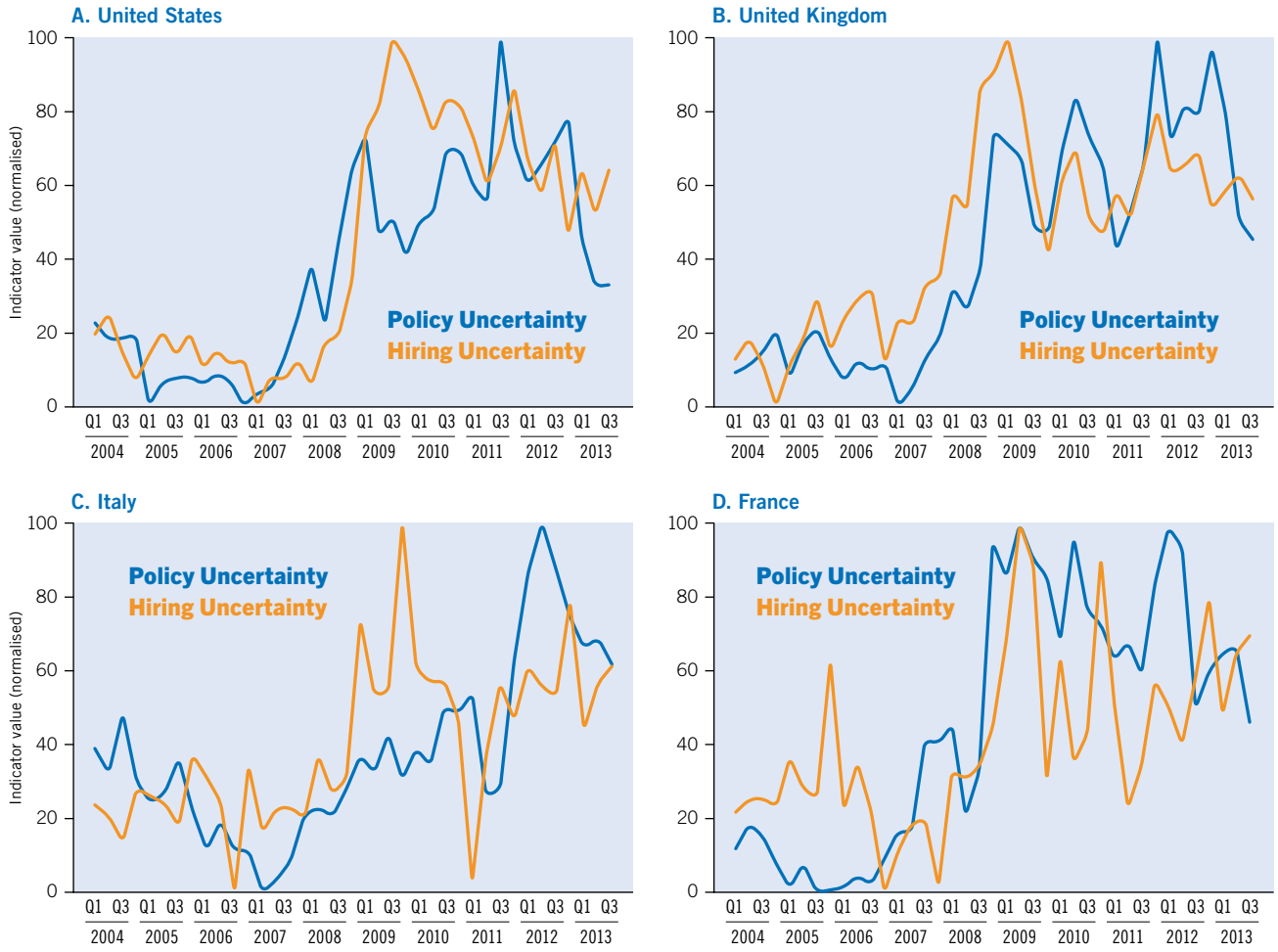
this expenditure category has grown even faster, from 0.9 per cent of GDP in 2007 to 2.6 per cent of GDP in 2011.[4] In addition to direct outlays, elevated unemployment levels indicate that an economy is producing below potential, which, in turn, has a negative impact on economic growth and on associated tax revenues, forcing governments to either cut on the expenditure side or increase their debt holdings.

Unemployment can also have adverse fiscal effects in the medium- and long-term. As longer unemployment spells lower workers' earnings throughout their careers, more tax revenues are foregone. Further, at least partly due to lower income, the unemployed tend to become less healthy on average than the employed, which increases the need for public health expenditures. These are costs that public budgets will have to address in the years to come.

Economic uncertainty remains high, with negative effects on hiring

One of the factors weighing on labour markets is hiring uncertainty that increased at the onset of the crisis in 2007 (figure 11). Given the persistence of weak aggregate demand and the uncertainty about the strength and speed of future recovery, firms may choose to wait for new information and further developments before investing and hiring (see also ILO, 2013c). In 2013, uncertainty continued to be fuelled in some countries by the lack of policy coordination

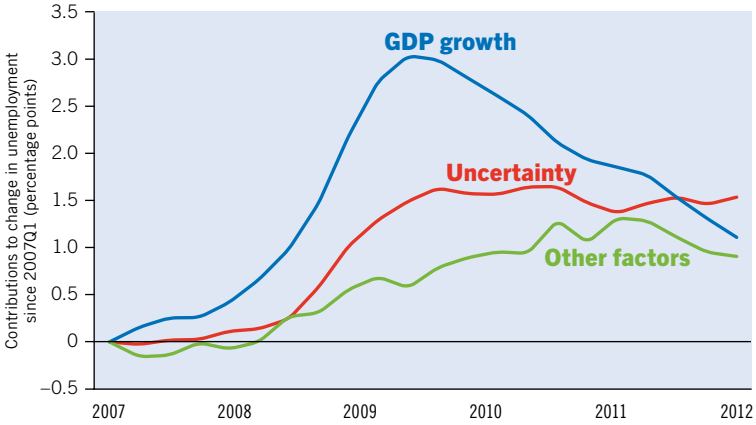
Figure 11. Macroeconomic uncertainty in selected economies



Note: Uncertainty indicators are shown on a scale from 0 to 100 for 2004–13.
Source: Ernst and Viegelahn, forthcoming; Baker, Bloom and Davis, 2013.

[4] These numbers were calculated on the basis of data from Eurostat.

Figure 12. Contribution of hiring uncertainty to the increase in the unemployment rate since 2007 in the United States (percentage points)



Note: The graph depicts the contributions of uncertainty, GDP growth and other factors to changes in the unemployment rate of the United States since the first quarter of 2007, based on the estimations of a structural VAR model.

Source: Ernst and Viegelahn, forthcoming.

and the continued delaying of critical decisions. This elevated level of uncertainty is particularly harmful towards employment in economies with salary schemes that tie significant components of managers' salaries directly or indirectly to the short-term profitability of companies. Since investments require an upfront cost and generate a return only in the medium or long term, there is little incentive for managers to invest (Smithers, 2013), and they may find it more attractive to buy back company shares or increase dividends (see chapter 3). If the uncertainty surrounding returns to productive investment is elevated, these incentives are decreased further. Business investment and hiring rates, as a consequence, decrease.

Hiring uncertainty is a measure for the uncertainty that weighs on employers when they make decisions about hiring new workers.[5] In contrast, policy uncertainty intends to measure the uncertainty that surrounds economic policy decisions of governments. Both hiring uncertainty and policy uncertainty are at elevated levels in most of the G7 economies when compared with pre-crisis years (figure 11). For all countries, both indicators of uncertainty are highly correlated, which indicates that much of the uncertainty that is relevant for hiring managers is also related to decisions by policy-makers. The hesitation of companies to invest is therefore unlikely to be driven merely by economic fundamentals.

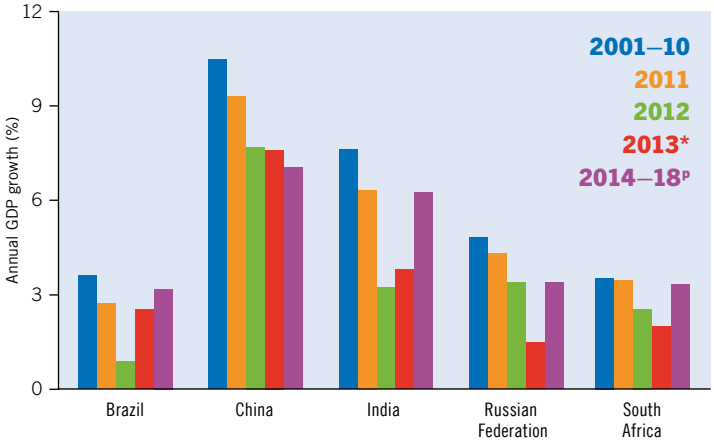
Uncertainty may be a significant factor affecting unemployment in some countries, making it more persistent. For the United States, for instance, estimates indicate that the trend in unemployment since 2007 can be largely associated with movements in output growth. The lack of aggregate demand has been the most important factor in the increase of unemployment rates during the crisis. Uncertainty rather had a level-impact, shifting unemployment rates up by an additional 1.5 percentage points (figure 12).

How is the growth slowdown in emerging economies shaping labour markets?

Between 2011 and 2013, growth in emerging economies slowed markedly, another major trend shaping global labour markets (figure 13). In the previous decade, China grew at 10.5 per cent annually, but growth decelerated to 7.6 per cent in 2013 and is expected to slow further to an average of 7.0 per cent in the period from 2014 to 2018. India grew at a rate of only 3.2 per cent in 2012. Even though growth reaccelerated to 3.8 per cent in 2013, this figure is still far below the 7.6 per cent observed on average between 2001 and 2010. Brazil has also seen more growth in 2013 compared with 2012, but growth fell short by more than 1 percentage point of

[5] See Appendix 1 for a discussion of the ILO hiring uncertainty indicator and its setup.

Figure 13. GDP growth rates in BRICS countries (per cent)



Notes: * 2013 are preliminary estimates; 2014–15 are projections.
Source: IMF, *World Economic Outlook*, October 2013.

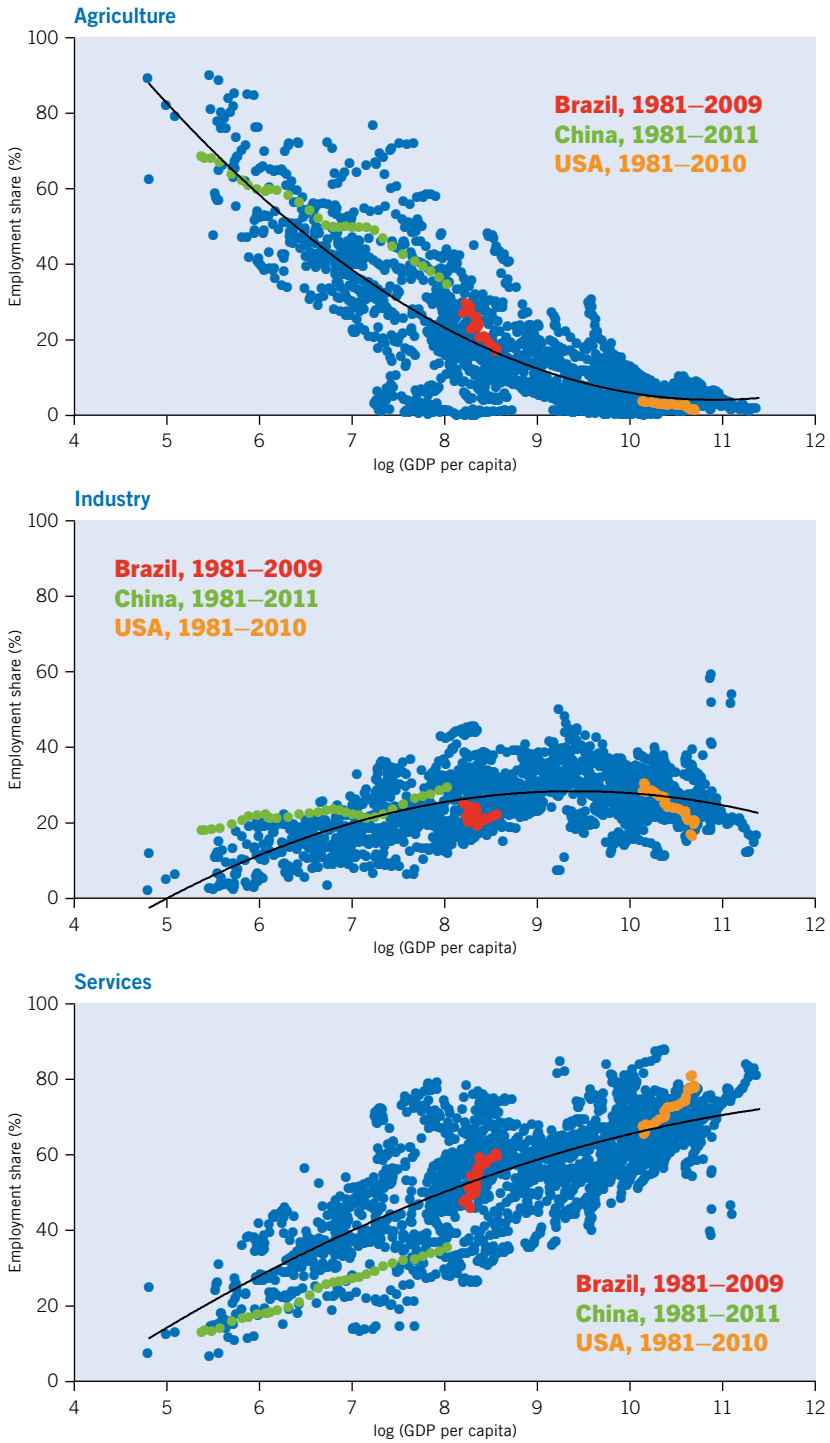
the figures achieved over the period from 2001 to 2010. In the Russian Federation and South Africa, economic growth slowed by 1.9 and 0.5 percentage points respectively in 2013 compared to the previous year; current growth is also slower than in the years from 2001 to 2010. Aside from the BRICS countries, other emerging and developing economies have also seen growth slowdowns in the past 3 years, such as Argentina, Mexico, Thailand and Viet Nam.

Export-dependent emerging economies have suffered from lack of demand by the major importing countries throughout the crisis. More recently, volatile capital flows have added to the pressures on many emerging economies. The increasing share of foreign-owned bonds has made their economic fortunes more dependent on monetary policy decisions in other economies (Sinaert, 2012). Exchange rate depreciations mitigate some of the effects if foreign capital is withdrawn. On the other hand, these exchange rate movements can have a strong impact on the real economy, for example in countries with heavy dependence on imported raw materials and commodities where production costs may soar when the exchange rate depreciates. Even though exporters should benefit, the negative impacts arising through the import channel may dominate. Overall, volatile capital flows and exchange rate movements have led to heightened uncertainty and associated lower growth in those emerging economies where they have been a factor.

A slowdown in structural transformation observed in many emerging economies has further weighed on output growth in these countries (see also ILO, 2013c). Workers are not moving out of agriculture and into higher value-added activities as fast as they did in the past. While it continues to be important for governments to facilitate intersectoral mobility of workers, the pool of workers in subsistence agriculture has become smaller over time. By moving into urban areas and finding jobs in higher-productivity industry or services sectors, workers that were originally employed in agriculture contributed to higher economic growth rates in the past. But in some countries this natural source of economic growth is currently losing its importance. If high growth rates are to be maintained in the future, they cannot come exclusively from an increase in the availability of production factors – labour and capital – but need to be built on improvements in total factor productivity instead. The challenge is to employ the available capital and workers more efficiently by moving into higher-quality segments and higher-value added activities.

These trends are exemplified in China, which has grown at a remarkable pace over the past decades, moving from one of the least developed economies towards middle income status (figure 14). Over this period, the share of agricultural workers nearly halved, from around 70 per cent at the beginning of the 1980s to 35 per cent more recently. Workers previously engaged in agriculture were quickly absorbed into the manufacturing sector which today accounts for significant parts of the global supply chain. Historical experiences from other countries, however, suggest that the share of employment in industry does not increase unboundedly. In addition,

Figure 14. Sectoral employment shares and economic development



Note: Every dot corresponds to a data point. The sample includes data for 139 countries for 1980–2012.

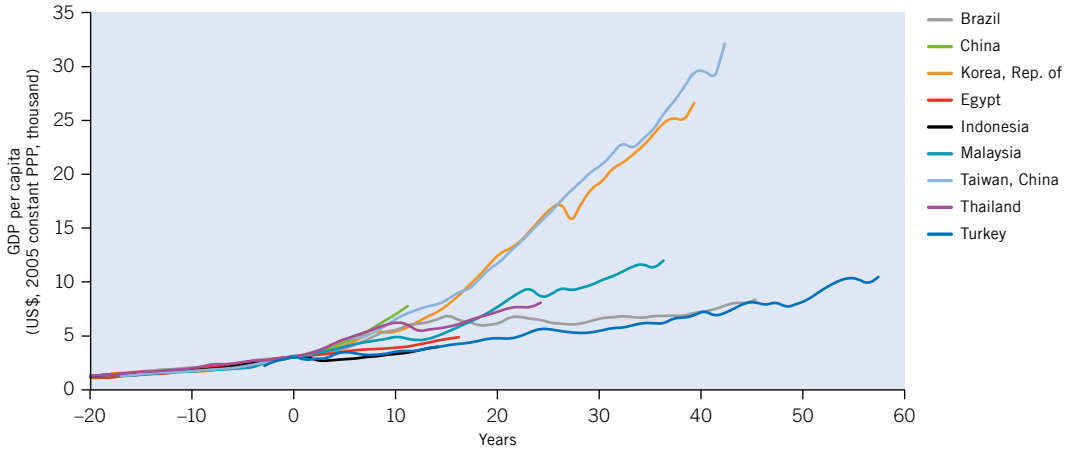
Source: ILO, *Key Indicators of the Labour Market*, 8th edition; IMF, *World Economic Outlook*, October 2013.

the absolute number of people aged 15–64 in China is expected to decline in the years to come.[6] As a consequence, China's potential pool of workers for the manufacturing sector is not growing any more. This decrease in the potential workforce is narrowing the production base, which has led China to forge a growth model that is based more on technological upgrading, productivity enhancements and the development of stronger domestic consumption.

A different example is found in Brazil, which has experienced relatively modest economic growth over the past decades. Even though workers moved out of agriculture, many shifted to jobs in low-productivity services sectors, not into higher-productivity manufacturing. In addition, large parts of the manufacturing industry have not benefitted from significant

[6] See *UN World Population Prospects, the 2012 Revision*.

Figure 15. Trajectory of annual GDP per capita before and after the year a country reaches US$ 3000 (2005 constant PPP)



Note: Year 0 on the time scale is the first year in which a country reaches a GDP per capita level of above US$ 3000 in constant 2005 PPP terms. Figure is adopted from Aiyar et al. (2013).

Source: Own calculations based on *Penn World Tables 7.1*.

innovation or diversification and, as a result, manufacturing productivity gains have not reached levels that support aggregate economic growth.

Some analysis points to the risk of "middle-income traps" in which countries enjoy a rapid sectoral transformation at early stages of economic growth and development but then seem unable to achieve the productivity and innovation increments that could move them to high-income status. At this point in time, China is a long way from such a situation, given that it continues to grow faster than the Republic of Korea did in the 1980s, when it was at a similar stage of development as China is now (figure 15). Malaysia and Thailand embarked on a medium growth path, although Thailand's growth has slowed down more recently. India is now in a decisive phase, just having reached the level of GDP per capita after which the trajectories of other countries diverged in the past.

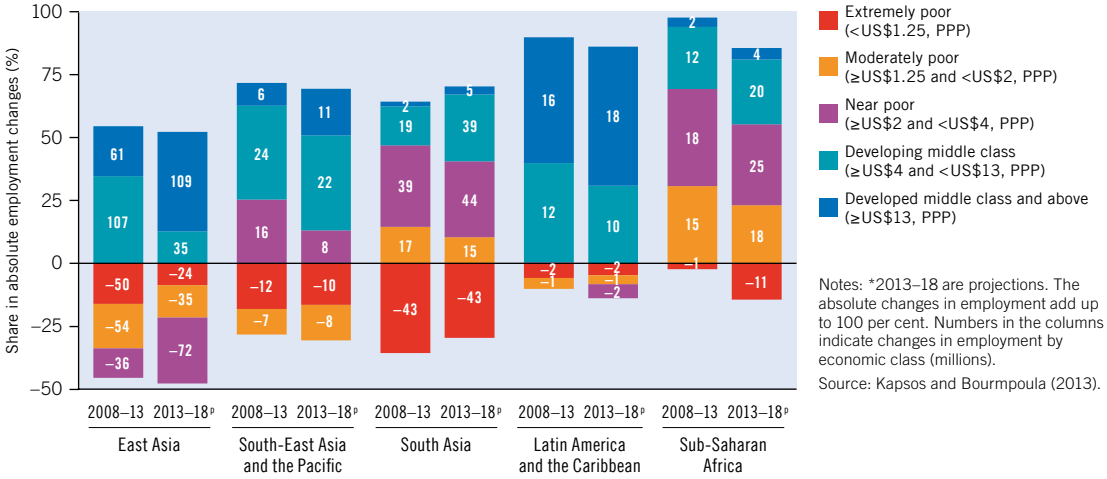
The working middle class continues to grow in the developing world

The number and share of middle-class workers expanded rapidly across the developing world in the decade of the 2000s, reflecting stronger investment and consumption and thereby providing an important source of economic growth (ILO, 2013c). However the growth of the middle class must be differentiated in these economies, as it includes the developing middle class, living on US$ 4-13 per day and the expansion of a more secure middle class, living on above US$ 13 per day.

In East Asia, the developing middle class is expected to grow less over the period 2013–18 than over the years 2008–13, while the developed middle class is expected to grow more (figure 16). In South-East Asia and the Pacific the expansion of the middle class is predicted to slightly accelerate, moving more workers into the middle class in the next 5 years compared with the previous 5 years. A stronger expansion of the middle class is expected for South Asia, while the reduction in extremely poor workers is forecast to remain stable at the same time. Sub-Saharan Africa will likely see a reduction in the number of extremely poor workers and expansions of all other economic classes. For Latin America and the Caribbean, the increase in the middle class is expected to follow a similar path in the next 5 years as in the previous 5 years, in which the majority of new employment opportunities are middle class and above.

The Millennium Development Goals provide another useful means to analyse the progress on employment in developing countries (see box 2).

Figure 16. Changes in employment by economic class, selected time periods and regions



Notes: *2013–18 are projections. The absolute changes in employment add up to 100 per cent. Numbers in the columns indicate changes in employment by economic class (millions).

Source: Kapsos and Bourmpoula (2013).

Box 2. MDG employment indicators

World leaders adopted the UN Millennium Declaration at the Millennium Summit in September 2000. The Declaration has been translated into a framework of goals, targets and indicators that aims to reduce poverty and hunger and to tackle ill-health, gender inequality, lack of education, lack of access to clean water and environmental degradation. In 2008, a new target on decent work was included under the first Millennium Development Goal (MDG) on the eradication of poverty and hunger. MDG1 currently consists of three targets, the second of which, Target 1B, focuses on achieving "full and productive employment and decent work for all, including women and young people". Target 1B is monitored using four employment indicators, namely: (1) growth rate of GDP per person employed (growth rate of labour productivity); (2) employment-to-population ratio; (3) proportion of employed people living below US$ 1.25 (at purchasing power parity, PPP) per day (working poverty rate); and (4) proportion of own-account and contributing family workers in total employment (vulnerable employment rate). In addition, the initial set of MDG indicators adopted in the year 2000 included one employment indicator under the third goal on gender equality (share of women in wage employment in the non-agricultural sector).

These indicators provide a framework for labour market analysis in developing economies. Labour productivity provides a starting point for assessing the extent to which an economy can generate and sustain decent employment opportunities. The indicator reflects the connection between the broader economy and the labour market, and investigation of this connection can shed light on issues such as limitations of productivity gains to certain sectors or labour market segments, and the translation of these gains into better employment conditions. The second indicator, the employment-to-population ratio, captures the volume of employment. However, given that in many developing economies low-quality employment is widespread, the level of the employment-to-population ratio is not indicative of the state of the labour market, and a rise in the ratio does not necessarily signify an improvement. Particularly in low-income countries, employment growth may be primarily driven by demographics and growth in low-quality employment, which hampers the interpretation of indicators based on numbers of workers (employment, unemployment and participation rates). Therefore, the set of indicators is complemented by the two indicators on the quality of employment, which provide complementary information. Whereas vulnerable employment is measured at the level of individual workers (jobs), working poverty is conventionally determined on the basis of household consumption. This means that private or public transfers, which affect household consumption, also influence working poverty. An expansion of social protection, for example, may help to reduce working poverty regardless of the job a worker is holding.

Post-2015 development agenda

The MDG employment indicators have proven their analytical value, not only in global and regional reports, including the *Global Employment Trends* series, but also in numerous country-level reports. Discussions on the post-2015 development goals are on-going, and one of the key elements of the vision for the development agenda is inclusive economic transformations that ensure decent jobs (UN, 2013a). The current set of MDG employment indicators provides a basic framework for tracking progress towards decent work, which should be extended and/or refined in many ways to better capture improvements in the quality of jobs and workers' lives, and identify those who are excluded. For example, given that social protection can play a fundamental role in creating more inclusive and sustainable development pathways, and can be instrumental for the pursuit of many of the current MDGs, an indicator on social protection programmes has been widely proposed (UN, 2012).

A possible overarching sustainable development goal on "full and productive employment and decent work" under the post-2015 development framework will require a set of targets and indicators going beyond the existing five MDG indicators. Additional indicators for targets in the areas of working poor, youth unemployment, informality, female labour force participation and social protection should be considered, in order to provide a menu of options to be adapted according to countries' circumstances and availability of information.* It will also be important to monitor patterns of structural change, which is a major driver of productivity increases as well as the creation of better jobs in developing economies. Strengthening national collection of labour market statistics and supporting national capacity building, especially for the poorest countries, should be a main item of the global development agenda beyond 2015.

* For an initial discussion, see ILO Post-2015 concept note 2, *Jobs and livelihoods: Meaningful ways to set targets and monitor progress*, http://www.ilo.org/global/topics/post-2015/documents/WCMS_213209/lang--en/index.htm.

Summary

Despite continuing risks, a modest recovery has occurred in recent months in the developed world, which may strengthen global economic growth in 2014. However, at current levels, growth is too weak to significantly improve the situation of workers worldwide. In many economies, particularly in the euro area, GDP levels are still far below the levels observed before the crisis, which is reflected in high unemployment figures. Some developing and emerging economies are lagging behind the economic growth rates observed in the past decade, resulting in slower poverty alleviation. Decent job creation slowed almost everywhere worldwide with a significant deceleration in both wage employment and industrial employment growth. In addition, the average unemployment duration increased in many countries. Significant policy action is urgently required to tackle the key factors that prevent labour markets worldwide from recovering. In this respect, the indicators provided in this *Global Employment Trends* report allow an analysis of progress and areas of interventions to promote more and better jobs around the world.

Appendix 1. The ILO hiring uncertainty indicator

The ILO has developed an indicator that captures employers' assessment of uncertainty in the labour market in G7 countries. Details of its calculation are provided in Ernst and Viegelahn (forthcoming). The ILO hiring uncertainty indicator is based on a model by McDonald and Siegel (1986) that in its original version studies the optimal timing of an investment in an irreversible project. The model is adapted to firms' hiring and lay-off decisions and analyses when it is optimal for an individual firm to change the size of its workforce.

The first step in calculating the uncertainty indicator consists of deriving uncertainty as a function of a time discount factor with which firms discount future profits and a labour productivity threshold above which firms find it profitable to hire workers. In other words, only when labour productivity exceeds this threshold that is strictly larger than the sunk costs of hiring, firms find it optimal to hire workers. Assuming that uncertainty perceptions are the same across all firms in the economy, the same productivity threshold applies to the whole labour market. However, depending on an individual employers' economic outlook, workers may produce more value and be more productive in some firms than in others. The second step then assumes that labour productivity is log-normally distributed across firms. Both the level of labour productivity and the respective shares of firms that intend to increase and decrease the size of their workforce then exactly pin down the parameters of this distribution as well as the productivity threshold.

Data on employers' hiring intentions are taken from the ManpowerGroup's Employment Outlook Survey that is published on a quarterly basis from a survey of employers. More specifically, data are available on the percentage of employers that expect an increase of employment in their establishment for the next quarter and the percentage of employers that expect a decrease.[7] Quarterly data on labour productivity, measured as output over total labour costs, are taken from the OECD. These data series are then directly plugged into the uncertainty equation of the model, providing for each quarter the level of uncertainty that is consistent with observed labour productivity and hiring intentions.

The indicator then reflects employers' assessment of the volatility of future labour productivity. If the market uncertainty perceived by employers is high, there is a significant probability for hired workers to be much less productive than expected. This is then indicated by a larger value for the hiring uncertainty indicator. If the economic outlook is less uncertain and workers' productivity is likely to be close to the expectations, the indicator will take on a lower value.

To understand the factors influencing the dynamics of hiring uncertainty, a multi-variate regression analysis was carried out, using the full panel of all seven countries (Canada, France, Germany, Italy, Japan, United Kingdom, United States) for as many quarters as possible. Four sets of variables were regressed on the hiring uncertainty indicator: general economic performance such as GDP growth and variability; overall labour market performance (both current and past) such as unemployment rates and variances; financial market related variables such as the IMF's financial stress index; and policy related variables such as the level of public debt, the degree of coordination between monetary and fiscal policies and regulatory variables such as the OECD's product and labour market regulation indicators. Results presented in chapter 3 are displayed as marginal effects at the variable mean. Estimates use panel-corrected standard errors to account for autocorrelation and heteroscedasticity in the data.

[7] See http://www.manpowergroup.com/press/meos_landing.cfm.

2. Regional economic and labour market developments

Developed Economies and European Union

A recovery in activity, not in jobs

The first signs of a recovery in economic activity appeared and strengthened in the Developed Economies and European Union region throughout 2013. The euro area emerged from recession during the second quarter of 2013 after 18 months of contraction, the longest in its history, led by faster than expected growth in Germany thanks to its strong export sector. In the United States, growth firmed after a weak end-of-year in 2012 and reached more than 4 per cent in the last quarter of 2013. Similarly, in Japan, growth remained steady in the first half of 2013 after having overcome a short-lived recession by the end of 2012. Throughout the region, a firming in output and improvements in expectations is visible. Business investment is creeping up, albeit slowly. Productivity growth also shows signs of recovery in the region after having decelerated sharply following the aftermath of the financial crisis. At the same time, improvements in external competitiveness in key crisis countries in the region have put the recovery on a broader basis, allowing both domestic and external factors to contribute. However, improvements in both productivity and competitiveness have not yet been strong enough to make a significant difference to the still large employment gap. It remains, so far, a recovery in economic activity, not in jobs.[8]

The lacklustre nature of the recovery is caused, in part, by the continued pursuit of fiscal consolidation policies in the region. In contrast to the positive if weak impulses to growth from the private sector, governments in several advanced economies continue to reduce their primary deficit by raising taxes and/or lowering spending. Even some of the countries that have sufficient fiscal space to provide a stimulus to aggregate demand that could potentially spill over to the region as a whole, pursue fiscal consolidation. This complicates the achievement of both employment and fiscal targets. Indeed, in the context of weak economic growth, public revenues remain depressed and public spending difficult to contain. In the region, public debt to GDP has reached more than 100 per cent of GDP, the highest ratio among all regions. Increasingly, the pursuit of these policies is being recognized as ineffective and prolonging the economic crisis unnecessarily (IMF, 2013).

Further risks remain. As first signs of a recovery in the region have appeared, monetary authorities face increasing difficulties in communicating their future path of action, contributing to an already high level of uncertainty among investors and firms. Earlier announcements of a tapering of the exceptional measures in the United States led to immediate market reactions and an increase in interest rates, threatening the modest recovery currently under way in the country. In Europe, banks continued to deleverage and have started to repay the loans that they had taken from the European Central Bank. Similarly to the United States and despite continuous easing of monetary policy in the euro area, interest rates have started to increase and firms, especially in crisis countries, continue to be shut off from taking out

[8] See also the discussion in chapter 1.

credit. To date, only Japan follows a coordinated approach of monetary and fiscal stimulus, so far with promising results regarding the economic recovery.

The outlook for jobs remains bleak

Labour market conditions in the region have continued to worsen over 2013 (table 3). In the Developed Economies and European Union region, the unemployment rate remained in 2013 at 8.6 per cent or 45.2 million people. It is expected to gradually decline to below 8 per cent around 2018, still significantly above the rate in 2008. At the same time, the youth unemployment rate in the region is expected to fall after having peaked in 2012. In 2013, 18.3 per cent of young people in the region were out of a job, with a gradual decline expected to take hold to 2018. There is no difference between unemployment rates among women and men in the region, however, women are expected to benefit less from the timid recovery that is expected over the medium term; indeed, their unemployment rates will only gradually decline to 8.2 per cent in 2018, whereas men are projected to benefit from a stronger reduction to 7.6 per cent. At the same time, labour force participation continues to slide downwards, albeit at a slow rate, partly explained by demographic changes. Nevertheless, the labour force in advanced economies is still expected to increase by 8 million people by 2018.

In addition to the still high youth unemployment rate, a particularly worrisome trend is the large employment gap for young adults (aged 25-34; see figure 17). In certain crisis countries in the region, employment losses have been more pronounced for this age group than for youth, with particularly adverse consequences for a quick labour market recovery (see OECD, 2013). Indeed, young adults are the first to face job losses in crisis times due to their lower seniority and the job protection afforded to older workers. At the same time, they often cannot benefit from specific youth labour market programmes or retraining to improve their labour market chances, making a return to employment for this age group particularly protracted. Overall, it was younger age groups that suffered most from the crisis. For instance, employment in Greece, Ireland and Portugal as a whole declined by 1.6 million between 2007 and 2012, but 75 per cent of this reduction, i.e. 1.2 million jobs, was concentrated among younger people (aged 15-34 years). In Italy, young adults faced a sharper decline in their employment-to-population ratio than youth, whereas older workers (aged 55-64) actually benefited from an increase in employment between 2007 and 2012. Clearly, this concentration of job losses among younger workers bodes ill for a more rapid recovery if policy-makers are not taking decisive steps to expand their efforts to include young adults as well.

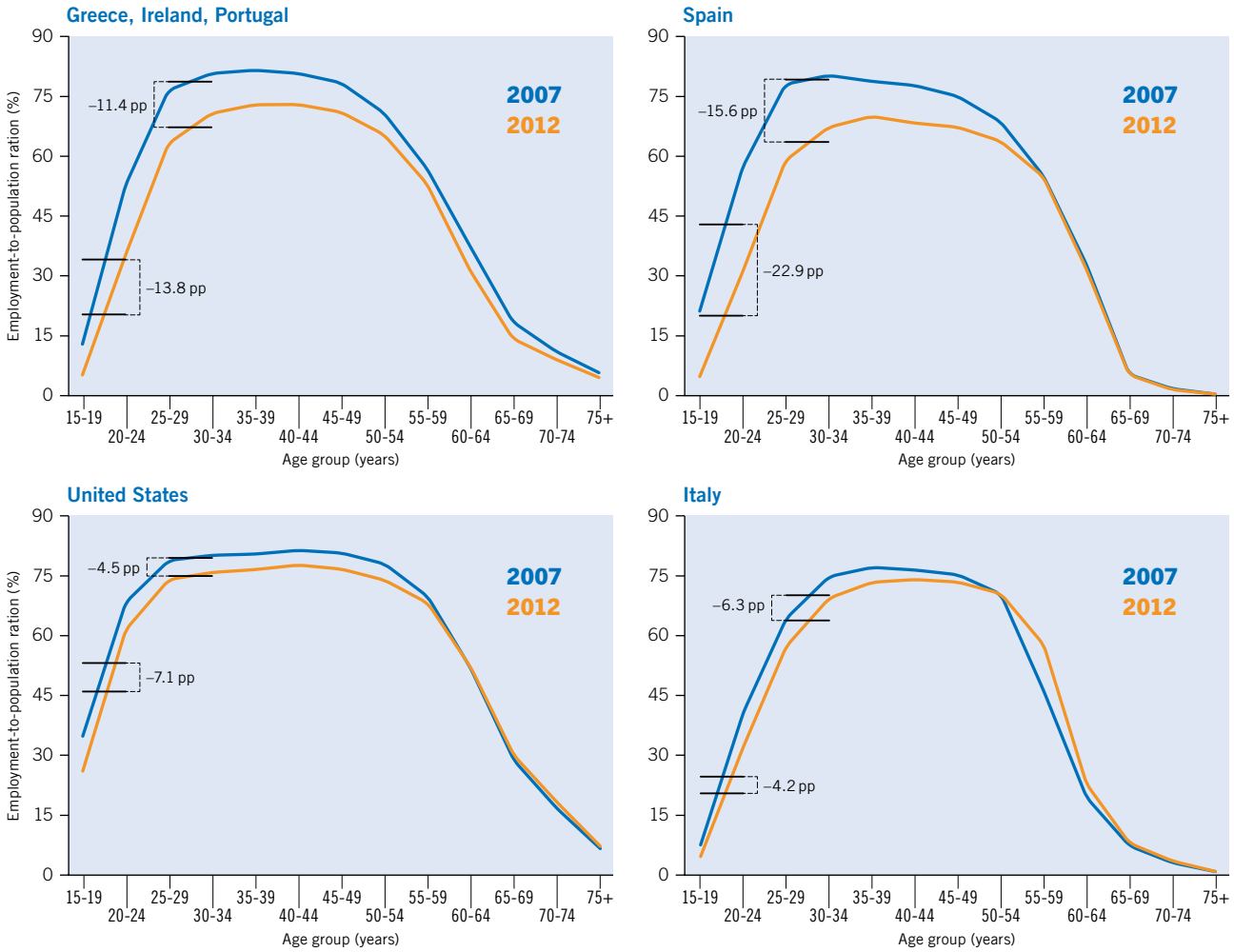
Table 3. Labour market situation and outlook in Developed Economies and European Union (per cent)

		2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
Labour force participation rate		60.4	60.2	59.9	60.0	59.9	59.9	59.8	59.8	59.7	59.6
Unemployment rate	Total	8.4	8.8	8.4	8.6	8.6	8.6	8.4	8.2	8.0	7.9
	Male	8.8	9.1	8.5	8.6	8.6	8.5	8.3	8.0	7.8	7.6
	Female	7.9	8.4	8.3	8.5	8.6	8.6	8.5	8.4	8.3	8.2
	Youth	17.4	18.1	17.6	18.0	18.3	18.0	17.4	16.8	16.3	16.0
	Adult	7.1	7.5	7.2	7.4	7.3	7.4	7.3	7.1	7.0	6.9
Employment annual growth rate	Total	–2.2	–0.2	0.4	0.5	0.4	0.4	0.5	0.5	0.5	0.4
	Male	–3.1	–0.4	0.7	0.5	0.4	0.4	0.6	0.6	0.5	0.5
	Female	–1.1	0.0	0.1	0.6	0.4	0.3	0.4	0.5	0.5	0.4
	Youth	–7.5	–4.0	–1.0	–1.1	–0.6	0.1	0.3	0.3	0.1	0.0
	Adult	–1.5	0.3	0.6	0.7	0.5	0.4	0.5	0.6	0.5	0.5
Memorandum item: *GDP annual growth rate*		–3.6	2.6	1.6	1.4	1.0	1.9	2.4	2.5	2.5	2.4

Notes: * 2013 are preliminary estimates; 2014–18 are projections.

Source: ILO, *Trends Econometric Models*, October 2013 (see Annexes 4 and 5); IMF, *World Economic Outlook*, October 2013.

Figure 17. Job losses by age group – Selected OECD economies (2012 vs. 2007)



Note: pp = percentage points. The graph displays employment-to-population ratios by 5-year age brackets for a selection of OECD countries in 2007 (solid line) and 2012 (dashed line). The black dashes indicate the evolution of the employment-to-population ratio for youth (15-24 years) and young adults (25-34 years) between 2007 and 2012.

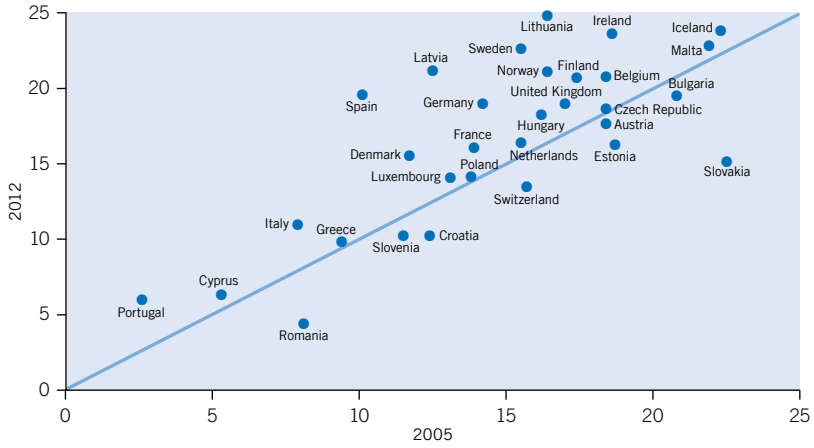
Source: OECD, online database.

Long-term unemployment is on the rise as skills mismatch increases

Labour market mismatch has increased since the peak of the crisis in many countries in the region (see figure 18). As sectoral demand for labour has shifted, unemployed workers find it more and more difficult to score employment opportunities in their previous sector of activity. In crisis countries that had benefited from large increases in housing investment prior to the crisis (e.g. Spain), the dramatic loss in employment in the construction sector has led to an important shift in skills demand and sectoral movements in employment. But even in countries that seem to have managed to protect their labour market from the effects of the crisis, shifts in external demand have triggered a rise in skills mismatch over recent years (e.g. Germany). Such a shift in the mismatch between skills offered and skills in demand will complicate the labour market recovery, as jobseekers need to acquire the relevant skills before being able to benefit from new employment opportunities. Countries therefore need to provide sufficient means for investment in training and education targeted specifically at those unemployed workers in crisis sectors.

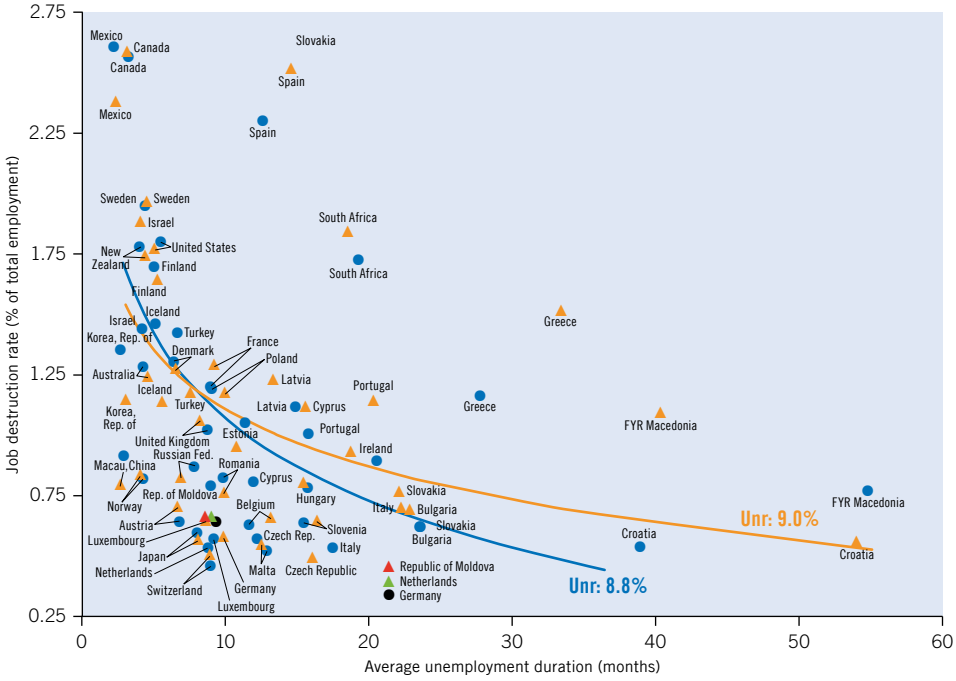
Unemployment is becoming more persistent, although it is now mainly weak hiring rather than job destruction that keeps joblessness rates high (see figure 19). The beginning of the crisis saw a substantial uptick in labour shedding. Job destruction has now stabilised or continues a downward trend in those countries for which data are available. However, the

Figure 18. Skills mismatch: 2005 vs. 2012



Source: ILO, *Key Indicators of the Labour*, 8th edition.

Figure 19. Increase in unemployment driven by longer unemployment duration



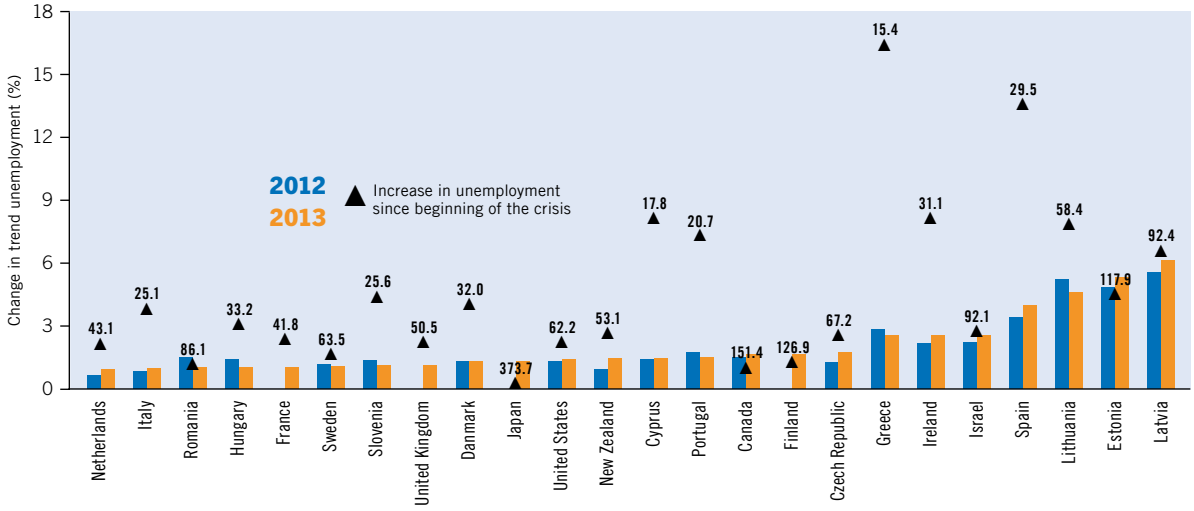
Note: The chart displays the iso-unemployment curve (see ILO, 2013) for a selection of developed economies between 2011 and 2012. The IUC plots job destruction rates against average duration of unemployment across countries for a given year. An outward movement of the IUC indicates an increase in unemployment. The dashed and solid lines represent the theoretical IUC estimated for 2011 and 2012. The average unemployment rate for the countries in this chart amounts to 8.8 per cent in 2011 and 9.0 per cent in 2012.

Source: ILO, *Key Indicators of the Labour Market*, 8th edition.

continuous rise in average unemployment duration indicates a lack of job creation. Taken together, these trends confirm an earlier analysis that showed the crisis is actually slowing down structural adjustment of the economy towards faster growing sectors, thereby limiting the potential for a quick recovery (see ILO, 2013c).

Part of the slowdown in job creation and the rise in average unemployment duration can be attributed to long-term changes in demographic dynamics and population ageing. As the share of older people in the workforce of advanced economies rises, getting jobseekers back to employment can become more difficult. In general, job turnover rates – the sum of job creation and job destruction – are higher for younger people in the labour force. The employment recovery may, therefore, be particularly protracted in countries where employment losses have been large and demographic changes are well underway, such as in a large proportion of European crisis countries.

Figure 20. Changes in trend unemployment



Note: The chart displays estimated increases in trend unemployment since the beginning of the crisis, comparing 2012 and 2013. The back triangles measure the increase in the absolute number of jobseekers between 2008 and 2012.

Source: ILO estimates, *Key Indicators of the Labour Market*, 8th edition.

As average unemployment duration increases, trend unemployment creeps up as well, but it remains well below the overall increase in headline unemployment since the start of the crisis (see figure 20). Trend unemployment, a concept introduced in the *Global Employment Trends* report 2013, measures the average unemployment rate to be expected in a country over the course of the business cycle. It is an indication of both the extent to which labour market mismatch is prevalent – higher mismatch increases trend unemployment – and the average intensity of vacancy creation when the economy operates at a sustainable level. The trend unemployment rate as measured by the ILO can be related to typical structural unemployment rates, but it is measured purely on the basis of labour market information, without reference to inflation rates or output gaps. This statistical identification of trend unemployment rates makes it less dependent on any specific theory and less data- and computation-heavy, therefore it is also suitable for countries for which only limited information is available. On the basis of this methodology (see ILO, 2013c, Chapter 3, Annex 1, for more details), a further increase in trend unemployment can be detected in several countries in comparison with the estimates from 2013, an indication that structural labour market problems are becoming more and more prevalent in the Developed Economies and European Union region. Nevertheless and when compared with the total increase in unemployment during that period, the short-term unemployment part that is sensitive to changes in aggregate demand remains the dominant contributor. Countries should, therefore, continue to focus on appropriate strategies for strengthening labour demand as a primary policy objective.

The sluggish recovery in economic activity and the large gap in jobs have fuelled a debate as to the extent that GDP growth is too low for stronger employment creation. Figure 21 compares the evolution of economic activity and the level of employment across G7 countries over the course of the recent global financial crisis and with the equivalent trends for previous recessions between 1970 and 2007. As the figure demonstrates, after the global financial crisis economic activity has expanded in these countries with almost the same strength as after earlier recessions, but the fall prior to the recovery was much deeper (figure 21, left panel). At the same time, the level of employment continued to fall during the global financial crisis, even after the recovery in output had already started, whereas in previous recessions, loss in employment stopped as soon as economic activity resumed (figure 21, right panel). Both views seem, therefore, to contain some validity, explaining the depth and persistence of the jobs crisis in advanced economies: the recovery in output is not strong enough to compensate for the losses during the recession and even in those countries where the expansion was strong,

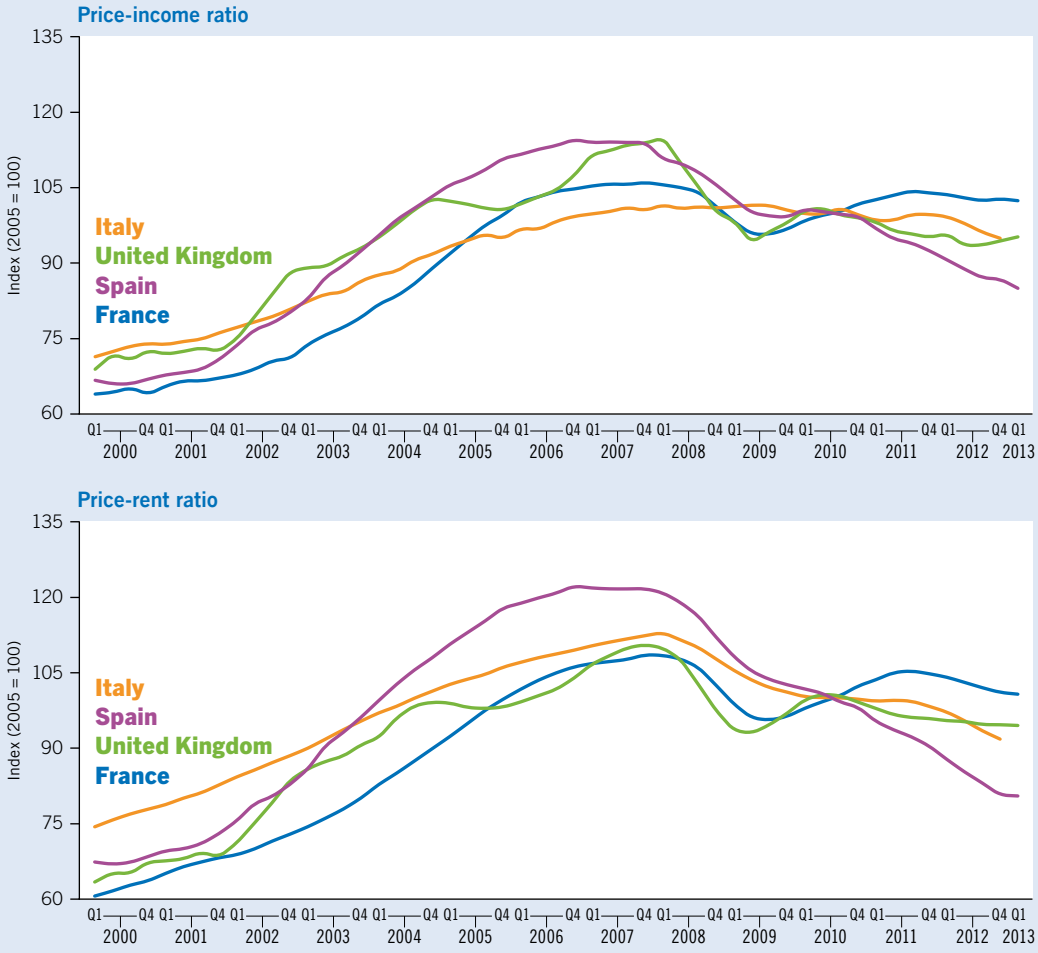
Box 3. Are house price cycles responsible for the slow jobs recovery?

Many advanced economies continue to experience house prices above historical averages in comparison to both disposable incomes and rents (see figure B3.1). Some observers have argued that high house prices can at least partly explain the large and persistent increase in unemployment in these countries (Askenazy, 2013).

At the same time, positive house price developments have long been welcomed as a positive driver of growth. As increases in house prices and house ownership makes private households feel richer, private consumption is expected to expand faster than economic activity (the "wealth effect"). Also, stronger house price increases allow for faster employment creation, as they will lead to the expansion of the construction sector, an employment-intensive industry. Along these lines and prior to the crisis, many studies found that the housing cycle had a positive effect on business activity and that housing investment should be supported by government interventions – to the extent that house price increases were considered sustainable.

In order to estimate the contribution of house prices to unemployment, a small dynamic general equilibrium model has been set up for 14 advanced countries. The model contains three channels of house price increases on unemployment: (a) house price inflation leads to faster wage growth; (b) house price inflation depresses aggregate productivity as the size of the construction sector in the overall economy increases; (c) house price inflation leads to faster job creation and lower job destruction as private consumption improves and strengthens aggregate demand. At the same time, the model also includes a channel for general asset price increases (both housing and share prices) to affect gross fixed capital formation and long-term interest rates. All parameters of the model have been estimated for the 14 countries in question.

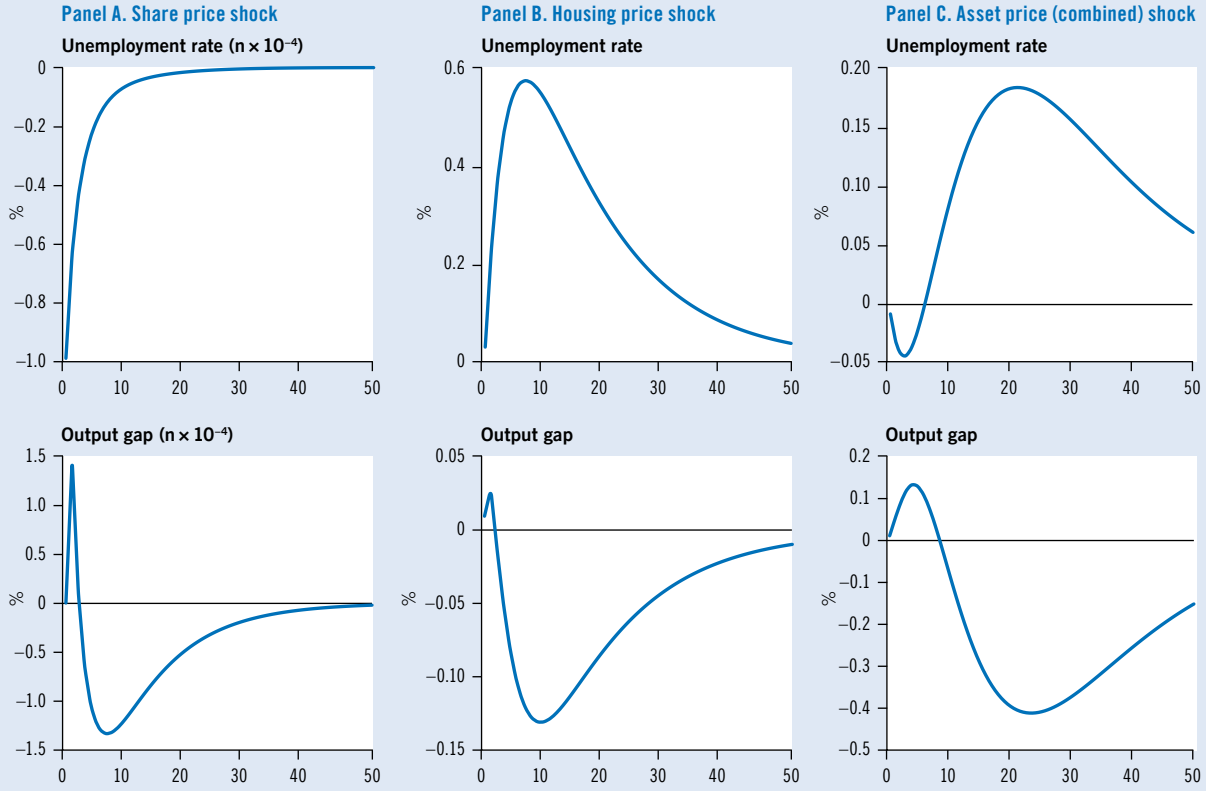
Figure B3.1 House price developments in selected advanced economies



Note: Index: 2005 = 100.
Source: OECD, house price database, October 2013.

Based on the estimated model, figure B3.2 shows the average unemployment and output impact of shocks to (a) share prices, (b) house prices and (c) a combination of house and share prices. In panel A where only the impact of share prices is considered, employment expands unambiguously whereas economic activity expands only at the beginning; both effects dissipate quickly after the initial impact. In contrast, panel B demonstrates that the negative effect of house prices on employment dominates any positive impact arising through wealth effects, and that the rise in unemployment dissipates only at a low rate. Combining both types of shocks, similar to the situation observed during the 2000s, shows that improvements in employment and economic activity can indeed be observed over the short term but that the competitiveness effect of house prices on the labour market worsens the outlook considerably and is long-lasting. House prices currently remain high, which therefore explains part of the persistence in unemployment. This needs to be tackled – particularly in crisis countries – for employment to be restored more rapidly.

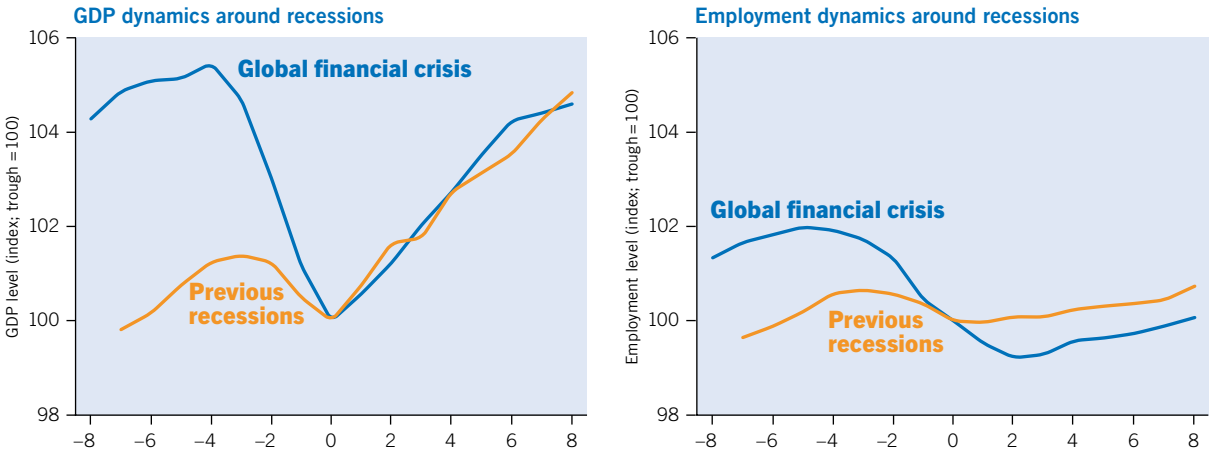
Figure B3.2 The effect of share and house price shocks on unemployment



Note: The graphs show the impulse-response functions for unemployment and the output gap over a 50-quarters period following (a) a share price shock, (b) a housing price shock, and (c) a combined shock (i.e. both higher share prices and higher housing prices).

Source: Ernst and Saliba, forthcoming.

Figure 21. GDP and employment recoveries around recession turning points (G7 countries)



Note: The chart shows an index for economic activity and levels of employment in G7 countries around recessionary turning points comparing the global financial crisis with the average situation of recessions between 1970 and 2007.
Source: OECD, Main Economic Indicators; ILO staff calculations.

output levels in 2013 are barely 2 to 3 per cent above pre-crisis levels. At the same time, the jobs machine also seems to have been affected, as employment creation is much slower than would have been expected from earlier recessions. As is argued in box 3, this slow recovery in both output and employment can be partly explained by the characteristics of the crisis, in particular the strong expansion of asset prices and housing investment.

Social developments

The social situation has deteriorated during the crisis, in particular in the European Union: the latest Eurostat figure from 2011 indicated that one in four persons (24.2 per cent) were at risk of poverty and social exclusion, and that this share has increased by 1.2 percentage points within just 2 years. This deterioration was especially dramatic in the countries most affected by the economic and financial crisis – Greece, Ireland, Portugal and Spain – although first signs of a moderate improvement in labour market conditions are visible in these countries, albeit starting from a very low level of employment. Other countries such as Austria, Germany and the Nordic countries remained somewhat insulated from the social and economic impact of the crisis. In contrast, the new European Union Member States (excluding Croatia) actually experienced an overall reduction in the proportion of people at risk of poverty from 31.7 per cent in 2008 to 30.6 per cent in 2011, although the situation is mixed across countries. However, in the second phase of the crisis the majority of governments in the European Union countries embarked on fiscal consolidation, with significant cuts to their welfare systems and provision of public services, which disproportionately affected jobless persons and their families as well as those groups of the population that are not covered or poorly covered by social protection systems, such as first-time jobseekers, informal workers, ethnic and migrant groups, single-parent families and pensioners, with negative consequences for social cohesion and social justice. These policy choices have led to an increase in the risk of social unrest, especially in the European Union where the ILO's Social Unrest Index has risen from 34 per cent in 2006/07 to 46 per cent in 2011/12 (ILO, 2013d).

In addition, the crisis has had a negative impact on the quality of employment in most countries as the incidence of involuntary temporary and part-time employment, in-work poverty, informal work, job and wage polarization and income inequality have further increased. In the United States, for instance, the underemployment rate – i.e. the share of people unemployed, marginally attached to the labour market or involuntarily working

part-time – almost doubled between 2007 and 2009 (from 8.3 to 16.2 per cent) and has only slightly moderated to 14.3 per cent in 2013 (Bell and Blanchflower, 2013). In the EU, the proportion of involuntarily accepted temporary employment increased by 1.1 percentage point between 2008 and 2012 and the share of involuntary part-time employment grew by 2.4 points in the same period. Many workers have also had to accept low-paid employment and the share of low-wage earners reached 17 per cent in the European Union in 2012, raising concerns over the growing number of working poor.

Central and South-Eastern Europe (non-EU) and CIS

Growth decelerated sharply

The region of Central and South-Eastern Europe (non-EU) and the Commonwealth of Independent States (CIS) faced a sharp deceleration of economic growth in 2012, from 5.6 per cent in 2011 to 3 per cent (see table 4 below). This aggregate figure hides a significant difference in economic dynamics between the Central and South-Eastern Europe (non-EU) subregion and the CIS subregion: while the latter lost 1.4 percentage points (the GDP growth rate fell from 4.8 per cent in 2011 to 3.4 per cent in 2012, in the former it declined by 3.7 points, to 1.6 per cent. The main factors behind this sharp slowdown were the weakening of global demand for hydrocarbons, metals and other minerals, which are the main export commodities of many of these countries, as well as the persistent crisis in the euro area, an important trading partner. This unfavourable development has continued in the CIS in 2013, mainly due to a further reduction of economic growth in the Russian Federation to an estimated 1.5 per cent, as a consequence of weak commodity exports combined with low domestic investment activity and low consumer demand. In contrast, economic growth in Central and South-Eastern Europe (non-EU) has slightly picked up, by an estimated 0.6 percentage points in 2013, thanks in part to a moderate recovery in Turkey: its GDP is expected to grow by 3.6 per cent as a result of a domestic demand revival, supported mainly by surging public investment. If the anticipated, even though still timid, economic recovery in the European Union indeed materializes in 2014, the region will benefit and growth will accelerate, although growth is expected to remain well below the rates achieved in 2010-11. An increase in foreign direct investment (FDI) recorded in 2013 will contribute to this economic recovery, however it will inevitably cause a new deterioration of the current account balance, especially for Central and South-Eastern Europe (non-EU) countries, and thus sharpen the risk of future economic instability.

The labour market picture remains bleak

The disappointing economic development impacted negatively on employment growth and brought a longer-term trend increase in the employment rate to a temporary halt in 2013. However, both the employment level and the employment rate are expected to pick up again in 2014, if the projected recovery takes shape. While in the CIS subregion the employment rates are, in general, relatively high, the Central and South-Eastern Europe (non-EU) countries have significantly lower rates, which even drop below 40 per cent in Bosnia-Herzegovina, Serbia and The Former Yugoslav Republic of Macedonia.

The fall in unemployment recorded since the crisis peak of 2009 was reversed in 2013, when the regional unemployment rate is estimated to have risen by 0.2 percentage points and is expected to remain at this elevated level until 2016. This aggregate figure also hides wide cross-country differences. On the one hand, the Russian Federation is recording all-time

low unemployment levels, with the monthly rates fluctuating between 5 and 6 per cent of the labour force, and no tendency to grow in 2013, despite the current economic slowdown. On the other hand, the unemployment rates in Bosnia-Herzegovina, Serbia and The Former Yugoslav Republic of Macedonia steadily exceed 25 per cent, and some have even recorded increases in 2012 and in the first half of 2013. Turkey recorded a rise in unemployment in 2013 for the first time after a period of rapid decline from 2009.

In general, unemployment levels are significantly higher in the Central and South-Eastern Europe (non-EU) subregion than in the CIS subregion, where only Armenia is recording high unemployment rates (17.3 per cent in 2012). However, in reality the difference is smaller: some persons counted as jobless in Central and South-Eastern Europe (non-EU) are actually engaged in informal employment (and labour force surveys do not fully capture this phenomenon) and a large proportion of employed persons in the CIS subregion are also informal workers. ILO estimates that one in four workers (26.5 per cent) in Azerbaijan worked informally, while almost one in three (30.6 per cent) in Turkey and more than one in two (59.2 per cent) in Kyrgyzstan in 2009 also worked informally (ILO, 2011a). Informality is mainly prevalent in sectors such as agriculture and services, although it is not limited to these sectors. Evidence suggests that within the region the low-educated, the young, the elderly and those with chronic health problems are most likely to accept informal employment, while migrant workers are at particular risk of informality. In most cases informality is not a choice, workers are pushed to it by a lack of good formal employment opportunities. When in informal employment, workers are often exposed to poor working conditions and low earnings.

Informal and low-paid employment are also the main forms of vulnerable employment in the region as part-time jobs and fixed-term contracts are rather scarce. According to ILO estimates, the share of vulnerable employment steadily decreased after 1999. However, the crisis put a halt to this favourable development and the declining trend is expected to restart only after 2015. While in comparison with other global regions, with the exception of economically advanced countries, the region looks well placed in this respect, still one in five workers are engaged in vulnerable employment. Nevertheless, there are significant differences in the level of vulnerable employment in countries across the subregion.

Long-term unemployment is high in the Western Balkan countries. The prolonged periods of unemployment sharply decrease jobseekers' chances of re-employment as they lose relevant skills and labour market attachment. The availability and quality of training delivery, in a life-long learning perspective, should be further improved. Data on skill needs and skills forecasting should be regularly collected and shared for evidence-based policy-making. In addition, career counseling services should be further developed. Of even more concern, however, is that in a number of families, and even in some population groups (e.g. Roma), joblessness already affects several generations, and young people from these families or population groups are not prepared to enter the labour market.

The gender gap in employment continues to be large in the region, with a general tendency towards a further widening. Women are more present in the informal economy, often involved in subsistence agriculture. Given the economic crisis, women are frequently forced to accept jobs below their qualification levels in order to be able to continue supporting their households. The current fiscal consolidation measures and the cuts in government spending have heavily affected the funds available for social programmes for the most vulnerable groups of women.

Countries including Belarus, the Russian Federation and Ukraine record rather small differences between male and female employment rates. In contrast, employment levels of women in Albania and Bosnia-Herzegovina, as well as in the Caucasus and Central Asian countries, are significantly lower than for men. Turkey has the largest gender gap in employment in the region – 38.7 percentage points in 2012 (the male employment rate was 65 per cent while the female rate was only 26.3 per cent) – and this gap is closing only very slowly.

Table 4. Labour market situation and outlook in the Central and South-Eastern Europe (non-EU) and CIS region (per cent)

		2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
Labour force participation rate		59.0	59.1	59.5	59.7	59.8	59.9	59.9	59.9	59.9	59.7
Unemployment rate	Total	9.9	9.2	8.5	8.0	8.2	8.3	8.2	8.2	8.2	8.1
	Male	10.6	9.6	8.8	8.2	8.5	8.5	8.5	8.5	8.4	8.4
	Female	9.2	8.7	8.2	7.7	7.9	7.9	7.9	7.9	7.8	7.8
	Youth	20.0	19.0	17.9	17.5	18.0	18.1	18.1	18.0	18.0	18.0
	Adult	8.2	7.6	7.0	6.6	6.8	6.9	6.9	6.9	6.9	6.9
Employment annual growth rate	Total	–1.3	1.4	1.8	1.1	0.2	0.2	0.3	0.1	0.0	–0.1
	Male	–1.7	1.8	1.9	1.0	0.2	0.3	0.4	0.2	0.1	0.0
	Female	–0.7	1.0	1.7	1.1	0.1	0.1	0.1	0.0	–0.1	–0.2
	Youth	–5.0	–2.2	–0.9	–4.6	–3.7	–3.3	–3.2	–3.0	–2.7	–2.4
	Adult	–0.7	2.0	2.2	1.9	0.7	0.7	0.7	0.5	0.3	0.2
GDP annual growth rate		–5.9	5.8	5.6	3.0	2.5	3.3	3.9	3.9	3.9	3.9

Notes: *2013 are preliminary estimates; 2014–18 are projections.

Source: ILO *Trends Econometric Models*, October 2013; ILO staff calculations based on the IMF, *World Economic Outlook* Database, October 2013.

The crisis took a heavy toll on young people. In 2009, the reduction in employment of young people was five times greater than the reduction in adults employment, and no turnaround to positive youth employment growth rates has been achieved. So far, this has not affected unemployment rates for young people as they prefer to stay longer in education or out of the labour force, fuelling a rising proportion of NEET (youth not in employment, education or training). The crisis has also reversed the declining trend in the proportion of youth to adult unemployment prevailing in the boom years after 2000. This ratio reached 2.6 in 2013 and is projected to remain at that level over the next 5 years. There are again vast differences between countries in the region with regard to youth unemployment, with three countries – Bosnia-Herzegovina, Serbia and The Former Yugoslav Republic of Macedonia exceeding the 50 per cent rate for youth unemployment. In the Bosnia-Herzegovina the rate reached 63.1 per cent, i.e. almost two in three young people are jobless.

Social developments

At the level of the US$2 per day poverty rate, the overall tendency has been a sharp reduction in the share of the working poor in total employment in the region in the 1990s, which slowed down after 2000, but the overall trend continued even during the crisis. However, despite this generally favourable social development, in some countries, in particular in the Caucasus and Central Asia, large groups of population – including rural populations, jobless persons, large families and migrant workers in general – live on low incomes, well under the national poverty line, and are not covered by social protection/assistance to supplement their low earnings or compensate for their loss of income.

The ILO Global Wage Database shows that during the crisis real wages declined in many non-EU Central and South-Eastern European countries, while in the CIS, growth in wages was significantly lower in comparison with the pre-crisis situation. As a number of countries in the region record high levels of the Gini index measuring income distribution among households (e.g. Georgia, The Former Yugoslav Republic of Macedonia, Turkey and the Russian Federation have a Gini index close to or exceeding 0.4), this unfavourable wage development has impacted negatively on poorer strata of the population.

There is also a significant gender wage gap in the region. While in the Western Balkan countries male wages exceed female wages on average by 23 per cent, in the CIS countries the difference is larger, reaching 50 per cent in Georgia and 65 per cent in Tajikistan, according to Sattar (2012).

Persistent and emerging challenges

After the collapse of manufacturing that occurred in many countries during the transition crisis, the region remains dependent on extractive industries and the export of hydrocarbons and minerals (which are further processed only in some countries), the textile industry, agriculture and the export of some agricultural products. The extractive and heavy industries, however, do not contribute much to total employment while employment in textiles and agriculture is characterized by low productivity. The services sector offers some high-quality jobs but the majority of jobs in services are of low quality and productivity. Efforts to diversify the national production and the export base, increase the productivity and quality of current jobs and create new productive jobs are still insufficient and need to be strengthened further.

Countries should promote policies that address gender inequalities in the world of work through accelerated reduction both in the vertical and horizontal labour market segregation and closure of the gender wage gap in order to improve women's economic position. In parallel, measures for reconciling work and family responsibilities should be also further strengthened to improve women's labour force participation and transition from informal to formal jobs. Targeted programmes should be designed for fostering female entrepreneurship and to help those women who are particularly vulnerable to poverty (women with disabilities, Roma, women in rural areas). The effective implementation of the existing gender-sensitive regulatory and policy frameworks should be further promoted.

High youth unemployment remains another big challenge for the region. Difficulties in transition from school to work are associated not only with the lack of work experience, but also with large mismatches between skills possessed by young people and skills demanded by employers. There is a need for countries to improve their education and training policies, engage the enterprise sector more in reforming and co-financing the education and training system and strengthen the employment services and labour market policies in order to overcome skill mismatches and support the entry of young people into the labour market. Youth employability should be enhanced by the introduction of a flexible training systems leading to gainful employment and more and better career guidance services. The capacities of employers' and workers' organizations should be further enhanced to contribute to the improved relevance and quality of education, training and lifelong learning policies and programmes. Youth employment should be fostered through private sector development, in particular the setting up of a system of incentives to promote youth employment and human capital development (with the active engagement of employers' and workers' organizations), and the establishment of dedicated youth entrepreneurship services. This is extremely important for countries with an ageing population, which are in majority in the region, in order to prevent future serious labour shortages, which would impede their economic growth. However, it is also important for the handful of countries with a young population (Albania, Azerbaijan, Turkey, and Central Asian countries) to help them better use this enormous potential for accelerating their economic and social development.

Latin America and the Caribbean

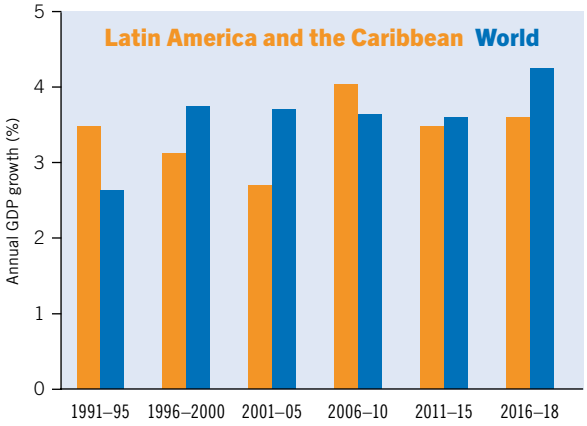
Growth is slowing down

Economic activity continued to slow down in 2013 (figure 22). Economic growth fell to 2.7 per cent in 2013, mainly driven by uncertainty about external conditions affecting investment decisions, which constrained aggregate supply in economies such as Argentina, Brazil and Paraguay. Uncertainty did not arise from the same sources in all countries in the region: South American countries were more sensitive to shocks in the euro zone and China, whereas Central American countries are mainly linked to the US economy (ECLAC, 2013). In the Caribbean, economic growth decelerated as well, with the Dominican Republic, Haiti and Jamaica experiencing growth rates of below 3 per cent. Conversely, Bolivia, Chile, Colombia, Peru and Venezuela showed above average growth rates, mostly explained by their commodity export markets (ECLAC, 2013).

Regional economic performance in recent years benefited from improvements in macroeconomic stability which brought down inflation. Fiscal reforms to support sustainable rates of public investment helped strengthen the economies. Widened fiscal space was used in several countries to support interventions to alleviate poverty and inequality, which helped to strengthen the expansion of aggregate demand. The favourable macroeconomic environment has come under pressure as volatility in commodity markets and the absence of a strong recovery in the region's main trading partners have spilled over into the region. Since mid-2012, the economic environment has stabilized slightly, but these effects reduced growth in the region further in 2013. A modest turnaround in activity and growth is expected in 2014, mainly as a result of improvements in the external environment.

Some regional economies benefited from significant capital inflows over recent years, triggered by high liquidity in international capital markets and investors trying to increase rates of return compared to historically low rates in leading money centers. However following the announced normalization of US monetary policy, which is eventually expected to push up interest rates and strengthen the US dollar, outflows became significant in some economies, showing the footloose character of the earlier inflows.

Figure 22. Annual GDP growth in Latin America, 1991–2018 (per cent)



Note: Projections from 2013 onwards.
Source: ILO Staff calculations based on the International Monetary Fund, *World Economic Outlook database*, October 2013.

Employment growth continues to outpace labour force expansion

As economic activity decelerated, employment growth slowed from 2.4 per cent in 2010 to less than 2 per cent in 2013 (see table 5). Nevertheless, unemployment continued to recede as labour force growth also decelerated. In 2013, 6.5 per cent of the active population of the region as a whole was estimated to be looking for a job. Despite the expected recovery

Table 5. Labour market situation and outlook in Latin America and the Caribbean (per cent)

		2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
Labour force participation rate		66.0	65.9	66.2	66.2	66.2	66.2	66.2	66.2	66.3
Unemployment rate	Total	7.3	6.7	6.6	6.5	6.5	6.5	6.5	6.4	6.4
	Male	6.0	5.5	5.4	5.4	5.4	5.4	5.4	5.3	5.3
	Female	9.1	8.4	8.2	8.1	8.1	8.0	8.0	8.0	7.9
	Youth	15.0	14.3	13.8	13.6	13.5	13.4	13.3	13.2	13.1
	Adult	5.4	4.9	4.8	4.8	4.9	4.9	4.9	4.9	4.9
Employment annual growth rate	Total	2.4	2.2	2.3	1.8	1.7	1.7	1.6	1.6	1.5
Vulnerable employment	Total	31.8	31.7	31.7	31.6	31.5	31.3	31.1	31.0	30.8
	Male	31.6	31.5	31.7	31.6	31.5	31.3	31.1	30.9	30.7
	Female	32.0	32.0	31.7	31.6	31.5	31.3	31.2	31.1	30.9
Working poverty (US$2 a day)	Total	7.5	7.2	6.9	6.7	6.4	6.1	5.8	5.5	5.3
GDP annual growth rate		6.0	4.6	2.9	2.7	3.1	3.5	3.7	3.7	3.7

Note: * 2013 are preliminary estimates; 2014–18 are projections. Figures here differ slightly from those published in Panorama Laboral (ILO, 2013a) mainly as a result of differences in geographical coverage.

Source: ILO *Trends Econometric Models*, October 2013 (see Annexes 4 and 5); IMF, *World Economic Outlook*, October 2013.

in output growth, employment will expand more moderately in 2014 and beyond, allowing for a further gradual decline in the unemployment until the end of the projection period in 2018.

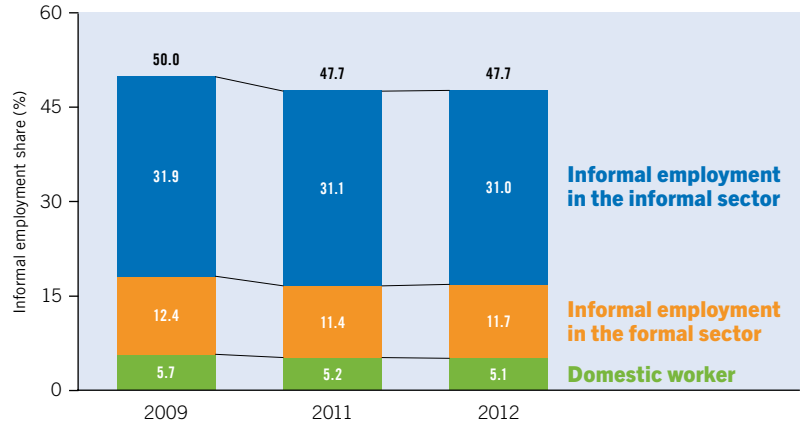
Job quality continued to improve. In particular, working poverty or the share of workers living in households with consumption levels of less than US$2 per day and per person showed a clear and consistent improvement in the past decade, falling from 15 per cent of total employment in 2003 to an expected 6.7 per cent in 2013. The robust enhancement in working conditions between the 1990s (when working poverty remained between 15 and 20 per cent) and today was boosted both by higher regional economic growth rates and policy interventions. Despite the moderation in growth, working poverty is expected to decline further to reach less than 6 per cent by 2018.

The young labour force faces particular barriers to entering the labour market. As a result, the youth unemployment rate is more than twice the adult rate. Moreover, the quality of jobs is different for youth and adults since precarious jobs are concentrated among the young population. Looking ahead to 2018, the prospects for youth do not suggest significant improvements, as the youth-to-adult unemployment ratio is expected to reduce only moderately, from 2.8 in 2012 to 2.6 in 2018.

Vulnerable employment has declined slightly in the region, but it continues to affect almost one-third of the working labour force. As a proxy for poorer working conditions, the vulnerable employment indicator provides an assessment of the importance of own-account workers and contributing family workers, as these groups are less likely to have formal work arrangements, be covered by social protection systems and have regular earnings. Up to 2018, vulnerable employment should show a slight improvement which should help reduce informal employment as well, given the high correlation between both indicators. Informal employment, a more direct indicator of job quality, allows the identification of informal jobs inside and outside the formal sector.[9] Most informal employment lies outside the formal sector but a significant proportion (above 11 per cent) is within the formal sector itself (figure 23). Despite the reduction in informal employment in many countries of the region, the informal economy remains a key buffer for those who have lost or cannot obtain a job in the formal sector, given that for the most part this region lacks general and sufficient coverage by social protection systems. In Mexico, for instance, the decreased probability of finding a job in the formal economy during recessionary periods is buffered by an increase in the job finding rate

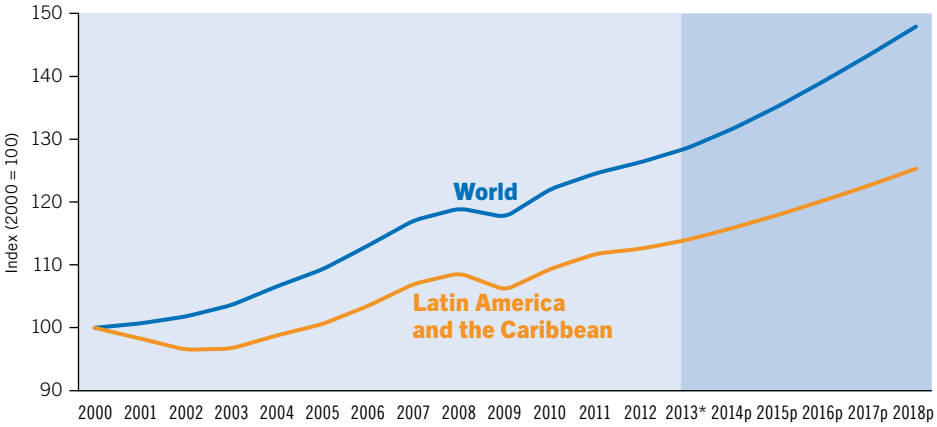
[9] The characteristic features of informal employment are lack of protection in the event of non-payment of wages, compulsory overtime or extra shifts, lay-offs without notice or compensation, unsafe working conditions and the absence of social benefits such as pensions, sick pay and health insurance

Figure 23. Informal employment structure, 2009–12 (per cent)



Source: ILO – Regional Office and SIALC.

Figure 24. Labour productivity index



Note: 2000 = 100; p = projection; * 2013 are preliminary estimates.
Source: ILO, *Trends Econometric Models*, July 2013; World Bank, *World Development Indicators 2013*.

in the informal economy, which put a halt to the decline in informality observed in Mexico prior to the crisis (see box 4).

Labour productivity in the region declined during the 2009 crisis but recovered moderately immediately afterwards. Even though the region's productivity is expected to grow at below the world average (see figure 24), the upward trend observed since 2003 is expected to continue beyond 2013, albeit still below the world average. This is due to the improved economic growth predicted for 2014–2018 and the underlying labour productivity distribution, which exhibits a high employment share in lower productivity sectors.[10]

[10] Kucera and Roncolato (2012) find evidence of a stronger negative correlation between labour productivity and employment growth in developing countries than in developed countries.

Box 4. Labour flows in Mexico: Formal versus informal flows of workers

Analysing transition dynamics in the labour market provides useful information regarding the effects of an informal economy on cyclical fluctuations of the unemployment rate. As can be seen in table B4.1, average quarterly job finding probabilities (outflow rates from unemployment) are significantly higher in the informal than in the formal economy (23 per cent vs. 11 per cent) in Mexico. By contrast, informal employment is not correlated with unemployment (correlation coefficient of –0.08 with the quarterly unemployment rate). As unemployment increases, the probability of finding an informal job does not vary significantly. This result is driven by a relatively small decrease in the probability of becoming an employee in the informal economy (as compared to the formal economy) and an increase in the likelihood of becoming informally self-employed. In other words, the probability of becoming self-employed in the informal economy is actually counter-cyclical and strong enough to counteract the decrease in the job finding probability as an informal employee.

The risk of job separation (unemployment inflow rate) increases during periods of high unemployment in both economies and is twice as high for informal employees (1.1 per cent vs. 2.3 per cent). Even though informality buffers any increases in unemployment by offering higher job finding probabilities, the stability of such employment tends to be lower, due to the lack of contracts and labour regulations in the informal economy.

Table B4.1. Transition rates into and out of unemployment (per cent)

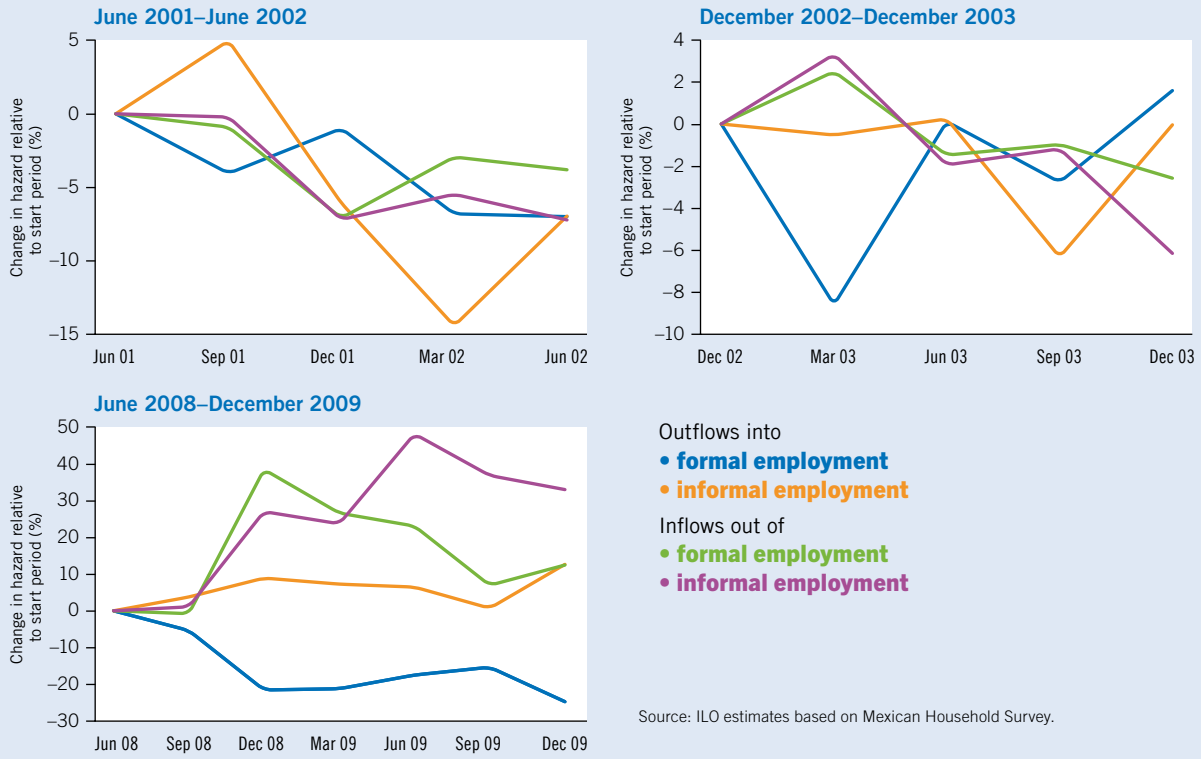
	Formal			Informal			Out of the labor force
	Employee	Self-employed	Total	Employee	Self-employed	Total	
Outflows							
Average quarterly hazard rate	10.9	0.3	11.2	17.3	5.8	23.0	19.7
Correlation with unemployment rate	–43.8	–21.0	–46.0	–16.8	12.1	–8.2	–32.7
Inflows							
Average quarterly hazard rate	1.2	0.4	1.1	1.8	0.9	2.3	1.1
Correlation with unemployment rate	66.2	61.9	67.8	78.3	82.8	83.9	66.5

Source: ILO estimates based on Mexican Household Survey, various years.

The importance of the decrease in job finding probabilities in the formal economy was particularly significant during the most recent recession (see figure B4.1). Data show that the main contributors to rising unemployment between June 2008 and September 2009 in Mexico were a combination of lower job finding probabilities in the formal economy and higher job separations in both the formal and informal economies. Meanwhile, the availability of jobs in the informal economy seems to have buffered the rise in unemployment observed during the periods. The increase in inflows to unemployment from the formal economy begins to reverse after two quarters whereas job separations from the informal economy continue rising as the recession progresses. In contrast, during earlier recessions, a reduction in outflows to both formal and informal jobs contributed to the rise in unemployment. These findings reinforce the idea that while informality can provide a safety valve to decrease the overall number of unemployment spells in the aggregate economy, this type of employment is highly unstable, particularly during episodes of rising unemployment.

Understanding and quantifying these shifts over the business cycle is of great importance for public policy since it indicates that the best response to a rise in unemployment rates will differ according to whether policy is implemented at the outset of a downturn or later during the recession. Reallocation across sectors by firms and workers between formal and informal jobs can lead to temporary decreases in the unemployment rate but this reallocation will be reversed after a short period given the high turnover rate in the informal economy.

Figure B4.1 Change in hazard rates into and out of unemployment during periods of increasing unemployment rate by sector in Mexico



Source: ILO estimates based on Mexican Household Survey.

Social developments and emerging challenges

Even though informal employment is on the decline, reducing it remains central to improving labour market conditions as it affects almost one in two workers. Moreover, ILO estimates suggest that without proactive policies, labour productivity needs to increase by at least 140 per cent in order for informality to be reduced by a half, which could take at least three decades. Thus, proactive policies to reduce informality are at the core of the labour market policy agenda across the countries of the region. In this respect, in August 2013, ILO's Regional Office launched the "Formalización de la Informalidad en America Latina y el Caribe" (FORLAC) program, and in July, the Mexican government launched a programme of employment formalization ("Programa de formalización del empleo"). The Colombian Government is implementing the Program Colombia Trabaja Formal and other countries such as Brazil and Argentina have been implementing explicit policies for almost a decade. In some other countries (Peru, Dominican Republic), specific strategies are currently in discussion.

Economic growth needs to become more inclusive, although significant progress was made over the past decade in many countries in the region. Translating economic growth outcomes into enhanced social well-being has become a priority in the region's policy agenda. This includes reducing segmentation in the provision of social protection that arises from income inequality and the lack of coverage in publicly financed services and to mitigate the labour market vulnerability due to economic fluctuations and job destruction. In this regard proactive policies intended to close the historical productivity gaps are fundamental as they not only determine the income distribution but also play a crucial role in the fiscal sustainability of social policies (ECLAC, 2012).

East Asia

Global growth weighs on economic activity in the region

The slowdown in the global economic recovery continued to weigh down prospects in the East Asia region. In 2013, economic growth in East Asia was 6.7 per cent (table 6), a slight increase from 2012. Economic activity in China increased to 8.0 per cent – one of its lower rates in the past decade, a moderating trend that partly reflects a longer-term strategy to restructure the economy away from exports and investments and towards domestic consumption. Growth in Hong Kong (China), the Republic of Korea and Taiwan (China) was around 3.0 per cent in 2013, a slight rebound in each economy from the previous year. In Mongolia, growth was strong at 14.0 per cent in 2013, driven in part by demand in China, while consumer price inflation moderated but remained high at 11.1 per cent.[11]

Labour productivity growth in East Asia was a robust 6.2 per cent in 2013, surpassing all other regions. This increase, however, represented the region's second slowest pace of expansion in the past decade. Despite compounded annual growth in output per worker of 7.2 per cent since 1993, productivity levels remained less than one-quarter of that in the Developed Economies and European Union region in 2013. Within the East Asia region, there were significant variations across both economies and industries. In the Republic of Korea – where labour productivity in 2012 was three times the level in China – output per worker in industry was nearly double that in services.[12] In China, the largest intersectoral gap was between agriculture and industry with productivity in agriculture only one-sixth the level in industry. By contrast, output per worker in Mongolia was the lowest in East Asia, and the most pronounced productivity gaps were those between the services sector and other sectors.

The labour market picture

Reflecting various demographic and social changes, the labour force in East Asia has grown relatively little during the past decade, increasing by only 0.7 per cent in 2013. The youth labour force in particular has been shrinking since 2007 and contracted by 6.3 million (4.8 per cent) in 2013 alone. These trends are being driven both by an ageing of the economically active population and more young people opting to delay the transition from school to the labour market. In terms of a global comparison of economic participation, East Asia had the highest rates overall (70.8 per cent) and among youth (55.1 per cent) in 2013. However, closing the male–female gap in participation, which was 14.7 percentage points in 2013, will become more critical as the region aims to address increasing labour shortages.

Consistent with weak labour force growth, employment in East Asia expanded by only 5.6 million jobs, or 0.7 per cent, in 2013. Rising employment levels benefitted men more than women, however, as women occupied less than two in five newly created jobs. As a result, the male–female gap in the employment-to-population ratio edged up slightly, to 13.0 percentage points. Employment among young people decreased by 6.1 million jobs, or 5.2 per cent, in 2013. Moreover, projections indicate that this pace of contraction will continue during the next 5 years, highlighting the mounting challenges for young graduates entering the labour market.

The global economic situation has negatively affected prospects for East Asia's jobseekers. Since 2007, unemployment in East Asia has increased by 8.0 million to 39.4 million in 2013.

[11] Country-level GDP growth and average consumer price inflation figures are based on IMF, *World Economic Outlook* database, April 2013.

[12] Cross-country productivity comparisons are based on ILO, *Key Indicators of the Labour Market*, 7th Edition (Geneva, 2011). Intersectoral productivity comparisons are ILO staff estimates based on National Bureau of Statistics, *China Statistical Yearbook 2012* (Beijing); national labour force surveys; and World Bank, *World Development Indicators*.

Table 6. Labour market situation and outlook in East Asia (per cent)

		2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
Labour force participation rate		70.7	70.2	70.4	70.6	70.8	70.8	70.9	70.8	70.7	70.5
Unemployment rate	Total	4.4	4.2	4.3	4.4	4.5	4.7	4.8	4.9	4.9	5.0
	Male	5.0	4.8	4.9	5.0	5.2	5.3	5.4	5.5	5.6	5.7
	Female	3.7	3.5	3.6	3.6	3.7	3.8	3.9	4.0	4.1	4.1
	Youth	9.4	9.1	9.4	9.7	10.1	10.5	10.8	11.1	11.4	11.6
	Adult	3.4	3.2	3.3	3.5	3.6	3.7	3.9	4.0	4.1	4.2
Employment annual growth rate	Total	0.4	0.6	1.0	0.8	0.7	0.5	0.4	0.3	0.2	0.1
	Male	0.5	0.8	1.0	0.9	0.7	0.6	0.5	0.4	0.3	0.2
	Female	0.1	0.3	1.0	0.8	0.6	0.5	0.3	0.2	0.1	0.0
	Youth	–2.3	–3.2	–2.3	–3.9	–5.2	–5.7	–5.5	–5.1	–4.8	–4.2
	Adult	0.9	1.3	1.6	1.7	1.7	1.5	1.3	1.0	0.8	0.6
Memorandum item: *GDP annual growth rate*		7.1	9.9	8.3	6.6	6.7	6.6	6.5	6.5	6.5	6.5

Notes: * 2013 are preliminary estimates; 2014–18 are projections.

Source: ILO, *Trends Econometric Models*, October 2013; IMF, *World Economic Outlook*, October 2013.

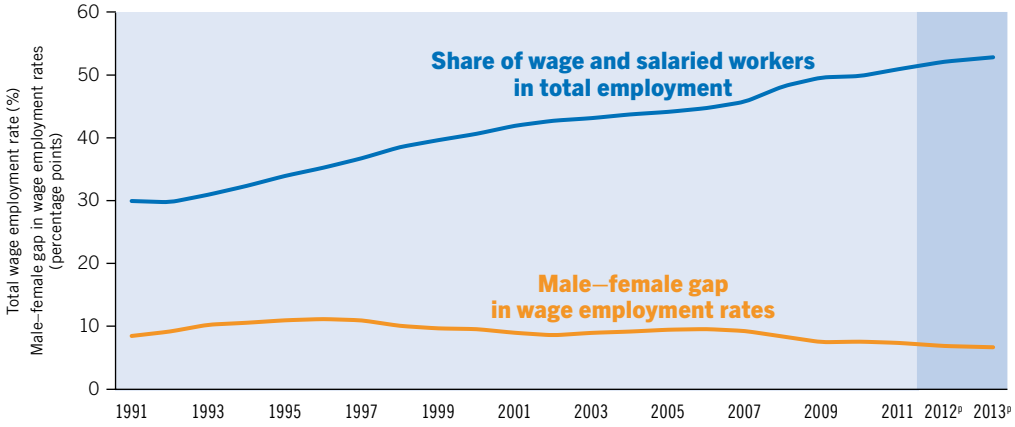
The region now accounts for 19.5 per cent of the world's unemployed, the second highest share globally following the Developed Economies and European Union. Overall, the unemployment rate in 2013 increased moderately to 4.5 per cent, with the rate higher for men (5.2 per cent) than women (3.7 per cent). By contrast, unemployment among young people rose from 9.7 per cent to 10.1 per cent with a continued increase in the youth unemployment rate projected over the medium-term outlook to 2018. Compared with adults, young jobseekers were 2.8 times more likely to be unemployed.

Social developments

Formidable economic growth in East Asia over the past couple decades is leading to remarkable social developments. One clear example is the increasing movement of workers out of more precarious and vulnerable jobs as own-account or contributing family workers into salaried employment where earnings are more secure and working conditions are often better. In 2013, an estimated 415 million workers in East Asia held a salaried job, nearly double the level in 1991. Moreover, the share of wage workers in total employment increased significantly by 18.5 percentage points to 50.1 per cent from 1991 to 2013 (figure 25). Women have clearly benefitted from this process. While male workers are still more likely to earn a salary or wage compared with female workers, the gap is gradually shrinking. By 2013, the gender gap in wage employment rates had fallen to 5.2 percentage points in East Asia. Notwithstanding this achievement, the region still employed 398.6 million own-account and contributing family workers in 2013; priority measures are needed to help them transition to better quality jobs.

In line with robust economic growth and improvements in job quality, East Asia's consumer class is on the rise. The region's middle-class workforce was 551.5 million in 2013, a year-on-year growth of 7.7 per cent and a staggering 14-fold increase in two decades. More than two in three workers are now middle class, and working poverty is shrinking rapidly. The share of East Asia's workers living on less than US$1.25 per day fell to 4.5 per cent in 2013 and the comparable share under the US$2-poverty line declined to 11.2 per cent. Since 1991, the region has successfully moved 464.5 million workers out of poverty, an astounding and unprecedented pace of improving household incomes and living standards.

Figure 25. Share of wage and salaried workers in total employment (per cent) and male–female gap in wage employment rates (percentage points), East Asia, 1991–2013[p]



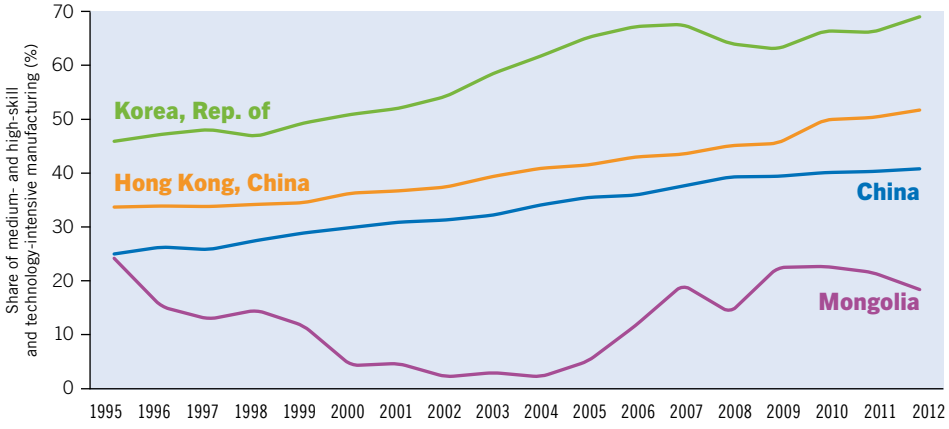
Note: 2012 and 2013 are preliminary estimates and projections.
Source: ILO, *Trends Econometric Models*, July 2013; IMF, *World Economic Outlook*, April 2013.

Emerging challenges

East Asia is experiencing various dynamics that will pose considerable challenges for the labour market. Economies in the region are undergoing rapid structural transformation, upgrading their industries and moving away from agriculture and labour-intensive manufacturing. In China, for instance, the share of medium- and high-skill and technology-intensive manufacturing exports increased from only 25 per cent in 1995 to 40.8 per cent in 2012, reflecting a shift from generally low-skilled industries such as garments (figure 26). In the Republic of Korea, industrial upgrading has continued from a relatively higher starting point, with the share of high-end manufacturing exports reaching 69 per cent in 2012. By contrast, the proportion in Mongolia has fluctuated and remained comparatively lower, revealing the country's broader challenge of economic diversification from commodities.

With sustained structural transformation, skills development will be more and more critical if East Asian jobseekers are to compete in a rapidly shifting labour market. In the Republic of Korea, for example, employment demand to 2020 is projected to be greatest in human health services, given the country's ageing demographics, and will require advanced education and training for a specialized workforce (Korea Employment Information Service,

Figure 26. Share of medium- and high-skill and technology-intensive manufacturing in total manufacturing exports (per cent), selected economies in East Asia, 1995–2012



Source: ILO estimates from UNCTAD: UNCTADstat Database.
Available at: http://unctad.org/en/Pages/Statistics.aspx/

2012). In China, improvement of training systems in terms of both access and quality would benefit the millions of rural-to-urban migrants moving into industrial jobs as a result of concerted urbanization policies (Chinese Academy of Social Sciences and UNDP, 2013; Johnson, 2013). For young Chinese graduates, such measures would also help them develop the relevant competencies and technical skills increasingly needed by enterprises in high-skill sectors, including those in the green economy. From 2011 to 2020, roughly 1.2 million green jobs will be created annually in China's alternative fuel vehicle industry alone, and developing a work force with the right qualifications will be critical (Pan et al., 2011). In Mongolia, sound investments in skills institutions would accelerate efforts towards economic diversification and broadening economic gains to neglected populations (ILO, 2011b). In turn, the process of skills upgrading would help these East Asian economies foster a virtuous circle of increased productivity and sustainable improvements in job quality and living standards.

South-East Asia and the Pacific

Global spill-overs continue to weigh on growth in the region

Economic growth in South-East Asia and the Pacific is estimated to have decelerated to 4.9 per cent in 2013, compared with 5.7 per cent the previous year. In particular, economic growth in Indonesia, the region's largest economy, is estimated to have moderated considerably in 2013 to 5.3 per cent, compared with GDP growth exceeding 6.2 per cent annually from 2010 through 2012, as demand for the economy's exports slowed and the possibility of "monetary tapering" in the United States raised volatility in Indonesia's financial markets.[13] In contrast, GDP growth in the Philippines continued to remain strong, with the economy growing by 6.8 per cent in 2013, supported by government spending on infrastructure. Economic growth in the Pacific subregion is projected to have softened to 5.0 per cent in 2013, compared with 7.6 per cent the previous year. Excluding Timor Leste and Papua New Guinea, two large commodity exporters, growth in the subregion is projected to have slowed to 2.0 per cent in 2013.[14]

The region's economies have grown quite robustly following the global economic crisis of 2008–09, but the driving factors behind this performance have varied across countries in the region.[15] In Indonesia, Malaysia, Myanmar, the Philippines and Singapore, strong growth in real gross domestic capital formation led growth in GDP in the post-crisis years (2010–2012). During the same period, growth in real private consumption expenditure has been the underlying factor behind the recent growth performance in Cambodia, while the growth in real government consumption expenditure played an important role in Thailand and Viet Nam. In Viet Nam, growth in exports, which outweighed growth in imports, also contributed toward robust GDP growth. In almost all countries in South-East Asia, both import and export growth tended to slow down in the recent years, compared with the pre-crisis years.

The labour market picture

Employment in South-East Asia and the Pacific is estimated to have expanded by 1.6 per cent in 2013, compared with its recent peak expansion in 2011 of 2.2 per cent (table 7). Looking forward, employment growth is projected to outpace working-age population growth, resulting in a slight increase in the employment-to-population ratio between 2009 and 2017

[13] IMF, *World Economic Outlook* database, October 2013.

[14] ADB, *Pacific Economic Monitor*, July 2013.

[15] ADB, *Key Indicators for Asia and the Pacific 2013*.

Table 7. Labour market situation and outlook in South-East Asia and the Pacific (per cent)

		2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
Labour force participation rate		70.7	70.2	70.4	70.6	70.8	70.8	70.9	70.8	70.7	70.5
Unemployment rate	Total	4.4	4.2	4.3	4.4	4.5	4.7	4.8	4.9	4.9	5.0
	Male	5.0	4.8	4.9	5.0	5.2	5.3	5.4	5.5	5.6	5.7
	Female	3.7	3.5	3.6	3.6	3.7	3.8	3.9	4.0	4.1	4.1
	Youth	9.4	9.1	9.4	9.7	10.1	10.5	10.8	11.1	11.4	11.6
	Adult	3.4	3.2	3.3	3.5	3.6	3.7	3.9	4.0	4.1	4.2
Employment annual growth rate	Total	0.4	0.6	1.0	0.8	0.7	0.5	0.4	0.3	0.2	0.1
	Male	0.5	0.8	1.0	0.9	0.7	0.6	0.5	0.4	0.3	0.2
	Female	0.1	0.3	1.0	0.8	0.6	0.5	0.3	0.2	0.1	0.0
	Youth	–2.3	–3.2	–2.3	–3.9	–5.2	–5.7	–5.5	–5.1	–4.8	–4.2
	Adult	0.9	1.3	1.6	1.7	1.7	1.5	1.3	1.0	0.8	0.6
Memorandum item: *GDP annual growth rate*		7.1	9.9	8.3	6.6	6.7	6.6	6.5	6.5	6.5	6.5

Notes: * 2013 are preliminary estimates; 2014–18 are projections.
Source: ILO, *Trends Econometric Models*, October 2013.

(from 66.6 per cent to 67.0 per cent). The labour force participation rate is expected to remain steady at around 70 per cent in the region.

The unemployment rate in the region has trended down in recent years, from an average of 6 per cent between 2000 and 2008 to around 4.5 per cent projected over the next few years. In Indonesia, the unemployment rate stood at 5.8 per cent in May 2013 compared with an average of 9.1 per cent between 2000 and 2008. In contrast, in the Philippines, despite robust economic growth in excess of 6.8 per cent in the past 2 years, job growth has been subdued and the unemployment rate remained at around 7 per cent throughout 2012 and 2013.

Women in the region face slightly higher chances of unemployment than men, at around 4.4 per cent compared to 4.1 per cent for men. For example, in Indonesia the unemployment rate for women in May 2013 was 6.3 per cent compared with 5.5 per cent for men. Conversely, in the Philippines, the unemployment rate for women in July 2013, at 7.2 per cent, was almost the same as that for men (7.3 per cent). Youth unemployment remains a major challenge in the region. The estimated youth unemployment rate (13.0 per cent in 2013) is almost three times that of the total unemployment rate, and approximately five times that of the adult unemployment rate. Given the young demographic profile of many of the countries in the region, adequately equipping youth with education and skills and enabling youth to obtain productive jobs that have upward earning prospects are likely to remain key policy concerns.

Social developments

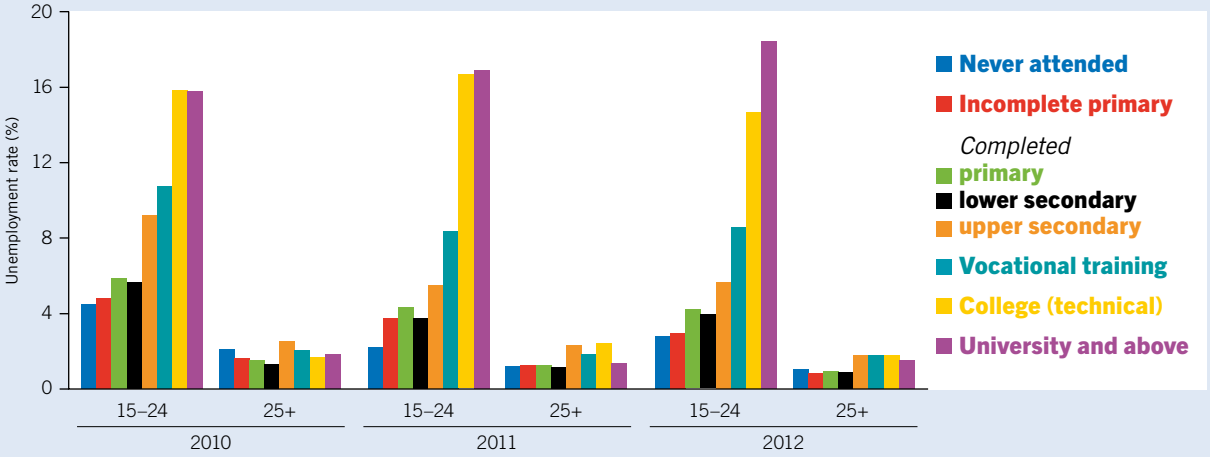
Despite the robust economic performance of the region, structural change in the labour market, in terms of the movement of workers from low-productivity agriculture to higher-productivity non-agricultural activities, has been slow in the past decade. Agriculture remains the largest sector of employment in the region, estimated at 41.4 per cent in 2013, although services are expected to account for the largest share of employment in the region over the next few years. This may be partly attributable to the limited job and career development prospects in non-agricultural sectors (particularly for youth and young women) and the limited skills and work experience acquired by members of the agrarian households (particularly youth). Generating more productive and remunerative rural (off-farm) employment opportunities is likely to remain an important issue, not only for the low-income countries but also for some of the middle-income countries in the region.

Box 5. Education and youth unemployment in Viet Nam

Young women and men with college education and above face the highest rates of unemployment in Viet Nam – in excess of 15 per cent between 2010 and 2012 (figure B5.1). In general, youth unemployment rates in Viet Nam increase with the level of educational attainment. However, since young people with higher education usually have relatively little time in the labour market, the figures may also be capturing considerable temporary frictional unemployment. Indeed, adult unemployment rates for those with college education and above tended to remain low at less than 2 per cent and declined slightly in recent years.

Difficulties in obtaining jobs even for well-educated young people signals a lack of sufficient job opportunities, longer adjustments in reservation wages and expectation, and the possibility that education and training institutions are not responsive enough to the skills profile demanded in the changing economy. Well-educated youth can contribute to productivity, innovation and future economic development and growth and their increasingly high joblessness and more difficult transition to the labour market may act as a constraint to the economy in the medium to long term if their challenges are left unaddressed.

Figure B5.1 Youth and adult unemployment rates in Viet Nam, by educational attainment, 2010–12 (per cent)



Source: ILO estimation from LFS data, 2010–12.

The region's labour market structure is also associated with a continued high incidence of vulnerable employment, which is estimated at 59 per cent in 2013. Vulnerable employment continues to affect women more than men (63.1 per cent for women compared to 56 per cent for men in 2013), but the incidence of women's vulnerable employment is projected to decline slightly more than men's by 2017. At the same time, the share of workers earning less than US$2 a day is estimated to have declined notably, from 62.3 per cent in 2000 to 30.5 per cent in 2013. This share is projected to decline further by almost 10 percentage points to around 23 per cent by 2018. Concurrently, the share of workers in the "near poor" segment (workers living on more than US$2 but less than US$4 a day) is estimated to have increased notably, from 21.5 per cent in 2000 to a 36 per cent in 2013. In South-East Asia and the Pacific, the share of the "middle class" workers (living on between US$4 and US$13 a day) is projected to rise rapidly in the coming years, by almost 5 percentage points between 2013 and 2018.

Emerging challenges

Economic growth in the South-East Asia and Pacific region in 2014 is projected to decelerate to 5.3 per cent. Given the region's high level of dependence on external markets, economic and labour market developments in the region face considerable risks from the faltering global recovery. Within the region, aspirations and policy concerns differ across middle- and low-income countries. For some of the middle-income countries, a slow-down in their trend

growth rates has raised some concern regarding their potential for further catching up to income levels observed in developed economies. For the low-income countries, such as Cambodia, Lao PDR and Pacific island countries, there is a strong desire to grow to middle-income status, as manifested in their long-term vision statements.

For ASEAN Member Countries, the ASEAN Economic Community 2015 will present both opportunities and challenges in terms of growth prospects across different sectors, shifting trade patterns, the need to nurture comparative advantage within each country, skills mismatches and their implications for the labour market. In particular, a freer flow of labour is envisioned within the ASEAN community, signalling both new opportunities and challenges for jobseekers. In countries such as Cambodia, Lao PDR, Malaysia and the Philippines, the labour force growth will continue to grow relatively rapidly at well above 1.5 per cent per year, while countries such as Myanmar, Singapore, Thailand, and Viet Nam will face a notable slowdown in labour force growth to less than 1 per cent per year (table 8). Such disparity in labour force growth and diverse employment opportunities within the region, in addition to considerable income differences, among others, leads to both push and pull factors for workers to move across borders. Improved labour market information systems, a cross-country skills recognition framework and job placement mechanisms at the country and the regional levels would benefit both the economies and the workers within the ASEAN sub-region.

For many Pacific island countries, dual and poorly integrated domestic economies – consisting of a monetized, largely urban economy on the one hand, and a largely subsistence-based rural economy on the other – continue to pose significant challenges. In Samoa for example, the lack of downstream value added chains from agriculture and fishing, such as processing facilities, implies a loss of economic and job opportunities (Ronnas and Kim, Forthcoming). To address these issues it will be necessary to stimulate broad-based increases in agricultural productivity, coupled with investment in labour-intensive industries (including tourism), underpinned by significant investment in education and skills development to meet the requirements of the labour market.

Furthermore, the countries in South-East Asia and the Pacific face high risks of natural disasters (Alliance Development Works, *World Risk Report 2012*), which in turn poses risks on sustaining livelihoods and employment. In 2012, out of 173 countries, almost half of the 15 most risk-prone countries were found in South-East Asia and the Pacific region. In particular, risk of exposure to natural hazards is pronounced in the region. This poses additional challenges of being prepared at the policy, institutional, community and individual levels to cope with the livelihood consequences during and after the natural disasters.

Table 8. Average annual growth rate of labour force, ASEAN Member Countries (per cent)

Country	2010–14	2015–20
Brunei Darussalam	1.88	1.46
Cambodia	2.03	1.67
Indonesia	1.48	1.24
Lao PDR	2.48	1.97
Malaysia	2.01	1.85
Myanmar	1.38	0.97
Philippines	2.46	2.31
Singapore	1.44	0.91
Thailand	0.83	0.48
Viet Nam	1.56	0.86

Source: Compound average annual growth rates are estimated from ILO, *Economically Active Population, Estimates and Projections* (6th edition, October 2011).

South Asia

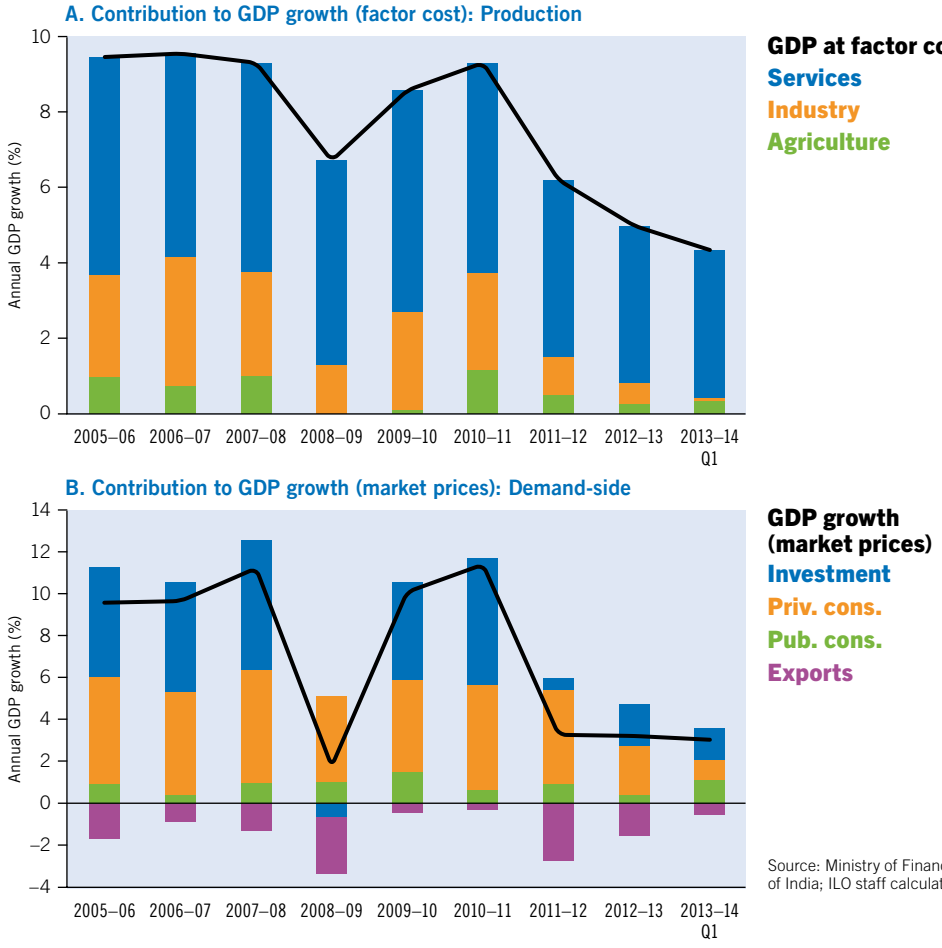
Growth has decelerated in South Asia due to both domestic and external factors

Like most developing regions, South Asia weathered the first phase of the global financial crisis (2008–2009) relatively well. In fact, the region's economy grew by 9.5 per cent in 2010, the fastest rate in two decades. This result was driven by India, which expanded by over 11 per cent in 2010, while Afghanistan, Bangladesh, the Maldives, and Sri Lanka all grew by between 6 and 8 per cent. Late in 2011, the economies of the region started to slow down, again led by India. Due to domestic factors and the reverberations of the weak economic situation in advanced economies, South Asia is estimated to have grown by just 3.6 per cent in 2012 and 3.9 per cent in 2013 (table 9).

Overall, growth in South Asia has been largely reliant on the services sector (taking a production perspective) and private consumption (in terms of aggregate demand). However, the decomposition of GDP growth for India shows that sustaining high rates of growth rests on robust output from industry (figure 27, panel A) and high investment rates (figure 27, panel B). In other words, the current slowdown in India has been propelled by poor performance in the manufacturing sector and low levels of investment. Both of these dimensions are major barriers for South Asian countries in their pursuit of higher and more sustainable rates of growth – growth that also leads to job creation in the formal economy.

Beyond the overall slowdown of the economy, South Asia continues to face a number of macroeconomic challenges and imbalances. First, inflation has been high and persistent in this region: in 2013, average consumer price inflation is estimated to have ranged from 5.8 per

Figure 27. Two views of the drivers of growth in India: Services and consumption



Source: Ministry of Finance, Government of India; ILO staff calculations.

cent in the Maldives to 10.8 per cent in India. Second, all South Asian countries (apart from Afghanistan) run a current account deficit. In India, the deficit is estimated to have hit 4.9 per cent of GDP in 2013, which makes the economy reliant on external capital flows.[16] The economic slowdown, policy uncertainty and a general change in investor sentiment (away from emerging economies) led to volatility in capital flows in India (and hence, the exchange rate) in mid-2013. In Sri Lanka, the current account deficit exceeded 5 per cent of GDP in 2013. Finally, macroeconomic imbalances in South Asia are also caused by the large fiscal deficits, which reached almost 5 per cent of GDP in the case of India in 2012/13 (fiscal year).

Labour market situation is mixed

The labour markets in South Asia continue to be dominated by informal and agricultural employment, where jobs are generally poorly paid and unprotected. Looking at some of the key labour market indicators reveals part of the story. First, labour force participation rates in South Asia are amongst the lowest in the world (56.1 per cent in 2013) (table 9). However, this is driven mainly by the situation for women as discussed below. The participation rate of youth in South Asia has fallen in recent years, reaching 39.6 per cent in 2013, which reflects increased education enrolment, especially in secondary schooling.

Employment growth has been stronger in recent years (at 1.1 per cent in 2011 and 2012, and 1.0 per cent estimate for 2013), most notably for women (table 9). In the case of India, it has been argued that the country was experiencing "jobless growth" due to the fact that total employment grew by only 1.1 million from 2004/05 to 2009/10 (based on the National Sample Survey), representing an employment elasticity of almost zero. More recently, however, total employment in India expanded from 2009/10 to 2011/12 by a much healthier 13.9 million, though many of these jobs are in the informal economy.[17]

The total unemployment rate in South Asia is estimated to be just 4.0 per cent in 2013 compared to 3.9 per cent in the previous year (table 9). However the unemployment rate is not the best indicator of distress in South Asian labour markets, given the high prevalence of

Table 9. Labour market situation and outlook in South Asia (per cent)

		2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
Labour force participation rate	Total	57.8	57.1	56.6	56.1	56.1	56.2	56.2	56.3	56.3	56.3
	Male	81.8	81.4	81.0	80.6	80.7	80.7	80.7	80.7	80.7	80.6
	Female	32.7	31.6	31.0	30.4	30.5	30.6	30.7	30.8	30.9	31.0
	Youth	42.7	41.4	40.5	39.6	39.6	39.5	39.5	39.4	39.4	39.3
	Adult	63.8	63.2	62.8	62.3	62.3	62.3	62.3	62.2	62.2	62.1
Unemployment rate	Total	4.2	3.8	3.8	3.9	4.0	4.0	4.1	4.1	4.1	4.1
	Male	4.0	3.5	3.5	3.6	3.7	3.7	3.8	3.8	3.8	3.8
	Female	4.7	4.9	4.8	4.7	4.7	4.8	4.8	4.8	4.8	4.8
	Youth	9.8	9.7	9.7	10.1	10.2	10.4	10.4	10.4	10.4	10.4
	Adult	2.7	2.4	2.4	2.4	2.5	2.5	2.6	2.6	2.7	2.7
Employment annual growth rate	Total	0.6	1.0	1.1	1.0	1.9	1.9	1.9	1.8	1.8	1.7
	Male	1.4	1.9	1.4	1.3	1.8	1.8	1.8	1.7	1.7	1.6
	Female	–1.3	–1.5	0.1	0.1	2.2	2.2	2.1	2.1	2.0	2.0
	Youth	–2.3	–2.2	–1.5	–1.9	0.4	0.4	0.4	0.4	0.3	0.3
	Adult	1.4	1.8	1.7	1.7	2.2	2.2	2.2	2.1	2.1	2.0
Memorandum item: *GDP annual growth rate*		7.4	9.5	6.1	3.6	3.9	5.0	6.0	6.2	6.5	6.6

Notes: * 2013 are preliminary estimates; 2014–18 are projections.

Source: ILO, *Trends Econometric Models*, October 2013 (see Annexes 4 and 5); IMF, *World Economic Outlook*, October 2013.

[16] IMF, *World Economic Outlook* database, April 2013.

[17] National Sample Survey 61st, 66th and 68th rounds of the Employment and Unemployment Survey; ILO staff calculations.

informal employment and working poverty. That said, the unemployment figures do reveal that women and youth are more vulnerable to being jobless, as is the case in most other regions. In this regard, the youth unemployment rate for South Asia reached 10.2 per cent in 2013 compared with 2.5 per cent for the adult population.

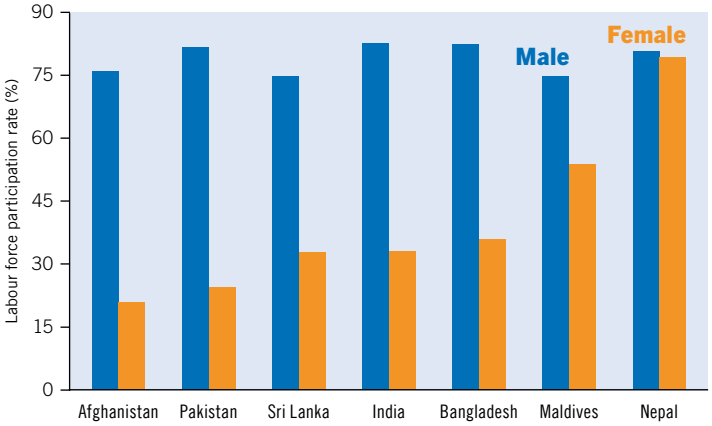
Gender gaps in the labour markets of South Asia

The female labour force participation rate in South Asia ranges from just 21 per cent in Afghanistan to 79.4 per cent in Nepal (national figures for various years) (figure 28). The participation rate of women in the labour force is below 40 per cent in all countries in the region except in the Maldives and Nepal. In Nepal, women are mostly engaged in agriculture, which is more a result of poverty than choice. In comparison, the participation rate for men in South Asia varies far less, ranging from 75 per cent in Sri Lanka and the Maldives to 82.7 per cent in India.

The quality of employment and opportunities for better jobs continue to be unequally distributed between men and women in the region. When women work they tend to earn less (the gender wage gap), to work in less productive jobs (often a case of occupation segregation) and are over-represented in unpaid family work. For example, in India, 21.2 per cent of working men (aged 15–59) have a regular salaried job (2011/12), while only 13.4 per cent of women have such employment (National Sample Survey Office, 2013).

In Nepal, a country where there is close to parity in labour force participation rates, 83.8 per cent of men working in non-agricultural employment were informally employed in 2008 compared with 91.8 per cent of women. Moreover, like most countries, Nepalese men are paid more than females in both the agricultural sector (a median wage of NPR 150 for male workers versus NPR 100 for females in 2008) and the non-agricultural sector (a median wage of NPR 200 for males compared with NPR 125 for females) (Central Bureau of Statistics, 2009).

Figure 28. Gender disparities in labor force participation rates (per cent) in South Asia, various years (2009–12)



Notes: Age coverage: Afghanistan – 14+; Bangladesh – 15+; India – 15-59; Maldives – 15+; Nepal – 15+; Pakistan – 15+; Sri Lanka – 15+.

Source: Afghanistan – National Risk and Vulnerability Assessment, 2011-12; Bangladesh – Bangladesh Bureau of Statistics, Labour Force Survey, 2010; India – National Sample Survey, 68th Round, 2011-12; Maldives – Household Income and Expenditure Survey, 2009-10; Nepal – National Living Standards Survey, 2010-11; Pakistan – Pakistan Bureau of Statistics, Labour Force Survey, 2010-11; Sri Lanka – Sri Lanka Labour Force Survey, 2012.

Slow progress in structural transformation in South Asia

In most countries in the region, informality, in all of its forms, persists as the norm. For example, in India, though the share of workers in the informal sector has fallen from 86.3 per cent in 2004/05 to 82.2 per cent in 2011/12, the proportion of informal workers in the formal sector has increased. In other words, new jobs are being created in larger, registered firms; however, these jobs are often without regular employment relationships and benefits as a result of the increasing use of contracted and casual labour. The proportion of wage and salaried workers continues to be low, with only 22.5 per cent of workers in South Asia receiving a wage/salary in 2013, the lowest percentage of all regions. Self-employment continues to be

common for people in South Asia; in 2013, 59 per cent were own-account workers. Together with the percentage of unpaid family workers, this yields a vulnerable employment share of 76.1 per cent, a figure that is only slightly down on previous years.

Another manifestation of the slow structural transformation is the continuing high share of South Asian workers in the agricultural sector. In 2013, 51.7 per cent of workers in South Asia still make a living in agriculture. In Nepal and Pakistan almost three-quarters of working women are engaged in agricultural activities: 73.4 per cent in Nepal (2010/11) and 74.2 per cent in Pakistan (2010/11).[18]

Outlook in South Asia remains uncertain

The current slowdown and domestic challenges facing economies in South Asia imply that the goal of creating decent work will continue to be difficult in 2014 and the near future. However, some of the fundamentals are in place for countries to return or shift to higher growth paths, namely the large youth population and increased investment in infrastructure and skills development that has been taking place. Nonetheless, many countries face considerable political uncertainty and security threats (Afghanistan, the Maldives, Nepal and Pakistan), while all countries need to enhance efforts to ensure that growth translates into more decent employment, especially for the young men and women entering the labour market in the coming years.

Middle East and North Africa

Social unrest has affected the region and threatens its long-term perspective

For the past three years, the attention of the world has been caught by the social unrest that has spilled over from events happening in Tunisia to other countries in the Middle East and North (MENA) region. The region is struggling in both addressing historical problems and offering a clear path of political stability and economic growth for its current and future generations. In particular, the crises in Syria and Libya have intensified the political tensions in the region and considerably slowed economic growth. As a result, neighbouring countries (such as Egypt, Jordan, Lebanon and Tunisia) have witnessed a significant flow of (return) migrants, which in turn will have a drastic effect on the labour markets in the MENA region (see box 6). And with high levels of youth unemployment and overall low employment levels, political tensions and social instability are expected to increase across the MENA region well into the 2020s (Schulz, 2012).

Growth has decelerated sharply in the region, falling to 2.2 per cent in 2013, well below the global average (table 10). A slowdown in main commodity prices, a deceleration in world trade and a regional economy that is not very well integrated have weakened economic prospects. Moreover, the stretched political transition and instability are further weighing on the economies in the region and are likely to result in a sluggish and protracted economic recovery, with unemployment at best stabilizing at currently high levels. Trying to achieve and maintain macroeconomic stability in this environment will be a key challenge for 2014 and the coming years.

Economies in the MENA region suffer from a specialization in sectors that generate low employment growth and from a lack of structural transformation towards high-productive industries (see also ILO, 2013c). A few commodity-exporting sectors contribute most of the

[18] See CBS (2011) and PBS (2012).

Box 6. Spill-overs from the Arab Spring: The case of Lebanon

According to World Bank estimates around 1 million Syrians fled to Lebanon by the end of 2013, which is equivalent of 22 per cent of the existing Lebanese population. An additional 600,000 were expected before the end of 2014, bringing the total number of refugees to 1.6 million. This has raised serious concerns regarding the capacity of a small country like Lebanon, already characterized by lack of resources and a large fiscal deficit, to absorb the increase in population.

The strong inflow of Syrians to Lebanon is expected to have substantial short- and long-term consequences for Lebanese economic growth and labour market conditions. Lebanon has been encountering a decrease in its revenue collection (around US$1.5 billion over the period 2012–14) and a rise in its government expenditure (around US$1.1 billion). According to an economic and social impact assessment undertaken by the World Bank at the request of the Lebanese government, the country will be facing costs of US$2.6 billion in order to meet the increasing demand for public facilities such as water, electricity, health and education as a result of the influx of refugees. This will further worsen Lebanon's fiscal deficit which is already US$3.7 billion or 8.7 per cent of GDP in 2013.

Prior to the crisis in Syria, the Lebanese labour market already suffered from a high unemployment rate, especially among youth (21 per cent in 2013), skills mismatches, widespread informality (more than 56.2 per cent of total employment) and low-productivity and low-quality jobs. The substantial and quick rise in labour supply will further put pressure on existing jobseekers, adversely affecting working conditions and pushing down job finding rates. Current estimates project a labour supply increase of between 30 and 50 per cent, especially among unskilled workers, women and youth. This substantial rise is expected to push up both the unemployment rate and the share of informal employment in total employment by up to 10 percentage points each. In addition, 170,000 Lebanese will be pushed back into poverty by 2014, reversing earlier favourable trends in poverty reduction (World Bank, 2013b). In order to address these serious challenges and to at least stabilize the current labour market situation, Lebanon is in need of effective macroeconomic policies and targeted active labour market policies that aim to improve both productivity and job quality through increasing the average skill level and providing job opportunities, especially for the low-skilled.

output of the region but very little to employment opportunities. In addition, these sectors do not offer sufficient employment opportunities for the skills young people possess. The high wages paid in these sectors raise labour costs and wage expectations more broadly, inhibiting stronger job creation in other, more employment-intensive sectors in industry or services. Also, smaller, oil-exporting countries in the Middle East, in particular in Gulf Council Countries (GCC), redistribute the wealth generated from their main export goods via generous public employment offers to nationals, which further pushes up wage premiums for natives and limits the capacity of these countries to develop a sustainable business sector outside a few highly productive sectors.

Besides a lack of structural transformation, many countries in the region also suffer from a challenging business climate characterized by poor and limited infrastructure, such as costly, unreliable and inefficient supplies of electricity and water. This further dampens and limits investment opportunities and growth. As a result, the demographic change characterised by a growing young population is considered to be a burden on the economy rather than an asset. The scarce job opportunities are likely to fuel social unrest and instability further as a youthful population face severely limited opportunities.

Stress in labour markets remains high in the region

Over the past decade, the MENA region has witnessed economic growth of 2 per cent per annum. This growth rate has proven too low to generate sufficient employment opportunities for the fast growing population and many workers only find jobs in the informal economy (ILO and UNDP, 2013). Indeed, unemployment in the region remains the highest in the world, at least 2 percentage points above rates observed in the Developed Economies and European Union region, which had experienced a serious deterioration during the crisis. In contrast to many other regions, however, in the MENA countries the worsening of labour market conditions was mainly a result of the political instability that arose after 2011: the global economic crisis did not contribute significantly to labour market development in the region (see table 10).

Table 10. Labour market situation and outlook in MENA countries (per cent)

		2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
Labour force participation rate		48.0	48.2	48.5	48.8	49.0	49.2	49.4	49.6	49.7	49.7
Unemployment rate	Total	10.4	10.7	11.3	11.5	11.5	11.5	11.5	11.4	11.4	11.3
	Male	8.2	8.3	8.8	8.9	8.9	9.0	8.9	8.9	8.8	8.8
	Female	18.9	19.8	20.9	21.3	21.2	21.1	21.0	20.9	20.8	20.7
	Youth	23.8	25.0	27.0	27.9	28.3	28.6	28.8	28.9	29.0	29.1
	Adult	7.0	7.3	7.6	7.8	7.9	8.0	8.0	8.1	8.1	8.1
Employment annual growth rate	Total	2.9	2.7	2.2	2.5	2.4	2.4	2.4	2.3	2.2	2.1
	Male	3.0	2.8	2.4	2.5	2.3	2.3	2.3	2.2	2.1	2.1
	Female	2.5	2.6	1.7	2.4	2.8	2.8	2.7	2.6	2.5	2.4
	Youth	–0.3	–1.5	–2.8	–1.8	–1.6	–1.4	–1.1	–0.8	–0.6	–0.3
	Adult	3.6	3.6	3.2	3.3	3.1	3.0	2.9	2.8	2.6	2.5
Memorandum item: *GDP annual growth rate*		3.1	5.1	2.7	5.8	2.2	4.1	4.4	4.2	4.2	4.4

Notes: * 2013 are preliminary estimates; 2014–18 are projections.

Source: ILO, *Trends Econometric Models*, October 2013 (see Annexes 4 and 5); IMF, *World Economic Outlook*, October 2013.

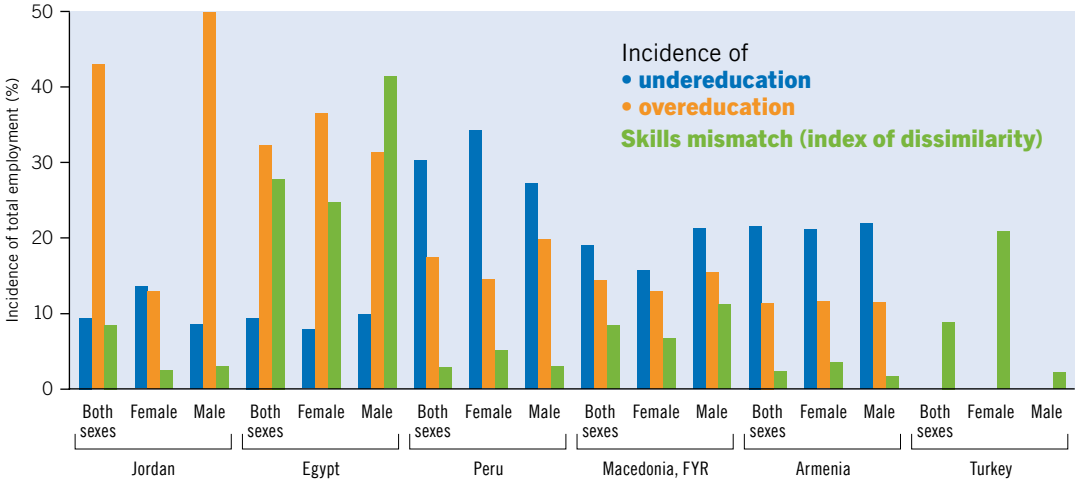
Youth unemployment in MENA countries remains the highest in the world, reaching 27.2 per cent in the Middle East and more than 29 per cent in North Africa in 2013. This is more than twice as high as the global average. For example, unemployment among young people has reached around 19 per cent in Morocco, over 22 per cent in Algeria and Lebanon, 25 per cent in Egypt, closer to 30 per cent in Jordan and Saudi Arabia, around 40 per cent in the Occupied Palestinian Territories and over 42 per cent in Tunisia. The youth labour force is expected to decline over the coming years, but this will provide only a short-term relief: as of 2020, long-term demographic projections indicate a return of stronger growth of the youth population, making it essential that the region develops a labour market that can utilize the new entrants and benefit from the demographic dividend.

In many MENA countries, educational attainment actually increases the risk of joblessness. For instance, the unemployment rates for those with tertiary education are over 43 per cent in Saudi Arabia, 24 per cent in the Occupied Palestinian Territories, 22 per cent in United Arab Emirates and in Morocco, 14 per cent in Tunisia and over 11 per cent in Algeria (O'Sullivan et al., 2011). Youth unemployment in the MENA region might take longer to recover due to the fact that educated youth may take a longer time to find a job that matches their skills and education. Some countries in the region, such as Tunisia, are characterized by overqualified young people accepting relatively low wages and engaging in insecure jobs. In contrast, education systems in other countries, such as Egypt and Jordan, struggle to deliver graduates with the necessary skills for finding productive jobs. Given these trends, many young people in the region are both overqualified and underqualified for available positions compared to countries in other regions at similar levels of development (see figure 29). According to the World Bank's Enterprise Surveys, labour skill levels are recognized to be one of the key constraints in Lebanon (38 per cent of surveyed firms), Syria (36 per cent), Jordan (33 per cent) and Egypt (31 per cent).

Skills mismatches in most MENA countries are worsened because the educational systems are characterized by significant inequalities. Students coming from a disadvantaged background have less chance of completing their primary education. They also have a lower probability of gaining access to better quality education. Therefore, they will be less able to access university educations. This inequality is aggravated by the rapid decline in public investment in education (see figure 30).

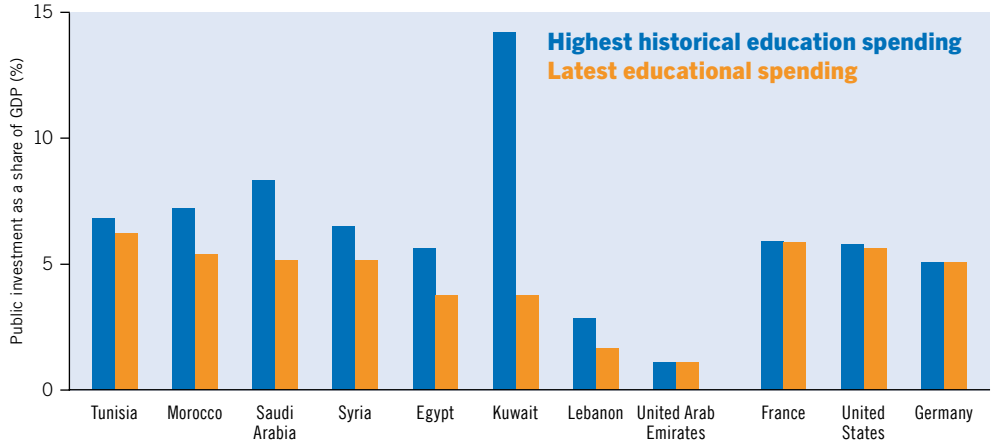
The unequal distribution and – on average – inadequate quality of education reduce the returns that many people receive from their education and prevents the region from benefiting from the large overall investment they make in education. At the same time, the fact that only few possess the skills actually required by local businesses creates substantial wage premiums, such as may be earned, for instance, by returning migrants in Egypt, who are often perceived as being more adequately educated (Özden and Schiff, 2007). As a result, the private sector

Figure 29. Skills mismatch, overeducation and undereducation in selected economies (per cent)



Source: ILO, *Key Indicators of the Labour Market*, 2013.

Figure 30. Public investment in education in MENA countries (per cent of GDP)



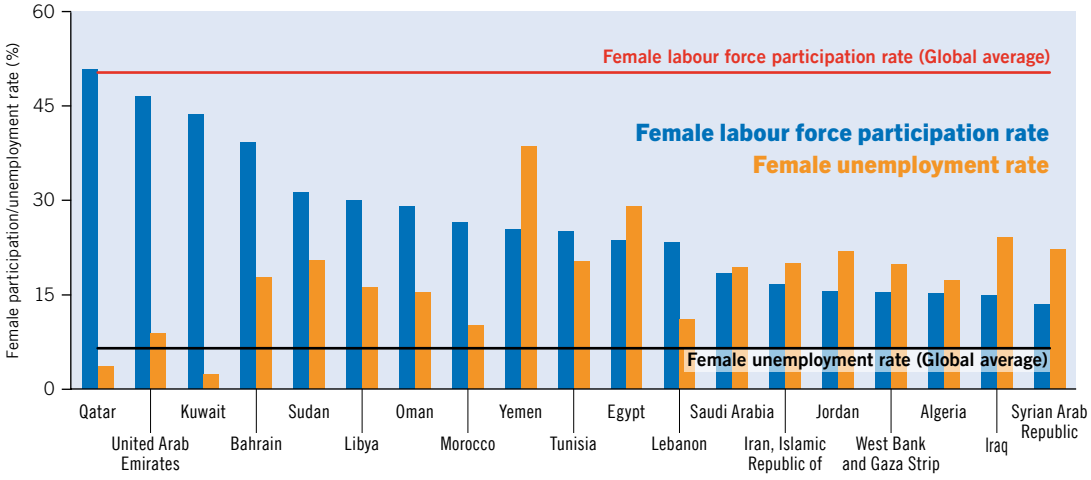
Source: World Bank, *World Development Indicators*, 2013.

faces both supply and price constraints in hiring the workforce needed to expand and successfully compete at the international level.

Women face particular challenges in the labour market in the MENA region, in particular in GCC countries (see, also, ILO, 2013c). Female unemployment rates are high and the gender unemployment gap is large. Female labour market participation rates are lower than in any other region, reaching barely 25 per cent in North Africa and not even 20 per cent in the Middle East. Nevertheless, an increasing share of the female population has now attained tertiary level education, but so far they remain underutilized. Taken together, high unemployment and low participation rates leave a large employment gap and a huge catch-up potential should more women decide to enter the labour market (figure 31).

Expanding employment opportunities for both young people and women could contribute significantly to an increase in GDP per capita and help larger parts of the population to benefit from wealth generated in these countries (table 11). Raising the employment rate for both young workers and women to the global average would increase employment by more than 58 million in the MENA region and could add more than 20 per cent on average to per capita income levels. Reducing youth unemployment rates by half would increase employment by 3 million, while maintaining youth unemployment rates at current levels (rather than seeing them increase further over the next few years) would have a minimal positive impact on GDP per capita levels (around 0.3 per cent) and still lead to a further reduction in the overall number of jobs (table 11).

Figure 31. Female participation and unemployment rates in MENA countries (per cent)



Source: ILO, *Trends Econometric Models*, October 2013.

Table 11. Jobs gap and contribution to GDP per capita in MENA countries

	Jobs gap (thousands)	Change in GDP per capita (%)
Maintain youth unemployment at current levels	–580	+0.3
Reduce youth unemployment rate by half	3019	+1.1
Increase employment-to-population ratio for women and youth to global average	58202	+20.1

Notes: The table indicates the change in the absolute number of jobs and GDP per capita vis-à-vis current levels under different scenarios. The first scenario assumes a constant youth unemployment rate until 2018; the second scenario assumes that the youth unemployment rate falls by half compared with the 2013 rate; the last scenario assumes an increase of the employment-to-population rates for both youth and women to the global average.

Source: ILO, *Trends Econometrics Models*, October 2013; ILO staff calculations.

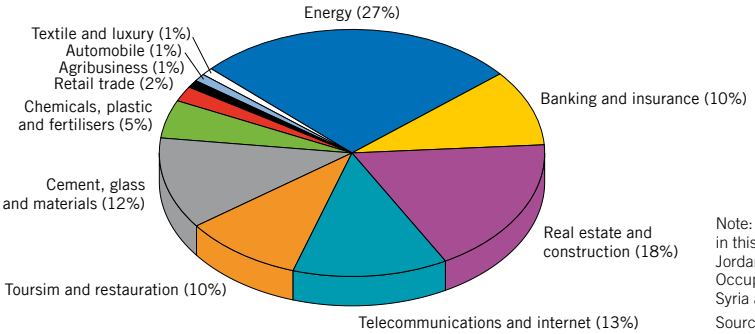
Making foreign direct investment beneficial for job creation

The MENA region benefits from a substantial and growing inflow of foreign direct investment (FDI). In principle, such investment should provide support for stronger growth and employment creation, both directly and indirectly, by spurring structural transformation and sectoral reallocation of jobs into higher value added industries. So far, however, there is little evidence that FDI has led to such changes in the region. This section discusses some of the recent trends and the reasons for the limited effects FDI had on employment creation in the region.

FDI into the MENA region has increased substantially over the past decade (from US$8.7 billion in 2001 to US$94 billion in 2008). However, these FDI inflows were directed to only a few sectors, such as construction, telecommunications and mining, while the manufacturing and agriculture sectors were neglected (figure 32). In addition, high technology services sectors have received very little FDI inflows, limiting positive spillovers onto productivity growth in the region. Moreover, FDI inflows have been highly concentrated in resource-rich countries, with Saudi Arabia receiving the lion's share of the inflows (around 44 per cent; OECD and WEF, 2011). More importantly, with the onset of the Arab Spring and the rise of social protest, which has affected the political stability of the region, FDI inflows to the MENA region have declined by 13 per cent, in particular in Egypt and Tunisia.[19] So far, FDI in the MENA region has not had the broad-based effect on economic development that was seen in Eastern Europe and Asia over the same period.

[19] The General Authority for Investment and Free Zones in Egypt stated that FDI declined by 40 per cent at the beginning of 2011. As well as, Tunisia who witnessed a 30 per cent decline in FDI at the beginning of 2011.

Figure 32. Foreign direct investment inflows in the MENA region by sector, 2003–10 (per cent)



Note: The countries included in this graph are: Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Occupied Palestinian Territories, Syria and Tunisia.

Source: OECD and WEF, 2011.

In principle, FDI inflows can promote employment creation through two channels:

- When FDI comes as greenfield investments, new employment opportunities are generated immediately, especially if these investments are directed into labour intensive sectors such as agriculture, manufacturing, tourism and wholesale and retail trade. Greenfield investment is expected to have a positive impact on employment and to generate positive spillovers to the whole economy. Over the past 5 years, around 90 per cent of FDI in the MENA region was in greenfield operations.
- Alternatively, FDI can flow in through mergers and acquisitions. These typically do not create new job vacancies, and in the short term they might lead to job destruction. In the longer run, this type of investment is expected to increase productivity, which could enhance employment creation through sectoral reallocation of jobs.

So far, neither type of foreign investment has had a significant positive impact on employment in the MENA region. To a large part, this can be explained by the very limited number of sectors that have benefited from FDI inflows and the fact that they were not labour-intensive sectors. Most FDI has been directed to the hydrocarbons sector, which is a capital-intensive sector. For instance, in Algeria and Tunisia 50 per cent and 61 per cent, respectively, of FDI inflows were oriented towards the energy sector. In Egypt, 45 per cent of total FDI inflows were directed to the petroleum sector. Not only are these sectors capital-intensive, they offer job opportunities for a very limited number of occupations, such as petroleum engineers, which many MENA countries lack in a sufficient number and so need to import. In countries that are not oil exporters, FDI inflows often went into other capital-intensive sectors, such as telecommunications, again creating only limited new jobs. For example, in Tunisia and Morocco, 35 per cent and 33 per cent, respectively, of the FDI received during 2000 and 2007 went to the telecommunications sector.

In addition, where investment went into labour-intensive sectors, such as construction, the native population often benefited very little from new job openings, which were quickly filled with migrants from countries outside the region. Indeed, in the Gulf countries in particular, wage premiums for native workers lead employers to hire migrant workers at lower wages, often with working conditions that would not be accepted by native workers (see also the discussion in ILO, 2013c). Moreover, cultural barriers often prevent women from working in some male dominated industries.

To ensure that labour markets receive more benefit from FDI, countries in the MENA region need to make substantial efforts to diversify the sectoral allocation of FDI inflows. Often, high barriers to market entry, a low level of perceived governance quality and a lack in proper infrastructure create substantial obstacles for foreign investors who wish to enter new markets. Also, in some countries in the region there seems to be a first-mover bias, where substantial protection from further competition is granted for the first investor in any particular sector, thereby limiting the possibility of a much broader positive employment effect from FDI.

Sub-Saharan Africa

Economic growth has remained solid

Economic growth has continued to be solid in Sub-Saharan Africa. GDP year-on-year growth in 2013 is estimated at 4.8 per cent in 2013. This is slightly below the growth rates seen in recent years, but it is still the third fastest regional growth rate, after East Asia and South-East Asia and the Pacific (see Annex 1, table A1). Growth in Sub-Saharan Africa is also high in comparison with the 1990s. From 1991 to 2000, regional economic growth averaged 2.3 per cent annually, compared with an average of 5.7 per cent during 2001–12. In 2013, more than half of the countries in Sub-Saharan Africa are estimated to have realized economic growth rates of at least 5 per cent, and only in two countries is growth likely to have been negative (Central African Republic and Equatorial Guinea). Furthermore, the current economic outlook suggests that regional growth rates of at least 5 per cent are sustainable, provided that global economic conditions do not weaken exports or reduce inflows of investment and aid (IMF, 2013). Both investment and aid are important, as different groups of countries tend to benefit from these financial flows. Official development assistance constitutes most of the external inflows in low-income countries, while middle-income countries rely more on remittances, portfolio inflows and foreign direct investment (AfDB, 2013).

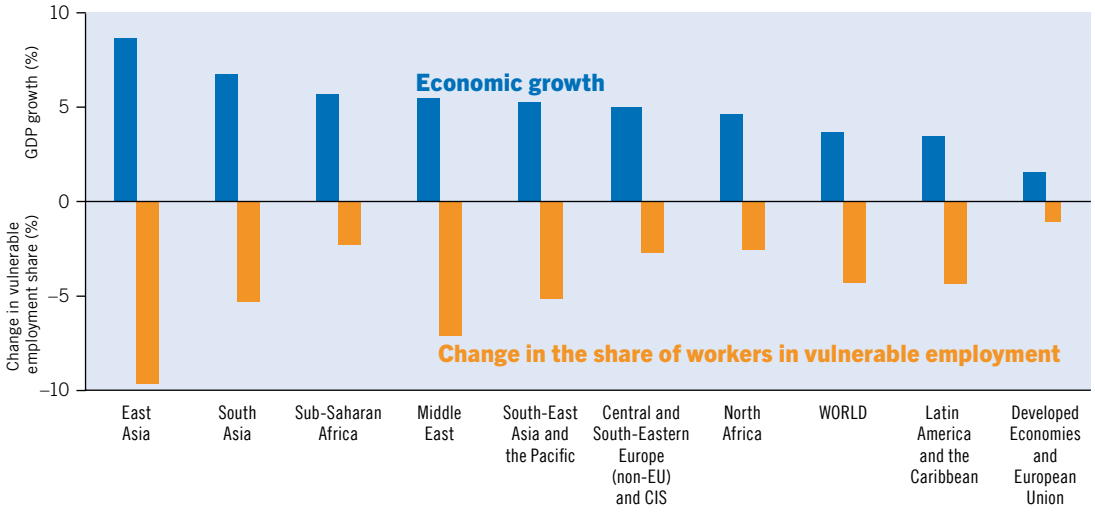
High rates of economic growth contributed to an improvement in some labour market indicators. Ghana, for example, realized an average annual economic growth rate of 6.8 per cent during 2001–12 (4.5 per cent during 1991–2000), and was classified as a lower-middle-income economy by the World Bank in 2010. Data from the population censuses in this country indicate that the unemployment rate more than halved from 2000 to 2010 (from 10.4 to 4.2 per cent), while data from the Ghana Living Standard Surveys show a declining share of workers in vulnerable employment (which covers own-account work and contributing family work). The vulnerable employment rate decreased from more than 80 per cent in the 1990s to 75 per cent in 2006 (Sparreboom and Baah-Boateng, 2011). In a similar vein, the average unemployment rate in Sub-Saharan Africa as a whole during the period 2001–12 is estimated to be half a percentage point below the rate during 1991–2000 (7.9 and 8.4 per cent, respectively). Comparing these two periods, the average regional youth unemployment rate decreased by almost a percentage point from 13.4 per cent to 12.3 per cent.

Nevertheless, according to data from the Ghana Population Census, more than three-quarters of the employed remained in vulnerable employment in 2010 (ILO, 2013e), which points to the lack of economic and labour market transformation in Ghana. Again, there is similarity with the development of Sub-Saharan Africa as a whole, as the regional vulnerable employment rate decreased by only 2.3 percentage points from 2001 to 2012. All other developing regions show a larger decrease in the vulnerable employment rate, in most cases despite lower rates of economic growth than were experienced in Sub-Saharan Africa. In Latin America and the Caribbean, for example, economic growth averaged 3.5 per cent during 2001–12, while the vulnerable employment rate decreased by 4.4 percentage points in this period (figure 33).

The vulnerable employment rate in Sub-Saharan Africa is estimated at 77.4 per cent in 2013, which is the highest rate of all regions. Facing underdeveloped or non-existent social protection systems, a large share of the working-age population in the region is obliged to work to provide a living to their families. As a consequence, the labour force participation rate across all labour market groups is estimated at 70.8 per cent in 2013, and Sub-Saharan Africa is the only region in which the male adult labour force participation rate is projected to rise in 2014 and 2015 (table 12).

In many developing economies, the manufacturing sector has served as an engine of paid employment creation, but by and large this has not happened in Sub-Saharan Africa. The industrial sector in Ghana, for example, is composed mainly of mining and construction,

Figure 33. Economic growth and vulnerable employment, by region, 2001–12 (per cent)



Source: ILO, *Trends Econometric Models*, October 2013; IMF, *World Economic Outlook*, October 2013.

Table 12. Labour market situation and outlook in Sub-Saharan Africa (per cent)

		2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
Labour force participation rate	Total	70.4	70.4	70.5	70.6	70.8	70.9	71.0	71.1	71.2	71.2
	Adult male	87.4	87.4	87.4	87.4	87.5	87.6	87.7	87.7	87.8	87.9
	Adult female	71.4	71.4	71.6	71.7	71.8	71.9	72.1	72.2	72.3	72.4
	Youth	54.2	54.1	54.1	54.2	54.3	54.3	54.4	54.4	54.4	54.3
Unemployment rate	Total	7.7	7.6	7.6	7.6	7.6	7.6	7.5	7.5	7.5	7.5
	Male	7.1	7.0	6.9	6.9	6.9	6.9	6.8	6.8	6.8	6.7
	Female	8.4	8.3	8.4	8.3	8.4	8.4	8.4	8.3	8.3	8.3
	Youth	12.1	12.0	11.9	11.9	11.9	11.8	11.7	11.7	11.7	11.7
	Adult	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Employment annual growth rate	Total	2.8	2.9	3.0	3.1	3.1	3.1	3.1	3.1	3.1	3.1
	Male	2.7	2.9	3.1	3.1	3.1	3.2	3.2	3.1	3.1	3.1
	Female	2.9	2.9	2.9	3.1	3.0	3.1	3.1	3.0	3.0	3.0
	Youth	2.1	2.4	2.7	2.7	2.7	2.8	2.8	2.7	2.7	2.7
	Adult	3.0	3.1	3.1	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Memorandum item: *GDP annual growth rate*		2.6	5.6	5.5	5.2	4.8	5.7	5.7	5.6	5.5	5.7

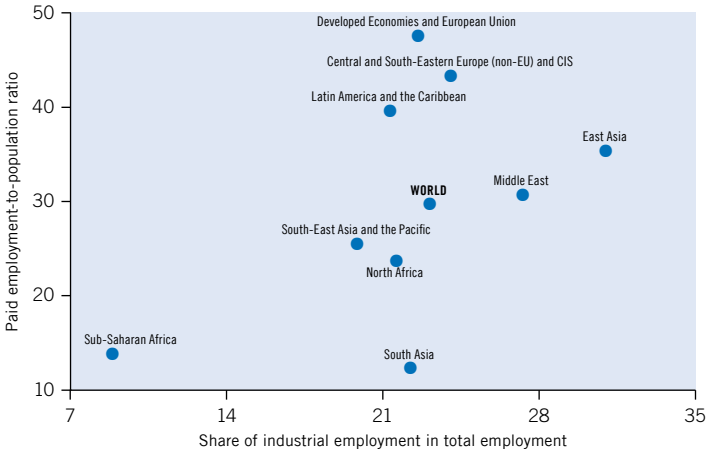
Notes: * 2013 are preliminary estimates; 2014–18 are projections.

Source: ILO, *Trends Econometric Models*, October 2013 (see Annexes 4 and 5); IMF, *World Economic Outlook*, October 2013.

while manufacturing has been declining as a share of GDP in the last two decades (AfDB, 2013). At the regional level, the share of industry in GDP also decreased slightly, from 30.7 per cent in 1991 to 29.7 per cent in 2011, but the share of manufacturing decreased significantly in this period, from 16.7 to 11.1 per cent (World Bank, 2013b). In terms of employment, the share of workers in industry in Sub-Saharan Africa, which is estimated at less than 10 per cent, is extremely low. In all regions this share is at least 20 per cent, and in the case of East Asia it is exceeds 30 per cent (Figure 34).

The proportion of the working-age population in paid employment is also low in Sub-Saharan Africa (13.7 per cent). Figure 34 suggests that the paid employment-to-population ratio tends to increase if the share of employment in industry rises. At first sight, the position of South Asia seems not to fit in the pattern, as the paid employment-to-population ratio is at a similarly low level as in Sub-Saharan Africa, but in South Asia a much larger share of workers is in industrial employment. However, the share of workers in industrial employment in South Asia may appear relatively large due to the low female participation in labour markets, as female employment is typically concentrated in the services sector (ILO,

Figure 34. Paid employment and employment in industry across regions, 2012 (per cent)



Note: CSEE&CIS: Central and South-Eastern Europe (non-EU) and CIS; DEEU: Developed Economies and European Union; EA: East Asia; LAC: Latin America and the Caribbean; ME: Middle East; NA: North Africa; SA: South Asia; SEAP: South-East Asia and the Pacific; SSA: Sub-Saharan Africa

Source: ILO, *Trends Econometric Models*, October 2013.

2012). Hence, given that in all regions the share of male industrial employment in total male employment is higher than the commensurate female share, low female participation tends to inflate the share of industry in total employment. Another factor influencing the relationship depicted in figure 34 is the role of self-employment and informal employment in industry, which seems to be more important in South Asia than in Sub-Saharan Africa.[20]

African policy-makers have recognized the challenge of creating gainful employment opportunities and the related need for economic and labour market transformation. Regional consultations on the post-2015 development agenda recently resulted in the formulation of four desirable development outcomes in Africa, the first of which is structural transformation and inclusive growth (UNECA, 2013).[21] The African Economic Outlook (AEO) 2013 argues that a four-layer approach could help transform African economies, in particular through the better utilization of their natural resources. According to this approach, the first layer consists of putting in place the right conditions for structural transformation. This includes basic requirements such as infrastructure and education to strengthen skills, but also sufficiently large and competitive markets. The second layer is constituted by meeting the specific requirements of the primary sectors to fuel transformation, which includes for example good land management and resource-specific skills and research. The third layer is concerned with optimizing the revenue from natural resources and investing it wisely, while layer four is about promoting structural transformation with active policies. Such policies should focus on increasing agricultural productivity and building linkages to and from the extractive industries (AfDB, 2013).

For successful structural and labour market transformation, the African workforce needs to be properly prepared, as identified by the first layer in the AEO. Impressive strides have been made in expanding access to primary education in Sub-Saharan Africa, and the net enrolment rate increased from 60 per cent in 2000 to 77 per cent in 2011. Nevertheless, on current trends the region is unlikely to meet the target of universal primary education by 2015 (UN, 2013b). Over time, low enrolment rates in primary education translate into low levels of educational attainment of the labour force. In some middle-income countries in Sub-Saharan Africa, workers with a secondary education may account for around a quarter of the workforce. In Botswana, for example, 26 per cent of workers had a secondary education in 2006, while in Namibia, 23 per cent of workers had achieved this level in 2012. However, these proportions are often much lower in low-income countries. For example, in Madagascar, the share of the labour force with secondary education was 15 per cent in 2005 (ILO, 2013e), while in

[20] Ideally, figure 34 would show the share of paid industrial employment in total paid employment, but such data are not available at the regional level.

[21] The other three are innovation and technology transfer, human development and financing and partnerships.

Malawi the share of employed youth with secondary education reached the same percentage in 2012 (ILO, 2013f).

Low levels of educational attainment result in widespread underqualification, which reduces the potential for economic and labour market transformation. Data from school-to-work transition surveys in Malawi and Togo show that 82 and 55 per cent, respectively, of employed youth were underqualified in 2012 (ILO, 2013f). As levels of educational attainment are typically much higher in paid employment than in self-employment and informal employment, low levels of educational attainment may also hamper formalization of jobs. In Ghana, for example, 36 per cent of workers in the private formal economy had obtained a secondary educational qualification in 2006, rising to 69 per cent in the public sector, while this was true for less than 7 per cent of workers in the informal economy (Sparreboom and Baah-Boateng, 2011). In Tanzania, more than 27 per cent of workers in paid employment had at least a secondary educational qualification in 2006, compared with less than 3 per cent of own-account workers and contributing family workers (Sparreboom and Nübler, 2013).

Low levels of educational attainment, widespread underqualification, a young and rapidly growing population and labour force, in combination with few opportunities for paid employment in Sub-Saharan Africa underline the need for increased social spending in the region. In most African countries, only 4–6 per cent of GDP is spent on social protection benefits, and average expenditure in Sub-Saharan Africa is the lowest of all regions (ILO, 2010). Although some progress has been made in reducing the proportion of people living in poverty in Sub-Saharan Africa, the region has seen a steady rise in the absolute number of extremely poor people (UN, 2013b). Social protection policies help to reduce poverty, and to strengthen the foundation for future inclusive growth. Social protection has also been demonstrated to improve educational outcomes and build labour market skills, and in this way can contribute to inclusive economic growth (World Bank, 2012).

3. Policies for a stronger labour market and more inclusive growth

Persistent weakness in labour markets and economic growth necessitates a policy re-think

Entering 2014, the world still faces a jobs gap of 62 million – a harsh legacy of the global economic crisis. Employment growth remains weak, unemployment continues to rise, particularly among young jobseekers, and large numbers of potential workers remain discouraged and out of the labour market. Those that are unemployed are facing longer waiting times to secure employment, with a corresponding increase in the mismatch between the skills and employability of these jobseekers and the needs of firms and the labour market. On the current economic and policy trajectory, unemployment is likely to continue to rise further, as a steady wave of new jobseekers – more than 220 million – enter the global labour market over the next five years without sufficient decent work opportunities to absorb them. Current trends suggest that many of these new jobseekers will not be able to secure formal wage employment, but rather will be relegated to informal or insecure work with little or no social protection and limited earnings opportunities.

At the same time, persistently weak labour markets and slow growth continue to strain public budgets. As a result, many governments have pursued fiscal consolidation, which, in turn, constitutes a severe drag on expansion of output growth in many advanced countries, creating a vicious cycle. In turn, this weak growth in advanced economies has been spilling over to emerging and low-income countries, jeopardizing the global economic recovery at large. A lack of policy coordination has led to heightened uncertainty, resulting in suboptimal hiring and investment rates by firms and weaker spending by households.

Monetary stimulus has prevented worse outcomes but has limitations and potentially adverse consequences

Monetary policy remains highly accommodative. In response to the sharp and abrupt decline in economic activity brought about by the global economic crisis, major central banks around the world dramatically reduced short-term lending rates starting in 2008. In the United States, Japan, the euro area, United Kingdom, Switzerland and other major currency areas, short-term rates remained between zero and 1 per cent to the end of 2013, marking six consecutive years of a near zero interest rate environment in many of the world's major economies. In addition to the sharp reduction in short-term interest rates, unconventional measures to boost economic activity and to counter the risk of deflation have also been enacted by some central banks – most notably, large-scale asset purchase programmes or "quantitative easing", which aims to lower bond yields and expand the monetary base, thereby encouraging lending and boosting economic activity.

Such large and long-lasting changes in the stance of monetary policy have important distributional consequences (McKinsey Global Institute, 2013). Estimates for the United States, the United Kingdom, and the euro area, show that between 2007 and 2012, governments

collectively benefited by US$1.6 trillion through reduced debt service costs and profits realized and remitted by central banks. At the same time, households in these countries lost an estimated US$630 billion in net interest income due to lower interest rates, with older households (which are more dependent on interest-bearing assets) having been particularly hard hit, while younger households (which are net borrowers) gained. Non-financial corporations benefited by an estimated US$710 billion, as lower interest rates have made it cheaper for them to service debt. In sum, corporations have, on average, fared far better than households as regards capital incomes.

On the other hand, liquidity creation by central banks did prevent a larger fall in employment. Estimates from macroeconomic models by the US Federal Reserve and the Bank of England, among others indicate that unconventional monetary policies have improved GDP by between 1 and 3 per cent compared with a "no action" scenario and have reduced unemployment rates by around 1 percentage point. In this respect, these measures have prevented a larger shortfall in jobs. Nevertheless, this was not sufficient to allow for a stronger bargaining power of labour, with wages growing well below trend rates and the labour income share continuing to fall in most advanced economies. Taken together, these extraordinary monetary measures may have contributed to increased inequality by favouring corporate profits over households' labour earnings.

The extended period of low interest rates and unconventional monetary policy measures is likely to have adverse effects on employment by skewing firms' incentives towards an expansion of capital rather than hiring. Indeed, currently stagnant labour market trends are a paradox when viewed alongside trends in corporate profits, which were at an all-time high at the end of 2013.[22] While hiring remains weak, many firms have been taking advantage of exceptionally low interest rates to issue debt. In 2012, firms in the United States issued US$1.36 trillion in debt, up more than 20 per cent even from the elevated levels during the boom years of 2006 and 2007 and an increase of around 90 per cent compared with the average annual debt issuance registered between 2000 and 2005.[23] The trend persisted into 2013: in the first 10 months of 2013, US corporate debt issuance was up a further 5.2 per cent compared with the same period in 2012.

The rise in corporate profits and inexpensive borrowing did not, however, spark an investment boom in the real economy. Rather companies have decided to pay ever larger dividends to their shareholders. Over the 12 months to September 2013, dividend payments from S&P 500 firms totalled US$329 billion, which is more than double the level from 2003 and 37.6 per cent greater than the average over the prior 10 years.[24] In addition, firms have been buying back their own shares, and issuing debt to do so, with the aim of further bolstering share prices.[25] Taking advantage of ultra-low interest rates to buy back shares and increasing dividend payments to shareholders, alongside persistently weak hiring, can be seen as a choice to invest an increasing proportion of available corporate funds into financial capital, as opposed to into physical capital or into expanding the workforce. In the United States, at least, these trends have further worsened income inequality. Saez (2013) finds that between 2009 and 2012, average family incomes of the top 1 per cent of US households grew by 31.4 per cent, while the incomes of the bottom 99 per cent of households grew by only 0.4 per cent. According to his estimates the top 1 per cent in the United States captured 95 per cent of aggregate income gains in the first 2 years of the recovery.

A situation has thus emerged in which fiscal support remains too weak to jump-start a strong economic and labour market recovery, and monetary policy, which remains strong and has provided needed support, may also be contributing to some of the observed weaknesses in labour markets and to increased inequality. In this context, this report argues for three key areas of policy focus going forward.

[22] Data are available from Federal Reserve Bank of St. Louis, http://research.stlouisfed.org/fred2/series/CP/.

[23] Data are available from Securities Industry and Financial Markets Association (SIFMA). http://www.sifma.org/research/statistics.aspx.

[24] Data are from http://www.factset.com/websitefiles/PDFs/dividend/dividend_9.16.13.

[25] See http://www.reuters.com/article/2013/09/06/bonds-share-repurchases-idUSL6N0H23BF20130906.

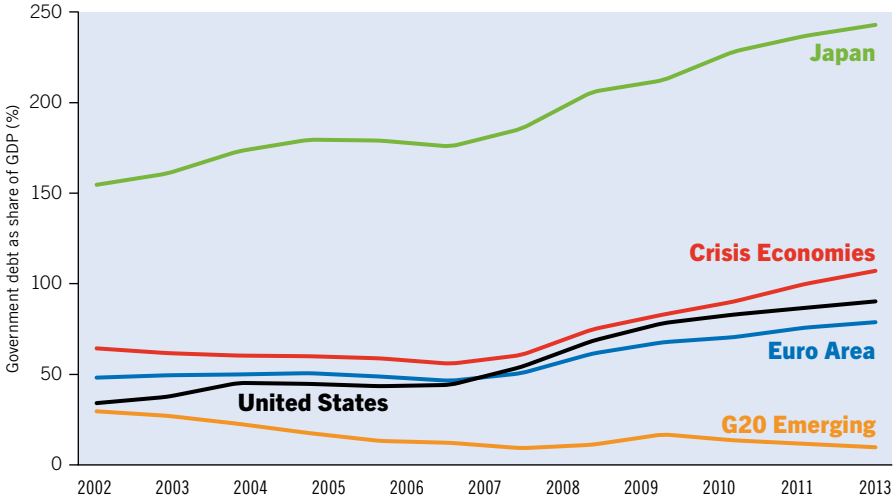
1. Address weak aggregate demand through improved labour incomes and less fiscal consolidation

Global aggregate demand remains weak, with most economies growing considerably more slowly than before the crisis. Household spending remains muted, and the contribution of private consumption growth to global economic growth in 2013 was the lowest since the depths of the global economic crisis in 2009. Consumption remains particularly weak in economies in which wages have stagnated and in those with high levels of household debt.[26] This, in turn, has led to continued reluctance by firms to invest in expanding their productive capacity, as sources of new demand remain uncertain. The contribution of investment growth to global economic growth in 2013 was also lower than in any year since 2009. Accordingly, the year 2013 has seen a widening between trends in global profit growth and equity prices on the one hand and the global labour market on the other. Weak global wage growth underscores the observed long-term decline in labour shares of national income in many countries.

The combination of weak consumption and investment has also put downward pressure on government revenues and government spending. Accordingly, breaking this vicious circle has become a key priority of policymakers, including through the G20 Labour and Employment and Finance Ministers' joint communiqué in July 2013, which emphasised the need for "integrated macroeconomic, financial, and labour market policies that foster growth and employment".[27]

Yet, fiscal austerity pursued simultaneously in several advanced economies has depressed aggregate demand while at the same time failing to bring down the high levels of public debt (figure 35). In 2013, government debt rose further relative to output in most of the developed world. Particularly in the United States and in the euro area, debt-to-output ratios continue to rise despite fiscal consolidation measures. In the crisis economies at the periphery of the euro area, several consolidation packages have been implemented, where civil servants in particular have been hit hard through layoffs, permanent wage and pension cuts or a rise in working hours with unchanged pay, which had direct, negative effects on private consumption. As a consequence, economic growth has declined more than public debt, increasing the debt burden further relative to output in many advanced economies. Different policies have been

Figure 35. Government debt to GDP ratio in selected countries and country groups (per cent)



Note: Crisis economies comprise Greece, Ireland, Italy, Portugal and Spain.
Source: IMF, *World Economic Outlook*, October 2013.

[26] EIU country data; ILO, "The global economic and employment situation and policy options", Report to the Governing Body 319th Session (October 2013).

[27] See: http://www.ilo.org/global/publications/WCMS_218017/lang--en/index.htm

Box 7. Fiscal consolidation versus employment-friendly policies – Simulation results

This box illustrates the employment effect of a fiscal consolidation scenario against an employment-friendly scenario in G20 countries (Cripps, 2013). These scenarios are assessed using the Global Policy Model, a macro econometric model grouping 130 countries into 15 blocks and 3 income groups: high-income G20 countries, developing G20 countries and rest of the world. The data used for estimation are annual and cover the period from 1970 to 2011.

In high-income G20 countries, employment-friendly policies achieve both lower unemployment rates and lower public debt–to-GDP ratios

The baseline scenario starts with 2012 estimates and is in line with GDP forecasts from the IMF's *World Economic Outlook* and employment projections from the ILO *Trends Econometric Models*. In the baseline scenario, GDP growth is expected to be 1.6 per cent per annum over the period 2013–2020. Although unemployment rates are projected to decline slowly over this period, they remain 2.5 percentage points higher compared with the pre-crisis level (see dark blue line in figure B7.1). Similarly, the public debt-to-GDP ratio decreases only slightly to 76 per cent by 2020 down from 84 per cent in 2012.

The consolidation policy scenario in high-income countries targets a public debt-to-GDP ratio of 60 per cent by 2020. The instrument used to achieve this target is a reduction in public spending of 5 per cent by 2020. The alternative scenario targets country-specific levels of unemployment within 1 percentage point of the lowest unemployment rate over the period 1993–2012 by 2020. The instruments used to achieve this objective are a combination of expansionary fiscal policies and a rebalancing of income distribution towards labour income. Fiscal policies consist of a 4.4 per cent progressive increase in public spending by 2020. Labour market policies consist of a 2 percentage point increase in labour share of income over the same timeframe.

Fiscal consolidation fails to achieve higher growth and lower unemployment rates. GDP growth is expected to be lower than in the baseline scenario, at 1.2 per cent per annum down from 1.6 per cent per annum over the period 2013–2020. In line with poor growth performance, the unemployment rate is 0.4 percentage points higher under the consolidation policy compared with the baseline. This corresponds to 2.4 million fewer jobs (see light blue line in figure B7.1). Consolidation policies are associated with a moderate reduction of government debt from 84 per cent to 74 per cent of GDP (see figure B7.2).

In contrast, an alternative employment-friendly policy is found to successfully enhance economic growth. GDP growth reaches 2.1 per cent per annum over the period 2013–20. Unemployment rates drop to 6.4 per cent, compared with 8.2 per cent in the baseline scenario. This corresponds to 6.1 million additional jobs compared with the baseline. Public debt drops to 72 per cent of GDP, a lower level of indebtedness compared with both the baseline and fiscal consolidation scenarios. In contrast to self-defeating consolidation policies, a switch to such a pro-growth policy stimulates aggregate demand through expansionary fiscal policy and a rebalancing of income towards labour that supports consumption and only weakly affects external competitiveness.

In developing G20 countries, employment-friendly policies improve both productivity and labour incomes

Developing G20 countries face different challenges than high-income G20 countries, such as under-employment and low wages and low job quality rather than high unemployment rates. In the baseline scenario, the unemployment rate is 5 per cent on average in low- and middle-income G20 countries, far below the level prevailing in high-income countries. The developing country simulation package combines a set of targets capturing the challenges these countries are facing. First, output per person employed is targeted to increase by 5.5 per cent per annum for G20 middle-income countries as a group, 20 per cent of this target being achieved by 2014. Second, rebalancing of income involves targeting a labour share of 50 per cent of GDP at market prices, while keeping price inflation at 2 per cent per annum. Third, the agriculture productivity gap is targeted to be less than 20 per cent of GDP. The agriculture productivity gap measures the gap in earnings between persons working in agriculture and those working in other sectors.

These targets are achieved via the stimulation of increased investment, private consumption and government spending. Specifically, the ratio of private consumption to GDP is increased by 1.2 percentage points, while the ratio of government spending to GDP is increased by 2 percentage points. The policy is implemented to achieve the targets defined above as well as putting a ceiling on inflation and fiscal deficit. The constraints are defined such that inflation stays below 2 per cent per annum by 2020 and that the fiscal deficit does not exceed 5 per cent.

This policy package stimulates economic growth, which increases to 7.5 per cent per annum over the period 2013–2020, while the unemployment rate declines to 3.9 per cent by 2020. Figure B7.3 illustrates the positive impact of such a policy on the growth rate of productivity measured as output per employee. The productivity growth rate increases from 3.2 per cent per year in the baseline scenario to 5.7 per cent per year in the alternative scenario between 2013 and 2020. Similarly, average earnings are growing faster from 5 per cent in 2012 to 6 per cent in 2020.

followed by Japan which has chosen an expansionary fiscal stance to get the economy going. Japan's debt-to-GDP ratio has risen in 2013, but not at a faster pace than in the years before. Nevertheless, with debt approaching 250 per cent of output, some structural reforms for fiscal consolidation and an increase in the consumption tax can be expected in the months to come.

Even though growth rates are still weak and below trend, the developed world is now showing some signs of economic recovery and the growth outlook has become somewhat more optimistic. Yet, the pace and harshness with which fiscal consolidation policies have been implemented, the lack of coherence with monetary policies and the lack of policy coordination among countries have impeded a more solid recovery (see also ILO, 2013c). In particular, many euro area economies shrank considerably during the crisis and their current

Figure B7.1 High-income G20 unemployment rate in scenario with fiscal austerity versus scenario with employment-friendly policies (per cent)

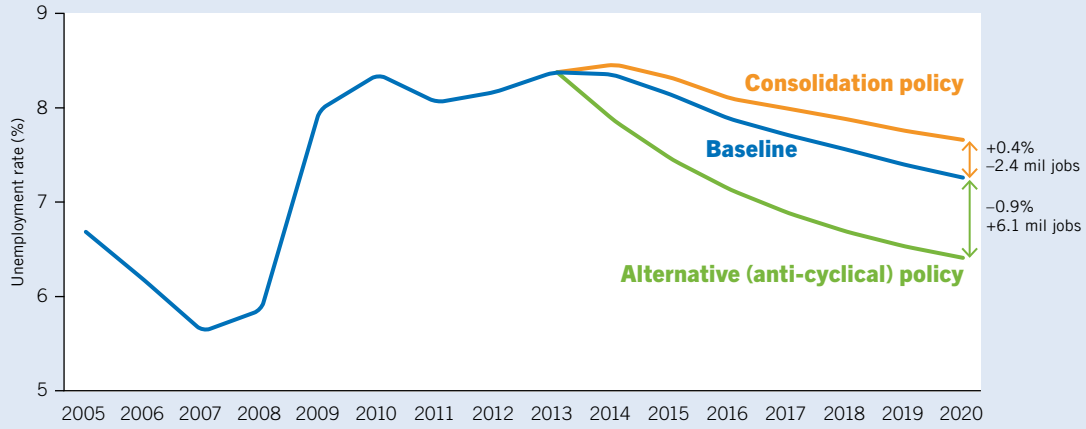


Figure B7.2 High-income G20 public debt to GDP ratio in scenario with fiscal austerity versus scenario with employment-friendly policies (per cent)

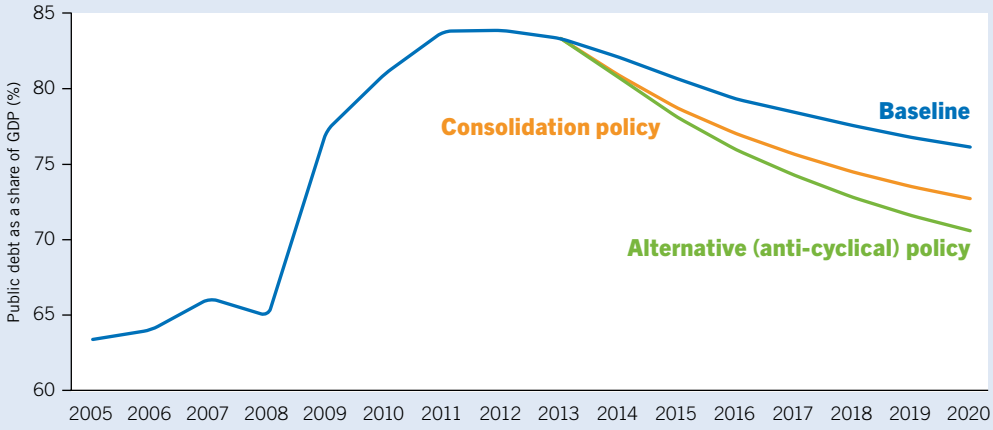


Figure B7.3 Effect on output per person employed of the policy package in (selected) developing G20 countries (per cent growth rate per annum in 2020)

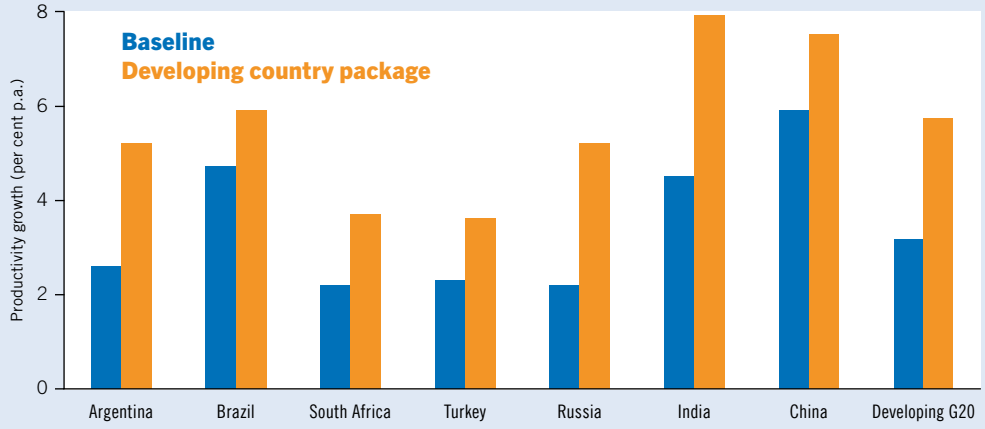
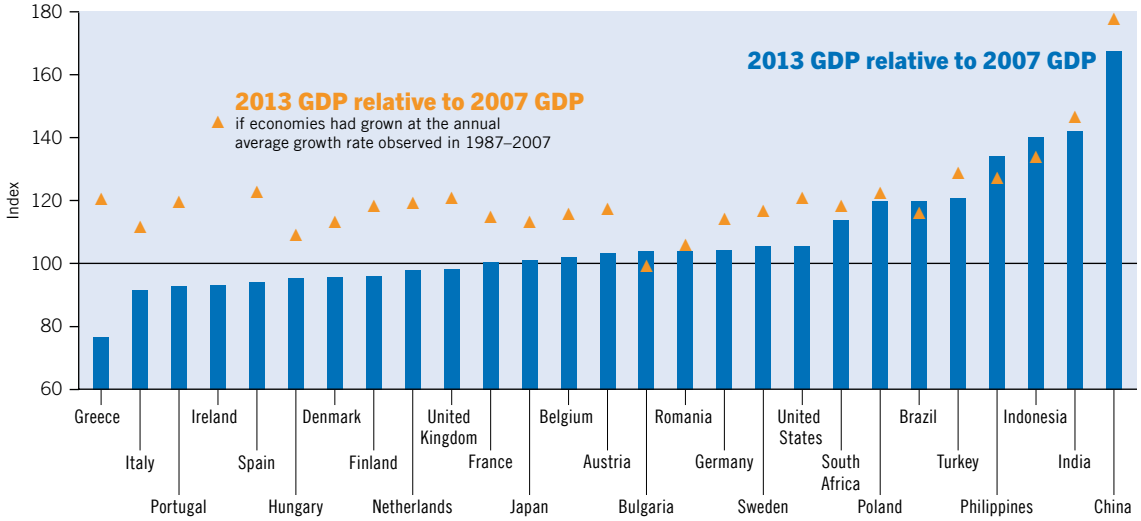


Figure 36. Current GDP vs. growth at pre-crisis trends in selected counatries



Notes: The line indicates where values for 2007 and 2013 are identical (100 per cent).
Sources: IMF, *World Economic Outlook*, October 2013.

output is below the levels observed in 2007 (figure 36). For example, if Greece had grown at the same pace over the period from 2007 to 2013 as it did over the two decades before the global economic crisis, its economy would now be 19.7 per cent larger compared with 2007. Instead it shrank by 23.5 per cent. Emerging and developing economies, in contrast, tend to be less far away from what they would have achieved in the past six years if they had grown at pre-2007 growth rates. In particular, Philippines, Indonesia and Brazil have grown faster on average in the past six years than in the two decades before.

The size of the gap between where many economies stand and where they would have stood had the crisis not occurred has had significant consequences for labour markets. To bring down unemployment rates to pre-crisis levels, economies need to grow faster than they did before the crisis. However, economic growth has been gaining momentum only slowly and the growth that is expected for the coming years is unlikely to allow for such a catch-up in most of the crisis economies. ILO projections based on the current economic outlook indicate that especially for crisis countries, it might take more than a decade before unemployment rates can be expected to fall back to pre-crisis levels.

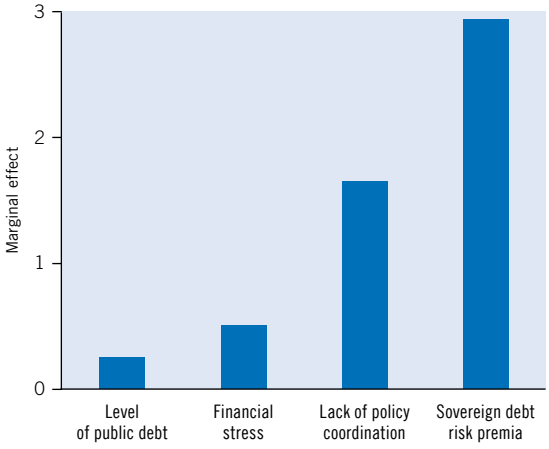
In this context, additional policy levers may be needed in some countries, such as a reintroduction of expansionary fiscal policy, targeted towards improved labour market outcomes. Some fiscal stimulus measures targeted at bringing down unemployment rates were introduced in the European Union during 2013, where policy-makers adopted the plan to implement youth guarantee schemes in the countries hit hardest by the crisis and released funds to combat youth unemployment. At the time of preparing this report, these decisions have not had any measurable impact, given that so far no funds have been spent. Such measures, however, are likely to provide some much-needed stimulus to the crisis economies. ILO simulations show that employment-friendly policies are indeed likely to lead to improvements in the labour market, without harming fiscal sustainability disproportionately (see box 7).

2. Address high hiring uncertainty through better policy coordination

In addition to the strong impact of deficient aggregate demand, hiring uncertainty also contributes to persistent unemployment, as discussed in chapter 1. Estimates for individual countries show that up to one third of the post-crisis rise in unemployment can be attributed to employers' uncertainty regarding the economic and labour market outlook as employers find it difficult to anticipate new sources of growth. For example, as the slowdown in economic growth has now also affected emerging economies that were thought to be more resilient, this source of growth appears more uncertain. In this context, lack of policy coordination – such as fiscal consolidation in an environment of accommodative monetary policy – increases the uncertainty in the real economy. Stress in the financial market due to still unresolved banking problems further aggravates the problem and add to hiring uncertainty. These factors discourage both investment in real capacity and hiring of new workers (see Hall, 2013). Rather, companies prefer to keep vacancies unfilled until they anticipate more stable and lasting demand for their products and services.

A further analysis of the factors contributing to hiring uncertainty shows that it is the lack of policy coordination and high sovereign debt risk premiums that contribute most to hiring uncertainty (see figure 37).[28] To a lesser extent, financial stress in the private sector also pushes up hiring uncertainty. The level of public debt itself, however, does not seem to play a prominent role in the outlook of employers, despite the the attention it has received in recent policy debates. Rather, when it comes to public debt, hiring uncertainty appears to increase only when high sovereign debt risk premiums occur, which happened even in situations of relatively low levels of public debt, reflecting risk factors other than debt levels per se. This further supports the recommendation for a less strict path of fiscal consolidation, which would help to boost aggregate demand and reduce hiring uncertainty, which are both important to stimulate job creation.

Figure 37. Policy determinants of hiring uncertainty



Note: The graph displays the marginal effect of the level of public debt, the level of financial stress, the degree of lack of policy coordination and the level of sovereign debt premiums on the ILO hiring uncertainty indicator in Canada, France, Germany, Italy, Japan, the United Kingdom and the United States between 1992Q2 and 2013Q2. The lack of policy coordination is measured by an index of dissimilarity between changes in the monetary policy rate and shifts in public sector spending.

Source: Financial stress index is taken from Cardarelli et al., 2009, others are OECD, Main Economic Indicators.

[28] See Annex 1 in chapter 1 for more details on the analysis of determinants of hiring uncertainty.

3. Address inactivity and skills mismatch through active labour market policies

The global jobs gap has continued to widen throughout the period of economic recovery. Around 60 per cent of this gap has emerged due to the heightened level of unemployment around the world, particularly in the advanced economies. Much of the remainder – around 23 million – is due to the "discouragement effect", in which potential workers, facing bleak labour market prospects, do not enter or remain in the labour market. These individuals are not included among the unemployed, but their lack of participation in the labour market is, in many respects, equally as detrimental as increased unemployment, in terms of foregone economic potential.

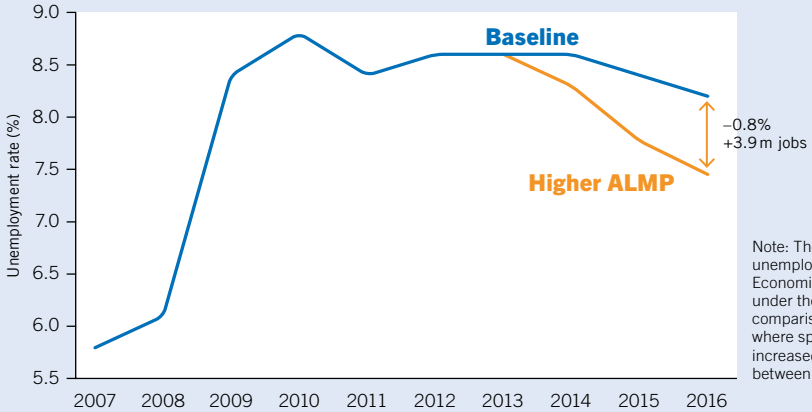
With potential workers remaining out of the labour force and the unemployed experiencing longer spells of joblessness on average, the risk of skills degradation and obsolescence is on the rise. Accordingly, in addition to addressing the shortfall in aggregate demand by raising incomes and consumption and limiting fiscal consolidation, it is essential to improve the functioning of the labour market by employing active labour market policy measures. Such measures match workers with available employment opportunities, incentivize discouraged workers to reengage in the labour market and promote skills development, so that workers are equipped with the skills that are in demand in the labour market. Measures include, among others, effective public and private employment services, investments in and support for workers' skills development, upgrading and re-skilling, including vocational training and entrepreneurial skills programmes. Box 8 highlights the potential for active labour market policies to increase employment.

Box 8. The potential of active labour market policies to boost growth and employment

Active labour market policies (ALMP) enhance the efficiency of labour markets by improving information and coordination to match unemployed persons with vacancies and by supporting and encouraging appropriate training and retraining. This helps firms to find the right workers faster, thereby directly increasing output, but also raising aggregate demand as newly employed workers consume more, creating a virtuous and self-reinforcing cycle. However, there is still a lot of room for increasing ALMPs across most countries. For example, in 2011, the OECD countries spent an average of 0.6 per cent of GDP on ALMP, while northern European countries (Austria, Belgium, Denmark, Finland, France, Germany, Luxembourg and the Netherlands) spent almost twice as much, on average 1.1 per cent of GDP.

With the help of the Global Economic Linkages (GEL) Model, a dynamic general equilibrium model with an explicitly modelled search and matching labour market, the effect of a doubling of spending on ALMPs (from 0.6 to 1.2 per cent) until 2016 in developed economies has been simulated (figure B8.1). The unemployment rate can be reduced by 0.8 percentage points relative to the Global Employment Trends baseline, translating into an additional 3.9 million jobs in the developed economies. Employment increases due to both the improved functioning of the labour market and the increased aggregate demand stimulated by higher government expenditures.

Figure B8.1 Impact of doubling spending on ALMP on unemployment rates in developed economies



Note: The graph shows the evolution of unemployment rates in the Developed Economies and European Union region under the current baseline projection in comparison with an alternative scenario where spending on ALMPs would be increased to reach 1.2 per cent of GDP between 2013 and 2016.

Source: ILO, *Global Employment Linkages Model*

Conclusion

In June 2009, in the midst of the sharpest downturn in global economic activity since the Great Depression of the 1930s, the International Labour Conference, made up of representatives of governments and workers' and employers' organizations from more than 180 countries, unanimously adopted the Global Jobs Pact, a set of jobs-centred policies intended to reduce the time lag between economic recovery and a recovery in decent employment opportunities. Four and a half years later, as this report has shown, the global labour market remains deeply scarred by this crisis. Labour market improvements during the recovery have not kept pace even with modest GDP gains, which themselves have been disappointing.

While there was a robust and fairly well coordinated initial policy response to the crisis by many governments, notably the G20, which supported an initial recovery, recent years have seen a tendency towards aggressive fiscal consolidation and overreliance on expansionary monetary policy, with far less international coordination. Not surprisingly, the economic recovery has weakened, and many labour markets remain deeply distressed. Inequality continues to increase in many parts of the world.

The current state of the global economy and global labour market necessitates a policy re-think, one that brings the recommendations of the Global Jobs Pact back to the fore. Most notably, stronger efforts are needed to accelerate employment creation and to support the enterprises that create jobs. Active labour market policies and skills development initiatives, along with investments in public infrastructure and in strong social protection systems should be prioritized as appropriate, given national circumstances and specificities.

Across all countries, future policy development must respect international labour standards, including respect for fundamental principles and rights at work. These must be underpinned by effective social dialogue, with workers, employers and governments collaborating to design and enact effective policies to promote a strong and sustainable recovery in the real economy and in the labour market.

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Annexes

Annex 1. Global and regional tables

Table A1. Annual real GDP growth rates, world and regions (%)

Region	2007	2008	2009	2010	2011	2012	2013*	2014*	2015*	2016*	2017*	2018*
World	5.3	2.7	–0.4	5.2	3.9	3.2	2.9	3.6	4.0	4.1	4.1	4.1
Developed Economies and European Union	2.6	0.1	–3.6	2.6	1.6	1.4	1.0	1.9	2.4	2.5	2.5	2.4
Central and South-Eastern Europe (non-EU) and CIS	7.9	4.3	–5.9	5.8	5.6	3.0	2.5	3.3	3.9	3.9	3.9	3.9
East Asia	12.1	7.9	7.1	9.9	8.3	6.6	6.7	6.6	6.5	6.5	6.5	6.5
South-East Asia and the Pacific	6.6	4.5	1.7	7.6	4.7	5.7	4.9	5.3	5.6	5.4	5.4	5.5
South Asia	9.1	4.2	7.4	9.5	6.1	3.6	3.9	5.0	6.0	6.2	6.5	6.6
Latin America and the Caribbean	5.7	4.2	–1.2	6.0	4.6	2.9	2.7	3.1	3.5	3.7	3.7	3.7
Middle East	6.1	5.1	2.8	6.1	5.6	3.0	2.0	3.3	3.8	4.0	4.2	4.3
North Africa	5.7	4.9	3.5	4.2	–0.2	8.6	2.4	4.8	5.1	4.4	4.2	4.5
Sub-Saharan Africa	7.1	5.7	2.6	5.6	5.5	5.2	4.8	5.7	5.7	5.6	5.5	5.7

Note: * 2013–18 are projections.

Source: ILO staff calculations based on IMF, *World Economic Outlook database*, October 2013.

Table A2. Unemployment rate by sex, world and regions (%)

Both sexes	2007	2008	2009	2010	2011	2012	2013*		
							CI lower bound	Preliminary estimate	CI upper bound
World	5.5	5.6	6.2	6.1	6.0	6.0	5.9	6.0	6.1
Developed Economies and European Union	5.8	6.1	8.4	8.8	8.4	8.6	8.6	8.6	8.7
Central and South-Eastern Europe (non-EU) and CIS	8.2	8.1	9.9	9.2	8.5	8.0	8.1	8.2	8.4
East Asia	3.8	4.3	4.4	4.2	4.3	4.4	4.5	4.5	4.6
South-East Asia and the Pacific	5.5	5.2	5.1	4.7	4.4	4.1	4.1	4.2	4.3
South Asia	4.1	4.1	4.2	3.8	3.8	3.9	3.9	4.0	4.0
Latin America and the Caribbean	6.9	6.5	7.5	7.3	6.7	6.6	6.4	6.5	6.6
Middle East	10.2	10.1	10.3	11.1	10.8	10.9	10.7	10.9	11.1
North Africa	11.1	10.5	10.6	10.4	11.8	12.1	11.8	12.2	12.5
Sub-Saharan Africa	7.5	7.7	7.7	7.6	7.6	7.6	7.5	7.6	7.7
Males	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013***		
							CI lower bound	Preliminary estimate	CI upper bound
World	5.2	5.4	6.1	5.8	5.7	5.7	5.7	5.8	5.8
Developed Economies and European Union	5.6	6.0	8.8	9.1	8.5	8.6	8.6	8.6	8.7
Central and South-Eastern Europe (non-EU) and CIS	8.6	8.5	10.6	9.6	8.8	8.2	8.3	8.5	8.6
East Asia	4.3	4.9	5.0	4.8	4.9	5.0	5.1	5.2	5.2
South-East Asia and the Pacific	5.3	5.1	5.1	4.4	4.2	4.0	4.0	4.1	4.2
South Asia	3.9	4.0	4.0	3.5	3.5	3.6	3.6	3.7	3.7
Latin America and the Caribbean	5.5	5.1	6.3	6.0	5.5	5.4	5.3	5.4	5.5
Middle East	8.2	8.0	8.3	8.8	8.5	8.6	8.5	8.7	8.8
North Africa	9.0	8.3	8.0	7.8	9.0	9.2	8.9	9.2	9.5
Sub-Saharan Africa	6.8	7.0	7.1	7.0	6.9	6.9	6.8	6.9	7.0
Females	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013***		
							CI lower bound	Preliminary estimate	CI upper bound
World	5.8	5.9	6.5	6.5	6.4	6.4	6.3	6.4	6.5
Developed Economies and European Union	6.1	6.2	7.9	8.4	8.3	8.5	8.5	8.6	8.6
Central and South-Eastern Europe (non-EU) and CIS	7.8	7.7	9.2	8.7	8.2	7.7	7.7	7.9	8.0
East Asia	3.1	3.6	3.7	3.5	3.6	3.6	3.7	3.7	3.8
South-East Asia and the Pacific	5.7	5.4	5.1	5.0	4.6	4.3	4.3	4.4	4.5
South Asia	4.5	4.6	4.7	4.9	4.8	4.7	4.6	4.7	4.8
Latin America and the Caribbean	9.0	8.4	9.4	9.1	8.4	8.2	7.9	8.1	8.2
Middle East	19.4	19.6	19.3	21.6	21.3	21.4	20.8	21.1	21.5
North Africa	17.6	17.6	18.6	18.3	20.6	21.2	20.7	21.3	21.9
Sub-Saharan Africa	8.3	8.4	8.4	8.3	8.4	8.3	8.3	8.4	8.5

Note: * 2013 are preliminary estimates; CI = confidence interval.

Source: ILO, *Trends Econometric Models*, October 2013; for further information see Annex 4 and *Estimates and projections of labour market indicators*, in particular, *Trends econometric models: A review of methodology*, available at: http://www.ilo.org/empelm/projects/WCMS_114246/lang--en/index.htm. Differences from earlier estimates are due to revisions of World Bank and IMF estimates of GDP and its components that are used in the models, as well as updates of the labour market information used. The latter is based on ILO, *Key Indicators of the Labour Market*, 8th edition, 2013 update.

Table A3. Unemployment rate for youth and adults, world and regions (%)

Youth	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013*		
										CI lower bound	Preliminary estimate	CI upper bound
World	12.8	12.8	12.4	11.6	12.0	12.9	12.9	12.7	12.9	12.9	13.1	13.3
Developed Economies and European Union	13.5	14.3	13.3	12.5	13.3	17.4	18.1	17.6	18.0	18.2	18.3	18.4
Central and South-Eastern Europe (non-EU) and CIS	20.0	18.2	18.4	17.5	16.9	20.0	19.0	17.9	17.5	17.7	18.0	18.3
East Asia	9.4	8.7	8.4	8.0	9.2	9.4	9.1	9.4	9.7	9.9	10.1	10.3
South-East Asia and the Pacific	13.2	17.4	17.0	14.8	14.1	13.9	14.5	12.9	12.7	12.8	13.0	13.3
South Asia	10.3	10.1	9.8	9.2	9.5	9.8	9.7	9.7	10.1	10.0	10.2	10.4
Latin America and the Caribbean	16.1	16.4	15.1	14.1	13.6	15.5	15.0	14.3	13.8	13.3	13.6	13.9
Middle East	25.5	25.4	25.1	23.9	24.1	23.7	26.2	26.0	26.6	26.8	27.2	27.7
North Africa	29.5	27.7	25.5	24.2	23.7	23.9	23.7	28.1	29.2	28.6	29.4	30.3
Sub-Saharan Africa	13.3	11.7	12.2	11.7	12.1	12.1	12.0	11.9	11.9	11.7	11.9	12.0
Adults	**2000**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013***		
										CI lower bound	Preliminary estimate	CI upper bound
World	4.6	4.5	4.2	4.0	4.1	4.7	4.6	4.5	4.5	4.5	4.6	4.6
Developed Economies and European Union	5.7	5.8	5.3	4.8	5.0	7.1	7.5	7.2	7.4	7.3	7.3	7.4
Central and South-Eastern Europe (non-EU) and CIS	8.8	7.3	7.2	6.6	6.6	8.2	7.6	7.0	6.6	6.7	6.8	6.9
East Asia	3.4	3.1	3.0	2.8	3.3	3.4	3.2	3.3	3.5	3.5	3.6	3.7
South-East Asia and the Pacific	2.6	3.3	3.2	3.1	3.1	3.0	2.4	2.4	2.2	2.3	2.3	2.3
South Asia	2.6	3.0	2.9	2.6	2.7	2.7	2.4	2.4	2.4	2.4	2.5	2.5
Latin America and the Caribbean	6.4	5.6	5.2	4.9	4.6	5.5	5.4	4.9	4.8	4.7	4.8	4.9
Middle East	6.9	7.0	6.8	6.5	6.4	6.9	7.4	7.4	7.5	7.4	7.6	7.7
North Africa	10.1	7.8	7.4	7.4	7.0	7.1	7.1	7.9	8.1	8.0	8.2	8.5
Sub-Saharan Africa	6.9	6.0	6.0	5.9	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.1

Note: *2013 are preliminary estimates; CI = confidence interval.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2.

Table A4. Unemployment in the world (millions)

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013*		
										CI lower bound	Preliminary estimate	CI upper bound
Total	176.7	186.0	179.8	170.0	177.0	197.9	195.2	193.9	196.9	198.8	201.8	204.8
Male	102.7	105.4	102.2	97.7	102.5	116.1	112.3	111.1	113.2	114.5	116.2	118.0
Female	74.0	80.5	77.6	72.2	74.5	81.8	82.9	82.9	83.7	84.3	85.6	86.9
Youth	74.2	78.0	75.2	70.1	71.8	76.0	74.9	73.5	73.8	73.3	74.5	75.7
Adult	102.5	108.0	104.6	99.9	105.2	121.9	120.3	120.5	123.2	125.5	127.3	129.1

Notes: *2013 are preliminary estimates; CI = confidence interval. Totals may differ due to rounding.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2.

Table A5. Employment-to-population ratio, world and regions (%)

Both sexes	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013*		
										CI lower bound	Preliminary estimate	CI upper bound
World	61.1	60.8	60.7	60.7	60.4	59.7	59.6	59.6	59.6	59.6	59.6	59.7
Developed Economies and European Union	56.6	56.1	56.6	57.0	57.0	55.3	54.9	54.8	54.8	54.7	54.8	54.8
Central and South-Eastern Europe (non-EU) and CIS	52.3	53.0	53.1	53.8	54.1	53.1	53.7	54.4	54.9	54.8	54.9	55.0
East Asia	72.7	69.6	69.2	68.8	68.0	67.5	67.3	67.4	67.5	67.5	67.5	67.6
South-East Asia and the Pacific	66.9	66.0	66.0	66.4	66.6	66.7	67.0	67.3	67.5	67.4	67.4	67.5
South Asia	57.0	58.2	57.6	57.0	56.1	55.4	54.9	54.4	53.9	53.9	53.9	54.0
Latin America and the Caribbean	58.3	60.0	60.5	60.9	61.4	60.7	61.2	61.5	61.8	61.8	61.9	62.0
Middle East	41.1	42.8	42.7	43.0	42.5	42.6	42.7	43.1	43.4	43.6	43.6	43.7
North Africa	41.0	42.3	42.4	43.0	43.3	43.3	43.5	42.9	43.0	42.9	43.1	43.3
Sub-Saharan Africa	64.0	64.8	64.8	65.0	65.0	65.0	65.1	65.2	65.3	65.3	65.4	65.4
Males	**2000**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013***		
										CI lower bound	Preliminary estimate	CI upper bound
World	73.9	73.1	73.1	73.1	72.8	72.1	72.1	72.2	72.2	72.2	72.2	72.3
Developed Economies and European Union	65.8	64.2	64.7	65.0	64.7	62.3	61.6	61.6	61.6	61.5	61.5	61.6
Central and South-Eastern Europe (non-EU) and CIS	61.9	62.4	62.3	63.2	63.7	62.3	63.2	64.1	64.6	64.6	64.7	64.8
East Asia	78.3	75.5	75.1	74.9	74.1	73.7	73.6	73.7	73.8	73.8	73.9	73.9
South-East Asia and the Pacific	78.4	77.7	77.7	77.7	77.7	77.8	78.3	78.6	78.8	78.6	78.7	78.7
South Asia	79.5	79.9	79.7	79.4	78.9	78.5	78.5	78.2	77.8	77.6	77.7	77.8
Latin America and the Caribbean	74.8	74.9	75.4	75.5	75.9	74.6	74.9	75.1	75.3	75.2	75.3	75.4
Middle East	67.1	67.4	67.3	67.6	67.2	67.3	67.4	67.9	68.3	68.4	68.5	68.6
North Africa	65.4	67.4	67.1	67.2	67.8	67.9	68.1	67.4	67.5	67.4	67.6	67.8
Sub-Saharan Africa	71.2	70.8	70.9	71.0	71.0	70.9	71.0	71.1	71.2	71.2	71.3	71.3
Females	**2000**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013***		
										CI lower bound	Preliminary estimate	CI upper bound
World	48.5	48.6	48.4	48.4	48.0	47.4	47.1	47.1	47.1	47.0	47.1	47.1
Developed Economies and European Union	48.0	48.4	49.0	49.5	49.7	48.8	48.6	48.4	48.4	48.4	48.4	48.4
Central and South-Eastern Europe (non-EU) and CIS	43.9	44.8	45.0	45.6	45.7	45.1	45.3	46.0	46.4	46.3	46.3	46.4
East Asia	66.8	63.4	62.9	62.5	61.6	61.1	60.7	60.8	60.9	60.9	60.9	60.9
South-East Asia and the Pacific	55.6	54.6	54.7	55.4	55.8	55.9	56.0	56.4	56.6	56.5	56.6	56.6
South Asia	33.1	35.2	34.3	33.4	32.2	31.1	30.1	29.5	29.0	29.0	29.1	29.1
Latin America and the Caribbean	42.7	46.0	46.6	47.1	47.7	47.6	48.2	48.6	49.1	49.2	49.3	49.4
Middle East	12.8	15.2	15.0	15.0	14.3	14.5	14.3	14.6	14.7	14.9	14.9	15.0
North Africa	16.7	17.4	17.9	19.0	19.1	19.0	19.2	18.8	18.8	18.7	18.9	19.0
Sub-Saharan Africa	57.1	58.9	58.9	59.2	59.2	59.2	59.3	59.4	59.5	59.5	59.6	59.7

Note: *2013 are preliminary estimates; CI = confidence interval.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2.

Table A6. Annual employment growth, world and regions (%)

Region	2001–06	2007	2008	2009	2010	2011	2012	2013*		
								CI lower bound	Preliminary estimate	CI upper bound
World	1.7	1.6	1.0	0.4	1.2	1.4	1.4	1.3	1.4	1.5
Developed Economies and European Union	0.9	1.5	0.6	-2.2	-0.2	0.4	0.5	0.3	0.4	0.4
Central and South-Eastern Europe (non-EU) and CIS	1.2	2.0	1.1	-1.3	1.4	1.8	1.1	0.0	0.2	0.3
East Asia	1.0	0.9	0.0	0.4	0.6	1.0	0.8	0.6	0.7	0.7
South-East Asia and the Pacific	1.7	2.3	2.0	1.8	2.1	2.2	2.0	1.5	1.6	1.7
South Asia	2.3	1.0	0.5	0.6	1.0	1.1	1.0	1.8	1.9	2.0
Latin America and the Caribbean	2.6	2.3	2.6	0.7	2.4	2.2	2.3	1.7	1.8	2.0
Middle East	4.6	4.3	2.3	3.7	3.1	3.8	3.1	2.6	2.8	3.0
North Africa	3.3	3.6	2.9	2.0	2.4	0.6	1.9	1.6	2.0	2.4
Sub-Saharan Africa	3.0	3.0	2.9	2.8	2.9	3.0	3.1	3.0	3.1	3.2

Note: * 2013 are preliminary estimates; CI = confidence interval.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2.

Table A7. Output per worker, level and annual growth

	Output per worker 2012	2001–06	2007	2008	2009	2010	2011	2012	2013*		
									CI lower bound	Preliminary estimate	CI upper bound
World	23331	2.4	3.6	1.5	–1.1	3.8	2.2	1.6	1.3	1.4	1.5
Developed Economies and European Union	73224	1.5	1.1	–0.5	–1.6	2.8	1.1	0.6	0.6	0.6	0.7
Central and South-Eastern Europe (non-EU) and CIS	25927	5.8	5.6	3.1	–4.9	4.3	3.8	2.0	2.1	2.3	2.5
East Asia	15929	8.1	11.2	7.9	6.7	9.2	7.3	5.8	6.0	6.0	6.1
South-East Asia and the Pacific	10416	4.1	4.3	2.4	–0.3	5.3	2.3	3.7	3.2	3.3	3.3
South Asia	8116	4.8	8.0	3.3	7.1	8.4	4.9	2.6	1.9	2.0	2.1
Latin America and the Caribbean	23654	1.1	3.3	1.5	–2.2	3.3	2.2	0.7	0.7	0.8	1.0
Middle East	42117	0.9	2.0	3.2	–1.7	2.1	1.2	–0.2	–0.9	–0.7	–0.5
North Africa	18737	1.4	2.0	2.0	1.6	1.8	–4.6	3.3	–0.1	0.3	0.7
Sub-Saharan Africa	5615	2.3	3.7	2.4	–0.3	2.4	2.0	1.9	1.5	1.6	1.7

Notes: * 2013 are preliminary estimates; CI = confidence interval. Output calculated on the basis of constant 2005 PPP-adjusted international dollars.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of Table A2.

Table A8. Labour force participation rate by sex, world and regions (%)

Both sexes	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
World	65.3	65.1	65.0	64.8	64.8	64.8	64.5	64.2	64.0	63.7	63.4	63.4	63.4	63.5
Developed Economies and European Union	60.7	60.4	60.2	60.2	60.1	60.2	60.4	60.5	60.6	60.4	60.2	59.9	60.0	59.9
Central and South-Eastern Europe (non-EU) and CIS	58.5	57.8	58.0	58.0	58.0	58.2	58.3	58.6	58.9	59.0	59.1	59.5	59.7	59.8
East Asia	76.1	75.4	74.7	73.9	73.2	72.6	72.0	71.5	71.1	70.7	70.2	70.4	70.6	70.8
South-East Asia and the Pacific	70.4	70.7	70.4	70.6	70.6	70.4	70.2	70.2	70.2	70.3	70.3	70.4	70.4	70.4
South Asia	59.7	59.9	60.1	60.4	60.7	61.0	60.3	59.4	58.6	57.8	57.1	56.6	56.1	56.1
Latin America and the Caribbean	63.9	64.1	64.5	64.4	65.0	65.3	65.4	65.4	65.6	65.7	66.0	65.9	66.2	66.2
Middle East	46.5	46.6	46.9	47.3	47.7	48.2	47.9	47.8	47.2	47.5	48.0	48.4	48.7	49.0
North Africa	48.1	47.5	47.1	47.7	48.1	48.4	47.9	48.3	48.4	48.4	48.5	48.7	48.9	49.1
Sub-Saharan Africa	70.1	70.2	70.3	70.1	69.9	70.1	70.2	70.2	70.4	70.4	70.4	70.5	70.6	70.8
Males	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013***
World	78.7	78.4	78.1	77.8	77.7	77.6	77.4	77.2	77.0	76.7	76.5	76.5	76.5	76.6
Developed Economies and European Union	70.2	69.7	69.3	69.0	68.8	68.8	68.9	68.9	68.8	68.2	67.8	67.4	67.4	67.4
Central and South-Eastern Europe (non-EU) and CIS	69.2	68.4	68.1	68.0	68.3	68.7	68.6	69.2	69.6	69.7	69.9	70.3	70.4	70.7
East Asia	82.6	81.9	81.2	80.5	79.8	79.2	78.7	78.3	77.9	77.6	77.3	77.5	77.7	77.9
South-East Asia and the Pacific	82.7	82.9	82.7	83.0	83.1	82.6	82.3	82.1	81.9	82.0	81.9	82.0	82.0	82.0
South Asia	83.2	83.2	83.2	83.3	83.4	83.5	83.2	82.7	82.2	81.8	81.4	81.0	80.6	80.7
Latin America and the Caribbean	80.7	80.5	80.3	79.9	80.2	80.1	80.1	79.8	80.0	79.6	79.7	79.5	79.6	79.5
Middle East	74.3	74.1	74.0	74.0	74.0	74.2	73.8	73.6	73.0	73.4	73.9	74.3	74.7	75.0
North Africa	74.8	74.0	73.9	74.3	74.7	74.9	73.9	73.8	73.9	73.9	73.9	74.1	74.3	74.5
Sub-Saharan Africa	77.3	77.0	76.8	76.4	76.0	76.1	76.1	76.1	76.4	76.3	76.3	76.3	76.5	76.6
Females	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013***
World	51.9	51.9	51.9	51.9	51.9	52.0	51.7	51.3	51.0	50.7	50.4	50.3	50.3	50.3
Developed Economies and European Union	51.8	51.7	51.7	51.9	52.0	52.2	52.5	52.6	52.9	53.0	53.0	52.8	52.9	52.9
Central and South-Eastern Europe (non-EU) and CIS	49.1	48.6	49.1	49.3	48.9	49.1	49.2	49.4	49.5	49.7	49.7	50.1	50.2	50.3
East Asia	69.4	68.7	67.9	67.1	66.3	65.6	65.0	64.4	63.9	63.4	62.9	63.0	63.2	63.3
South-East Asia and the Pacific	58.5	58.9	58.5	58.5	58.5	58.6	58.5	58.7	58.9	58.9	59.0	59.1	59.2	59.2
South Asia	34.7	35.1	35.6	36.1	36.7	37.3	36.2	34.9	33.7	32.7	31.6	31.0	30.4	30.5
Latin America and the Caribbean	48.0	48.7	49.6	49.8	50.8	51.3	51.5	51.8	52.1	52.6	53.0	53.1	53.5	53.6
Middle East	16.3	16.7	17.2	17.8	18.4	19.0	18.7	18.6	17.8	17.9	18.3	18.5	18.7	18.9
North Africa	21.6	21.1	20.5	21.3	21.8	22.1	22.2	23.1	23.2	23.3	23.5	23.7	23.8	24.0
Sub-Saharan Africa	63.2	63.6	63.9	64.0	64.0	64.3	64.5	64.5	64.7	64.7	64.7	64.8	64.9	65.1

Notes: *2013 are preliminary estimates. The October 2013 update version of the ILO EAPEP database (7th edition) only updates the 2012 estimates for India, and hence the base year for the projections.

Source: ILO, Economically Active Population Estimates and Projections (EAPEP) database, 7th edition (October 2013 update).

Table A9. Labour force participation rate for adults and youth, world and regions (%)

Youth	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
World	53.2	52.6	52.1	51.6	51.4	51.2	50.5	49.8	49.2	48.5	47.7	47.6	47.3	47.4
Developed Economies and European Union	52.6	51.7	50.8	49.8	49.8	49.9	50.3	49.9	49.8	48.6	47.4	47.0	47.0	47.3
Central and South-Eastern Europe (non-EU) and CIS	43.3	42.0	41.6	40.5	40.4	40.2	40.1	40.3	41.3	41.4	40.9	41.1	40.3	40.5
East Asia	66.3	64.4	62.6	60.9	59.5	58.2	57.3	56.6	55.9	55.2	54.2	54.7	55.1	55.1
South-East Asia and the Pacific	56.4	56.8	55.9	55.9	55.7	55.1	54.0	53.2	52.7	52.6	52.3	52.4	52.4	52.4
South Asia	47.8	47.9	48.2	48.3	48.4	48.6	47.2	45.6	44.1	42.7	41.4	40.5	39.6	39.6
Latin America and the Caribbean	54.6	54.5	54.3	53.6	54.1	54.2	53.7	53.4	53.3	52.5	52.6	52.4	52.5	52.5
Middle East	32.6	32.8	32.8	33.0	33.1	33.3	32.5	31.7	30.8	30.7	30.9	31.1	31.1	31.1
North Africa	36.1	34.1	34.7	35.5	36.2	36.6	34.6	34.1	34.0	33.6	33.4	33.5	33.6	33.6
Sub-Saharan Africa	54.3	54.4	54.5	54.4	54.4	54.4	54.3	54.2	54.3	54.2	54.1	54.1	54.2	54.3
Adults	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013***
World	69.4	69.3	69.3	69.3	69.3	69.4	69.2	69.1	68.9	68.6	68.4	68.3	68.2	68.2
Developed Economies and European Union	62.3	62.1	62.0	62.1	62.1	62.2	62.3	62.5	62.6	62.5	62.4	62.1	62.2	62.1
Central and South-Eastern Europe (non-EU) and CIS	62.9	62.4	62.7	63.2	63.1	63.5	63.5	63.8	63.8	63.7	63.8	64.2	64.3	64.2
East Asia	78.8	78.4	78.1	77.6	77.2	76.8	76.3	75.9	75.5	75.0	74.6	74.5	74.4	74.3
South-East Asia and the Pacific	76.1	76.3	76.2	76.2	76.3	76.2	76.2	76.3	76.4	76.3	76.3	76.3	76.2	76.1
South Asia	64.9	65.1	65.3	65.6	65.9	66.2	65.7	65.1	64.4	63.8	63.2	62.8	62.3	62.3
Latin America and the Caribbean	67.6	67.9	68.4	68.5	69.1	69.4	69.6	69.6	69.9	70.2	70.5	70.3	70.6	70.5
Middle East	54.0	54.2	54.5	54.9	55.3	55.8	55.6	55.6	54.8	55.0	55.2	55.4	55.5	55.6
North Africa	54.0	53.9	53.1	53.5	53.7	53.8	53.9	54.6	54.6	54.7	54.7	54.7	54.8	54.8
Sub-Saharan Africa	79.0	79.1	79.1	78.9	78.6	78.8	79.0	79.1	79.3	79.3	79.2	79.3	79.4	79.5

Note: * 2013 are preliminary estimates.

Source: ILO, EAPEP database, 7th edition (October 2013 update); see also source of table A8.

Table A10. Employment shares by sector and sex, world and regions (%)

Both sexes	Agriculture				Industry				Services			
	2000	2007	2012	2013*	2000	2007	2012	2013*	2000	2007	2012	2013*
World	40.4	35.3	31.9	31.8	20.5	22.2	23.0	23.0	39.1	42.5	45.0	45.1
Developed Economies and European Union	5.5	3.9	3.6	3.6	27.2	25.0	22.5	22.5	67.3	71.1	73.9	73.9
Central and South-Eastern Europe (non-EU) and CIS	25.3	18.8	20.1	18.3	25.1	26.1	24.0	27.1	49.6	55.1	55.9	54.6
East Asia	47.4	38.7	31.0	31.2	23.7	27.4	30.9	30.2	28.9	33.9	38.1	38.6
South-East Asia and the Pacific	49.8	44.0	39.2	40.3	16.4	18.4	19.8	19.2	33.9	37.6	41.1	40.5
South Asia	59.5	52.9	48.5	47.2	15.6	19.6	22.2	22.9	25.0	27.6	29.3	29.9
Latin America and the Caribbean	21.5	17.8	15.7	15.5	21.2	22.2	21.1	20.9	57.3	60.0	63.2	63.5
Middle East	22.9	18.6	14.9	14.8	23.9	26.2	27.2	27.4	53.2	55.2	57.9	57.7
North Africa	33.8	32.6	30.1	30.0	20.1	21.6	21.5	21.1	46.1	45.9	48.3	48.9
Sub-Saharan Africa	65.5	62.6	61.1	61.3	8.1	8.7	8.9	8.9	26.3	28.7	30.0	29.9
Males	**Agriculture**				**Industry**				**Services**			
	2000	2007	2012	2013*	2000	2007	2012	2013*	2000	2007	2012	2013*
World	38.3	33.5	30.8	31.0	24.0	26.1	26.9	26.7	37.7	40.4	42.3	42.3
Developed Economies and European Union	6.1	4.5	4.3	4.4	36.4	34.8	32.0	31.9	57.6	60.7	63.6	63.7
Central and South-Eastern Europe (non-EU) and CIS	25.3	19.1	20.9	17.5	30.9	33.3	28.4	33.7	43.8	47.7	50.7	48.8
East Asia	41.6	34.6	28.6	29.8	26.5	30.2	33.8	32.1	31.8	35.2	37.6	38.1
South-East Asia and the Pacific	48.7	43.4	38.4	40.8	18.4	21.0	22.5	21.4	33.0	35.6	39.1	37.8
South Asia	53.3	46.0	42.2	40.9	17.4	21.7	24.1	24.8	29.3	32.3	33.7	34.3
Latin America and the Caribbean	26.1	22.2	20.2	20.0	25.9	27.8	27.4	27.4	48.0	50.0	52.4	52.7
Middle East	20.8	16.2	12.8	12.7	26.0	28.4	30.1	30.4	53.2	55.4	57.1	56.8
North Africa	31.0	29.2	27.4	27.3	22.3	24.4	24.5	24.0	46.7	46.4	48.1	48.7
Sub-Saharan Africa	64.6	61.8	60.2	60.7	9.9	10.8	10.9	10.9	25.5	27.4	28.9	28.4
Females	**Agriculture**				**Industry**				**Services**			
	2000	2007	2012	2013*	2000	2007	2012	2013*	2000	2007	2012	2013*
World	43.7	38.0	33.7	33.2	15.2	16.2	17.2	17.4	41.1	45.7	49.2	49.4
Developed Economies and European Union	4.7	3.2	2.8	2.7	15.5	12.9	11.1	11.2	79.7	83.9	86.1	86.1
Central and South-Eastern Europe (non-EU) and CIS	25.3	18.4	19.1	19.2	17.9	17.4	18.6	19.2	56.8	64.2	62.2	61.6
East Asia	54.5	43.8	34.0	32.9	20.1	23.9	27.3	27.7	25.4	32.3	38.7	39.3
South-East Asia and the Pacific	51.3	44.7	40.2	39.7	13.6	14.9	16.1	16.2	35.1	40.4	43.7	44.1
South Asia	75.2	70.1	66.4	64.8	11.0	14.2	16.7	17.5	13.8	15.7	17.0	17.7
Latin America and the Caribbean	13.8	11.2	9.2	9.1	13.5	13.8	12.1	11.7	72.7	75.1	78.7	79.2
Middle East	35.3	30.8	26.0	25.9	11.7	15.1	11.8	11.5	53.0	54.1	62.2	62.6
North Africa	44.5	44.5	40.0	39.7	11.5	11.5	11.0	10.8	44.0	44.0	49.0	49.5
Sub-Saharan Africa	66.7	63.5	62.2	61.9	6.0	6.2	6.5	6.5	27.4	30.3	31.4	31.6

Note: * 2013 are preliminary estimates.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2.

Table A11. Employment by sector and sex, world and regions (millions)

Both sexes	Agriculture				Industry				Services			
	2000	2007	2012	2013*	2000	2007	2012	2013*	2000	2007	2012	2013*
World	1056.5	1038.1	990.9	1001.4	536.3	652.2	714.7	724.4	1020.6	1249.2	1396.9	1419.0
Developed Economies and European Union	24.6	18.7	17.2	17.2	122.1	119.4	106.5	106.8	301.5	339.3	349.5	351.0
Central and South-Eastern Europe (non-EU) and CIS	36.8	29.6	33.1	30.2	36.5	41.3	39.5	44.8	72.3	87.1	92.1	90.0
East Asia	355.2	309.6	254.8	258.2	177.4	219.5	254.4	250.1	216.7	271.5	313.4	319.8
South-East Asia and the Pacific	120.6	120.4	118.5	124.0	39.6	50.4	59.9	59.0	82.1	103.2	124.3	124.5
South Asia	302.3	313.7	300.2	297.5	79.3	116.1	137.2	144.3	126.9	163.6	181.3	188.6
Latin America and the Caribbean	44.7	44.0	42.9	43.2	44.2	54.8	57.7	58.3	119.1	148.4	172.6	176.9
Middle East	9.5	10.5	9.9	10.1	9.9	14.8	18.0	18.7	22.0	31.2	38.3	39.3
North Africa	15.0	18.0	18.3	18.6	8.9	11.9	13.1	13.0	20.5	25.3	29.3	30.3
Sub-Saharan Africa	147.9	173.6	195.9	202.4	18.4	24.1	28.4	29.3	59.5	79.7	96.2	98.6
Males	**Agriculture**				**Industry**				**Services**			
	2000	2007	2012	2013*	2000	2007	2012	2013*	2000	2007	2012	2013*
World	602.5	591.9	578.0	589.0	378.2	461.7	504.4	508.7	594.0	713.0	794.1	804.9
Developed Economies and European Union	15.2	11.9	11.2	11.4	91.6	91.9	82.6	82.7	145.0	160.2	164.3	165.1
Central and South-Eastern Europe (non-EU) and CIS	20.3	16.5	18.9	15.9	24.8	28.8	25.7	30.6	35.3	41.3	45.9	44.3
East Asia	171.8	154.3	131.8	138.3	109.6	134.5	155.4	149.1	131.4	156.8	173.2	176.5
South-East Asia and the Pacific	68.1	68.5	66.7	72.0	25.7	33.1	39.1	37.8	46.1	56.2	67.8	66.6
South Asia	194.9	195.0	192.3	189.8	63.6	92.1	110.1	115.2	107.2	137.0	153.7	159.2
Latin America and the Caribbean	33.9	33.0	32.7	32.8	33.6	41.3	44.2	44.9	62.2	74.4	84.6	86.5
Middle East	7.3	7.7	7.2	7.3	9.2	13.4	16.8	17.4	18.7	26.2	31.8	32.5
North Africa	11.0	12.5	13.0	13.2	7.9	10.5	11.6	11.6	16.5	19.9	22.8	23.5
Sub-Saharan Africa	80.0	92.6	104.2	108.4	12.3	16.1	18.9	19.4	31.6	41.0	49.9	50.6
Females	**Agriculture**				**Industry**				**Services**			
	2000	2007	2012	2013*	2000	2007	2012	2013*	2000	2007	2012	2013*
World	454.1	446.2	412.9	412.4	158.1	190.5	210.3	215.7	426.6	536.2	602.9	614.1
Developed Economies and European Union	9.3	6.8	5.9	5.8	30.5	27.4	23.9	24.1	156.5	179.1	185.2	185.9
Central and South-Eastern Europe (non-EU) and CIS	16.5	13.1	14.2	14.3	11.7	12.4	13.8	14.2	37.1	45.8	46.2	45.8
East Asia	183.4	155.3	123.0	119.9	67.8	84.9	99.0	101.1	85.3	114.6	140.1	143.3
South-East Asia and the Pacific	52.5	51.9	51.8	52.0	14.0	17.3	20.8	21.2	36.0	46.9	56.5	57.9
South Asia	107.4	118.6	107.9	107.7	15.7	24.0	27.1	29.2	19.7	26.6	27.6	29.4
Latin America and the Caribbean	10.8	11.0	10.3	10.4	10.6	13.6	13.5	13.4	56.9	74.0	88.0	90.3
Middle East	2.2	2.8	2.7	2.8	0.7	1.4	1.2	1.2	3.3	5.0	6.5	6.8
North Africa	4.0	5.5	5.3	5.4	1.0	1.4	1.5	1.5	4.0	5.4	6.6	6.8
Sub-Saharan Africa	67.9	81.0	91.7	94.1	6.1	8.0	9.5	9.8	27.9	38.7	46.3	48.1

Notes: * 2013 are preliminary estimates. Totals may differ due to rounding.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2.

Table A12. Vulnerable employment shares by sex, world and regions (%)

Both sexes	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2018*
World	52.4	51.3	50.7	50.2	49.1	49.0	49.1	48.5	48.0	47.8	46.8
Developed Economies and European Union	11.3	10.9	10.6	10.4	10.2	10.1	10.3	10.1	10.1	10.0	9.5
Central and South-Eastern Europe (non-EU) and CIS	22.6	21.3	20.3	19.7	19.5	19.9	20.1	19.7	19.3	19.2	18.6
East Asia	57.5	54.1	53.6	52.6	50.3	48.8	48.6	47.6	46.5	45.8	42.6
South-East Asia and the Pacific	65.6	61.9	61.6	61.3	61.4	60.6	60.7	60.2	59.7	59.0	56.6
South Asia	80.9	80.7	80.2	79.8	78.5	78.6	78.5	77.3	76.4	76.1	74.5
Latin America and the Caribbean	35.4	33.5	32.5	31.8	31.5	31.7	31.8	31.7	31.7	31.6	30.8
Middle East	32.2	30.1	29.0	28.5	26.8	26.7	25.8	25.4	25.4	25.2	24.7
North Africa	39.1	40.8	39.5	39.7	36.7	37.3	36.3	36.0	35.8	35.6	34.8
Sub-Saharan Africa	79.9	78.0	77.8	77.6	77.2	77.8	77.7	77.6	77.6	77.4	76.4
Males	**2000**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013***	**2018***
World	50.5	49.6	49.3	48.8	47.8	48.0	48.1	47.5	47.1	46.9	45.9
Developed Economies and European Union	11.9	12.0	11.7	11.6	11.4	11.4	11.7	11.3	11.4	11.3	10.9
Central and South-Eastern Europe (non-EU) and CIS	22.8	21.9	20.8	19.9	19.6	20.1	20.0	19.6	19.2	19.1	18.5
East Asia	52.2	49.1	48.5	47.8	45.8	44.8	44.6	43.7	42.9	42.3	39.7
South-East Asia and the Pacific	61.9	58.5	58.3	57.6	58.2	57.4	57.5	57.1	56.6	56.0	53.8
South Asia	77.9	77.9	78.1	77.7	76.5	76.7	76.6	75.5	74.7	74.4	72.8
Latin America and the Caribbean	35.1	33.4	32.3	31.6	31.1	31.4	31.6	31.5	31.7	31.6	30.7
Middle East	30.3	27.7	26.8	26.4	25.1	25.1	24.4	24.1	23.9	23.7	23.1
North Africa	35.1	36.4	35.1	34.8	31.3	32.1	30.8	30.5	30.4	30.2	29.3
Sub-Saharan Africa	74.2	71.0	70.8	70.8	70.1	71.0	70.9	70.8	70.7	70.5	69.1
Females	**2000**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013***	**2018***
World	55.3	53.8	52.9	52.4	51.0	50.6	50.5	49.9	49.3	49.1	48.2
Developed Economies and European Union	10.5	9.5	9.2	9.0	8.8	8.6	8.7	8.5	8.5	8.3	7.9
Central and South-Eastern Europe (non-EU) and CIS	22.3	20.5	19.7	19.4	19.3	19.6	20.2	19.9	19.3	19.3	18.7
East Asia	64.0	60.4	59.8	58.7	55.8	53.9	53.7	52.5	51.2	50.3	46.4
South-East Asia and the Pacific	70.7	66.6	66.2	66.3	65.7	64.8	65.0	64.4	63.9	63.1	60.4
South Asia	88.7	87.4	85.3	85.1	83.6	83.8	83.8	82.4	81.1	80.9	79.2
Latin America and the Caribbean	36.0	33.6	32.8	32.2	32.0	32.1	32.0	32.0	31.7	31.6	30.9
Middle East	43.3	41.8	40.2	39.2	35.7	35.0	33.7	32.9	33.3	33.2	32.7
North Africa	55.0	57.9	56.1	56.9	55.4	55.6	55.4	55.3	54.8	54.7	53.9
Sub-Saharan Africa	86.9	86.1	85.9	85.7	85.4	85.8	85.7	85.6	85.6	85.5	85.1

Note: * 2013–18 are projections.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2.

Table A13. Vulnerable employment by sex, world and regions (millions)

Both sexes	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2018*
World	1369.7	1460.0	1467.3	1475.8	1458.2	1462.0	1480.5	1483.8	1489.1	1502.5	1566.2
Developed Economies and European Union	50.7	50.3	49.9	49.8	49.0	47.6	48.4	47.3	47.7	47.4	46.3
Central and South-Eastern Europe (non-EU) and CIS	32.9	32.7	31.5	31.1	31.2	31.3	32.2	32.2	31.7	31.6	30.9
East Asia	430.7	425.4	425.0	421.4	402.3	392.2	392.7	388.2	382.6	379.2	358.5
South-East Asia and the Pacific	159.1	163.0	165.0	167.9	171.5	172.3	176.2	178.7	180.8	181.4	187.0
South Asia	411.5	469.0	471.3	473.7	468.0	471.8	475.9	473.6	472.5	480.0	513.8
Latin America and the Caribbean	73.7	78.8	78.5	78.7	79.8	80.9	83.1	84.7	86.7	88.0	92.9
Middle East	13.3	15.7	15.7	16.1	15.5	16.0	16.0	16.3	16.8	17.2	19.0
North Africa	17.4	21.2	21.0	21.9	20.8	21.6	21.5	21.4	21.7	22.1	23.8
Sub-Saharan Africa	180.5	204.1	209.3	215.3	220.2	228.3	234.5	241.3	248.6	255.7	294.0
Males	**2000**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013***	**2018***
World	795.7	847.0	855.6	861.7	855.2	862.4	876.5	879.3	884.4	892.8	931.8
Developed Economies and European Union	30.1	30.8	30.5	30.6	30.1	29.2	29.8	29.1	29.5	29.3	28.9
Central and South-Eastern Europe (non-EU) and CIS	18.3	18.5	17.7	17.2	17.3	17.4	17.6	17.6	17.4	17.3	17.0
East Asia	215.4	214.0	214.1	213.1	204.5	201.1	201.7	199.7	197.4	196.1	187.7
South-East Asia and the Pacific	86.6	89.2	90.4	90.9	93.4	93.7	96.0	97.2	98.3	98.7	101.9
South Asia	284.9	319.5	326.0	329.6	328.5	333.8	340.0	339.8	340.6	345.6	367.8
Latin America and the Caribbean	45.5	47.6	47.1	46.9	47.3	47.8	49.1	49.9	51.3	51.9	54.5
Middle East	10.7	12.1	12.2	12.5	12.3	12.7	12.7	13.0	13.3	13.6	14.9
North Africa	12.4	15.0	14.7	14.9	13.8	14.5	14.2	14.2	14.4	14.6	15.5
Sub-Saharan Africa	91.9	100.5	102.9	105.9	108.0	112.3	115.4	118.8	122.4	125.7	143.7
Females	**2000**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013***	**2018***
World	574.0	613.0	611.7	614.2	603.0	599.6	604.0	604.5	604.7	609.7	634.4
Developed Economies and European Union	20.7	19.5	19.4	19.3	18.9	18.4	18.6	18.2	18.2	18.0	17.4
Central and South-Eastern Europe (non-EU) and CIS	14.5	14.2	13.8	13.9	13.9	14.0	14.6	14.6	14.4	14.3	13.9
East Asia	215.3	211.3	210.9	208.3	197.8	191.1	191.0	188.5	185.2	183.1	170.8
South-East Asia and the Pacific	72.5	73.7	74.6	77.0	78.2	78.6	80.3	81.5	82.5	82.7	85.1
South Asia	126.7	149.5	145.3	144.0	139.4	137.9	135.9	133.8	131.9	134.4	146.0
Latin America and the Caribbean	28.2	31.2	31.4	31.8	32.5	33.1	34.0	34.9	35.4	36.1	38.4
Middle East	2.7	3.7	3.6	3.6	3.3	3.3	3.3	3.3	3.5	3.6	4.1
North Africa	5.0	6.2	6.3	7.0	7.0	7.1	7.3	7.3	7.3	7.5	8.3
Sub-Saharan Africa	88.6	103.6	106.4	109.4	112.1	116.0	119.1	122.5	126.2	130.0	150.4

Notes: *2013–18 are projections. Totals may differ due to rounding.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2.

Table A14a. Working poor indicators, world and regions (US$ 1.25 a day)

Both sexes	Numbers of people (millions)						Share in total employment (%)					
	2000	2007	2011	2012*	2013*	2018*	2000	2007	2011	2012*	2013*	2018*
World	692.9	490.9	406.3	385.0	374.7	284.7	26.5	16.7	13.3	12.4	11.9	8.5
Central and South-Eastern Europe (non-EU) and CIS	6.6	2.8	2.0	1.8	1.6	0.9	4.6	1.8	1.2	1.1	1.0	0.6
East Asia	232.8	94.7	58.0	47.3	43.1	19.4	31.1	11.8	7.1	5.7	5.2	2.3
South-East Asia and the Pacific	83.0	49.2	36.9	34.0	34.4	24.7	34.2	18.0	12.4	11.2	11.2	7.5
South Asia	224.5	201.1	167.2	160.7	155.0	111.9	44.2	33.9	27.3	26.0	24.6	16.2
Latin America and the Caribbean	16.4	10.6	8.9	8.7	8.5	6.9	7.9	4.3	3.3	3.2	3.0	2.3
Middle East	0.6	0.8	0.7	0.8	0.7	0.6	1.5	1.5	1.1	1.2	1.1	0.8
North Africa	3.1	2.2	1.9	1.9	1.8	1.6	6.9	3.9	3.2	3.1	3.0	2.4
Sub-Saharan Africa	125.9	129.5	130.6	130.0	129.6	118.6	55.8	46.7	42.0	40.5	39.2	30.8

* 2012–18 are projections.

Note: Totals may differ due to rounding.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of Table A2.

Table A14b. Working poor indicators, world and regions (US$ 2 a day)

Both sexes	Numbers of people (millions)						Share in total employment (%)					
	2000	2007	2011	2012*	2013*	2018*	2000	2007	2011	2012*	2013*	2018*
World	1199.2	989.5	878.1	851.0	839.0	736.2	45.9	33.7	28.7	27.4	26.7	22.0
Central and South-Eastern Europe (non-EU) and CIS	17.9	8.1	6.7	6.4	6.0	4.7	12.3	5.1	4.1	3.9	3.6	2.8
East Asia	412.9	224.1	144.6	123.5	111.6	52.4	55.1	28.0	17.7	15.0	13.5	6.2
South-East Asia and the Pacific	150.9	114.8	98.9	94.8	93.9	75.9	62.3	41.9	33.3	31.3	30.5	23.0
South Asia	399.4	414.6	392.8	389.0	387.8	359.8	78.5	69.9	64.1	62.9	61.5	52.2
Latin America and the Caribbean	33.4	22.6	19.1	18.9	18.5	15.9	16.0	9.1	7.2	6.9	6.7	5.3
Middle East	3.8	4.9	4.9	5.0	5.0	4.9	9.3	8.7	7.6	7.5	7.4	6.4
North Africa	10.6	9.2	8.9	8.8	8.8	8.6	23.8	16.7	14.9	14.6	14.2	12.6
Sub-Saharan Africa	170.3	191.1	202.2	204.6	207.4	214.0	75.4	68.9	65.0	63.8	62.8	55.6

Notes: * 2012–18 are projections. Totals may differ due to rounding.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of Table A2.

Table A15a. Employment by economic class in developing world and regions, both sexes

Region	Year	Employment by class (millions)				
		Extremely poor (below US$1.25)	Moderately poor (between US$1.25 and US$2)	Near poor (between US$2 and US$4)	Developing middle class (between US$4 and US$13)	Developed middle class and above (above US$13)
Developing world	1991	810.6	424.0	275.0	242.1	88.9
	2001	674.8	513.5	518.9	404.1	95.1
	2011	406.3	471.7	669.4	787.2	255.5
	2012*	385.0	466.0	674.9	823.3	280.2
	2018*	284.7	451.5	688.3	984.8	448.8
Central and South-Eastern Europe (non-EU) and CIS	1991	3.6	7.2	23.2	69.6	43.3
	2001	6.1	10.6	34.4	72.4	22.4
	2011	2.0	4.7	18.5	82.7	55.2
	2012*	1.8	4.6	18.4	83.0	56.9
	2018*	0.9	3.8	15.6	82.9	62.7
East Asia	1991	374.8	176.1	83.0	34.2	3.9
	2001	217.8	175.9	212.2	136.2	13.8
	2011	58.0	86.6	222.6	367.9	80.7
	2012*	47.3	76.3	214.1	387.5	97.5
	2018*	19.4	33.1	137.0	436.8	214.3
South-East Asia and the Pacific	1991	93.7	49.7	29.0	20.2	3.3
	2001	74.6	70.6	58.5	35.2	7.4
	2011	36.9	62.0	105.1	75.1	17.8
	2012*	34.0	60.8	108.1	80.4	19.4
	2018*	24.7	51.2	118.6	105.3	30.5
South Asia	1991	225.1	134.2	54.1	5.3	2.0
	2001	228.2	180.8	99.8	13.8	1.8
	2011	167.2	225.6	174.2	41.7	3.9
	2012*	160.7	228.3	180.1	45.1	4.4
	2018*	111.9	247.9	232.2	88.1	9.6
Latin America and the Caribbean	1991	13.6	14.3	37.6	73.6	25.3
	2001	17.4	18.0	47.5	93.5	36.5
	2011	8.9	10.2	42.0	131.7	74.4
	2012*	8.7	10.2	42.4	134.9	77.1
	2018*	6.9	8.9	40.8	147.2	97.6
Middle East	1991	0.7	2.8	7.7	14.1	5.4
	2001	0.7	3.4	11.6	20.2	7.3
	2011	0.7	4.1	14.0	31.0	14.2
	2012*	0.8	4.2	14.7	31.8	14.7
	2018*	0.6	4.3	16.8	36.6	18.8
North Africa	1991	3.5	7.0	13.5	9.9	1.6
	2001	3.0	7.5	19.3	14.2	1.2
	2011	1.9	7.0	26.8	22.5	1.5
	2012*	1.9	6.9	26.9	23.2	1.8
	2018*	1.6	7.0	28.6	28.1	3.0
Sub-Saharan Africa	1991	95.5	32.7	26.9	15.3	4.1
	2001	127.0	46.7	35.6	18.6	4.6
	2011	130.6	71.6	66.2	34.7	7.8
	2012*	130.0	74.7	70.2	37.4	8.3
	2018*	118.6	95.4	98.6	59.7	12.3

Notes: *2012–18 are projections. Totals may differ due to rounding.

Source: October 2013 update of the model in: Kapsos, S. and E. Bourmpoula (2013). *Employment and Economic Class in the Developing World.* ILO Research Paper No 6.

Table A15b. Employment shares by economic class in developing world and regions, both sexes

Region	Year	Employment by class (% of total)				
		Extremely poor (below US$1.25)	Moderately poor (between US$1.25 and US$2)	Near poor (between US$2 and US$4)	Developing middle class (between US$4 and US$13)	Developed middle class and above (above US$13)
Developing world	1991	44.0	23.0	14.9	13.2	4.8
	2001	30.6	23.3	23.5	18.3	4.3
	2011	15.7	18.2	25.8	30.4	9.9
	2012*	14.6	17.7	25.7	31.3	10.7
	2018*	10.0	15.8	24.1	34.5	15.7
Central and South-Eastern Europe (non-EU) and CIS	1991	2.5	4.9	15.8	47.4	29.5
	2001	4.2	7.3	23.6	49.6	15.3
	2011	1.2	2.9	11.3	50.7	33.8
	2012*	1.1	2.8	11.2	50.4	34.6
	2018*	0.6	2.3	9.4	50.0	37.8
East Asia	1991	55.8	26.2	12.3	5.1	0.6
	2001	28.8	23.3	28.1	18.0	1.8
	2011	7.1	10.6	27.3	45.1	9.9
	2012*	5.7	9.3	26.0	47.1	11.9
	2018*	2.3	3.9	16.3	52.0	25.5
South-East Asia and the Pacific	1991	47.9	25.4	14.8	10.3	1.7
	2001	30.3	28.6	23.7	14.3	3.0
	2011	12.4	20.9	35.4	25.3	6.0
	2012*	11.2	20.1	35.7	26.5	6.4
	2018*	7.5	15.5	35.9	31.9	9.2
South Asia	1991	53.5	31.9	12.9	1.3	0.5
	2001	43.5	34.5	19.0	2.6	0.3
	2011	27.3	36.8	28.4	6.8	0.6
	2012*	26.0	36.9	29.1	7.3	0.7
	2018*	16.2	35.9	33.7	12.8	1.4
Latin America and the Caribbean	1991	8.3	8.7	22.9	44.8	15.4
	2001	8.1	8.5	22.3	43.9	17.2
	2011	3.3	3.8	15.7	49.3	27.8
	2012*	3.2	3.7	15.5	49.4	28.2
	2018*	2.3	3.0	13.5	48.8	32.4
Middle East	1991	2.4	9.2	25.1	45.7	17.6
	2001	1.5	7.9	26.8	46.7	17.0
	2011	1.1	6.4	21.9	48.4	22.2
	2012*	1.2	6.4	22.2	48.0	22.2
	2018*	0.8	5.6	21.8	47.5	24.4
North Africa	1991	9.8	19.8	38.1	27.9	4.4
	2001	6.5	16.5	42.8	31.5	2.7
	2011	3.2	11.7	45.0	37.7	2.5
	2012*	3.1	11.4	44.3	38.3	2.9
	2018*	2.4	10.2	41.9	41.1	4.4
Sub-Saharan Africa	1991	54.7	18.7	15.4	8.8	2.4
	2001	54.6	20.1	15.3	8.0	2.0
	2011	42.0	23.0	21.3	11.1	2.5
	2012*	40.5	23.3	21.9	11.7	2.6
	2018*	30.8	24.8	25.6	15.5	3.2

Notes: * 2012–18 are projections. Totals may differ due to rounding.

Source: October 2013 update of the model in: Kapsos, S. and E. Bourmpoula (2013). *Employment and Economic Class in the Developing World.* ILO Research Paper No 6.

Annex 2. Unemployment projections

Table P1. Unemployment 2007–18 (rates)

Region	Rate (%)											
	2007	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	5.5	5.6	6.2	6.1	6.0	6.0	6.0	6.1	6.1	6.1	6.1	6.0
Developed Economies and European Union	5.8	6.1	8.4	8.8	8.4	8.6	8.6	8.6	8.4	8.2	8.0	7.9
Central and South-Eastern Europe (non-EU) and CIS	8.2	8.1	9.9	9.2	8.5	8.0	8.2	8.3	8.2	8.2	8.2	8.1
East Asia	3.8	4.3	4.4	4.2	4.3	4.4	4.5	4.7	4.8	4.9	4.9	5.0
South-East Asia and the Pacific	5.5	5.2	5.1	4.7	4.4	4.1	4.2	4.3	4.3	4.3	4.3	4.4
South Asia	4.1	4.1	4.2	3.8	3.8	3.9	4.0	4.0	4.1	4.1	4.1	4.1
Latin America and the Caribbean	6.9	6.5	7.5	7.3	6.7	6.6	6.5	6.5	6.5	6.5	6.4	6.4
Middle East	10.2	10.1	10.3	11.1	10.8	10.9	10.9	11.0	10.9	10.8	10.8	10.7
North Africa	11.1	10.5	10.6	10.4	11.8	12.1	12.2	12.2	12.1	12.1	12.1	12.0
Sub-Saharan Africa	7.5	7.7	7.7	7.6	7.6	7.6	7.6	7.6	7.5	7.5	7.5	7.5

Region	Change from 2007 (percentage points)										
	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	0.2	0.8	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Developed Economies and European Union	0.3	2.6	3.0	2.6	2.8	2.8	2.8	2.6	2.4	2.2	2.1
Central and South-Eastern Europe (non-EU) and CIS	–0.1	1.7	1.0	0.3	–0.3	0.0	0.0	0.0	0.0	–0.1	–0.1
East Asia	0.6	0.6	0.4	0.5	0.7	0.8	0.9	1.0	1.1	1.2	1.2
South-East Asia and the Pacific	–0.2	–0.4	–0.8	–1.1	–1.3	–1.2	–1.2	–1.2	–1.2	–1.1	–1.1
South Asia	0.1	0.1	–0.2	–0.2	–0.2	–0.1	0.0	0.0	0.0	0.0	0.0
Latin America and the Caribbean	–0.4	0.6	0.4	–0.2	–0.3	–0.4	–0.4	–0.4	–0.5	–0.5	–0.5
Middle East	–0.1	0.0	0.8	0.6	0.7	0.7	0.8	0.7	0.6	0.6	0.5
North Africa	–0.5	–0.5	–0.7	0.8	1.0	1.1	1.1	1.0	1.0	1.0	0.9
Sub-Saharan Africa	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0

Note: * 2013 are preliminary estimates; 2014–18 are projections; the upper and lower bounds of the confidence interval are shown in the figures in Annex 3.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2 and Annex 5.

Table P2. Unemployment 2007–18 (numbers of people)

Region	Number (millions)											
	2007	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	170.0	177.0	197.9	195.2	193.9	196.9	201.8	206.0	208.8	211.0	213.1	215.2
Developed Economies and European Union	29.4	31.1	42.9	45.0	43.4	44.5	44.7	44.7	44.0	43.1	42.2	41.6
Central and South-Eastern Europe (non-EU) and CIS	14.2	14.2	17.4	16.2	15.2	14.3	14.8	14.9	14.8	14.8	14.7	14.7
East Asia	31.4	36.2	37.1	35.5	36.8	38.1	39.4	40.6	41.8	42.8	43.7	44.4
South-East Asia and the Pacific	15.8	15.4	15.3	14.3	13.6	13.1	13.6	13.9	14.2	14.5	14.8	15.0
South Asia	25.1	25.8	26.3	24.3	24.4	25.0	26.0	26.9	27.7	28.2	28.7	29.2
Latin America and the Caribbean	18.4	17.5	20.8	20.6	19.3	19.3	19.3	19.7	19.9	20.2	20.4	20.7
Middle East	6.4	6.5	6.9	7.7	7.8	8.1	8.3	8.6	8.8	8.9	9.1	9.2
North Africa	6.9	6.7	6.8	6.9	8.0	8.4	8.6	8.8	8.9	9.0	9.2	9.3
Sub-Saharan Africa	22.4	23.7	24.4	24.8	25.5	26.3	27.2	27.9	28.7	29.4	30.2	31.1

Region	Change from 2007 (millions)										
	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	7.1	28.0	25.3	24.0	27.0	31.8	36.1	38.8	41.0	43.1	45.2
Developed Economies and European Union	1.7	13.5	15.6	14.0	15.1	15.4	15.3	14.7	13.7	12.9	12.2
Central and South-Eastern Europe (non-EU) and CIS	0.0	3.3	2.0	1.1	0.1	0.6	0.7	0.7	0.6	0.6	0.5
East Asia	4.8	5.7	4.1	5.4	6.8	8.0	9.3	10.4	11.4	12.3	13.0
South-East Asia and the Pacific	–0.4	–0.5	–1.5	–2.3	–2.8	–2.3	–2.0	–1.6	–1.4	–1.1	–0.8
South Asia	0.6	1.1	–0.9	–0.8	–0.2	0.8	1.8	2.5	3.1	3.6	4.0
Latin America and the Caribbean	–0.8	2.4	2.2	0.9	0.9	1.0	1.4	1.6	1.8	2.1	2.3
Middle East	0.0	0.4	1.3	1.4	1.6	1.9	2.2	2.4	2.5	2.7	2.8
North Africa	–0.2	0.0	0.0	1.1	1.5	1.7	1.9	2.0	2.2	2.3	2.5
Sub-Saharan Africa	1.3	2.0	2.4	3.1	3.8	4.7	5.5	6.2	7.0	7.8	8.6

Note: * 2013 are preliminary estimates; 2014–18 are projections; the upper and lower bounds of the confidence interval are shown in the figures in Annex 3.
Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2 and Annex 5.

Table P3. Unemployment 2007–18 (rates), downside scenario

Region	Rate (%)											
	2007	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	5.5	5.6	6.2	6.1	6.0	6.0	6.0	6.1	6.1	6.2	6.2	6.2
Developed Economies and European Union	5.8	6.1	8.4	8.8	8.4	8.6	8.6	8.7	8.6	8.6	8.5	8.4
Central and South-Eastern Europe (non-EU) and CIS	8.2	8.1	9.9	9.2	8.5	8.0	8.2	8.3	8.3	8.3	8.3	8.3
East Asia	3.8	4.3	4.4	4.2	4.3	4.4	4.5	4.7	4.8	4.9	5.0	5.0
South-East Asia and the Pacific	5.5	5.2	5.1	4.7	4.4	4.1	4.2	4.3	4.3	4.4	4.4	4.5
South Asia	4.1	4.1	4.2	3.8	3.8	3.9	4.0	4.0	4.1	4.1	4.1	4.1
Latin America and the Caribbean	6.9	6.5	7.5	7.3	6.7	6.6	6.5	6.6	6.5	6.5	6.5	6.5
Middle East	10.2	10.1	10.3	11.1	10.8	10.9	10.9	11.0	11.0	10.9	10.9	10.8
North Africa	11.1	10.5	10.6	10.4	11.8	12.1	12.2	12.2	12.1	12.1	12.1	12.1
Sub-Saharan Africa	7.5	7.7	7.7	7.6	7.6	7.6	7.6	7.6	7.6	7.5	7.5	7.5

Region	Change from 2007 (percentage points)										
	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	0.2	0.8	0.6	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.7
Developed Economies and European Union	0.3	2.6	3.0	2.6	2.8	2.8	2.9	2.8	2.8	2.7	2.6
Central and South-Eastern Europe (non-EU) and CIS	–0.1	1.7	1.0	0.3	–0.3	0.0	0.1	0.1	0.1	0.1	0.1
East Asia	0.6	0.6	0.4	0.5	0.7	0.8	0.9	1.0	1.1	1.2	1.3
South-East Asia and the Pacific	–0.2	–0.4	–0.8	–1.1	–1.3	–1.2	–1.2	–1.1	–1.1	–1.0	–1.0
South Asia	0.1	0.1	–0.2	–0.2	–0.2	–0.1	–0.1	0.0	0.0	0.0	0.1
Latin America and the Caribbean	–0.4	0.6	0.4	–0.2	–0.3	–0.4	–0.3	–0.4	–0.4	–0.4	–0.4
Middle East	–0.1	0.0	0.8	0.6	0.7	0.7	0.8	0.8	0.7	0.7	0.6
North Africa	–0.5	–0.5	–0.7	0.8	1.0	1.1	1.1	1.1	1.0	1.0	1.0
Sub-Saharan Africa	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0

Note: * 2013 are preliminary estimates; 2014–18 are projections based on the downside scenario; the upper and lower bounds of the confidence interval are available upon request.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2 and Annex 5.

Table P4. Unemployment 2007–18 (numbers of people), downside scenario

Region	Number (millions)											
	2007	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	170.0	177.0	197.9	195.2	193.9	196.9	201.8	206.7	210.7	214.2	217.2	220.0
Developed Economies and European Union	29.4	31.1	42.9	45.0	43.4	44.5	44.7	45.1	45.1	44.9	44.7	44.4
Central and South-Eastern Europe (non-EU) and CIS	14.2	14.2	17.4	16.2	15.2	14.3	14.8	15.0	15.0	15.1	15.1	15.0
East Asia	31.4	36.2	37.1	35.5	36.8	38.1	39.4	40.6	41.8	42.9	43.8	44.5
South-East Asia and the Pacific	15.8	15.4	15.3	14.3	13.6	13.1	13.6	13.9	14.3	14.7	15.1	15.5
South Asia	25.1	25.8	26.3	24.3	24.4	25.0	26.0	26.8	27.8	28.4	29.1	29.6
Latin America and the Caribbean	18.4	17.5	20.8	20.6	19.3	19.3	19.3	19.9	20.1	20.5	20.7	21.0
Middle East	6.4	6.5	6.9	7.7	7.8	8.1	8.3	8.6	8.8	9.0	9.2	9.3
North Africa	6.9	6.7	6.8	6.9	8.0	8.4	8.6	8.8	8.9	9.1	9.2	9.4
Sub-Saharan Africa	22.4	23.7	24.4	24.8	25.5	26.3	27.2	27.9	28.7	29.6	30.4	31.3

Region	Change from 2007 (millions)									
	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	7.1	28.0	25.3	24.0	27.0	31.8	36.7	40.7	44.2	47.3	50.1
Developed Economies and European Union	1.7	13.5	15.6	14.0	15.1	15.4	15.8	15.8	15.6	15.3	15.0
Central and South-Eastern Europe (non-EU) and CIS	0.0	3.3	2.0	1.1	0.1	0.6	0.9	0.8	0.9	0.9	0.9
East Asia	4.8	5.7	4.1	5.4	6.8	8.0	9.3	10.5	11.5	12.4	13.2
South-East Asia and the Pacific	–0.4	–0.5	–1.5	–2.3	–2.8	–2.3	–1.9	–1.5	–1.1	–0.7	–0.4
South Asia	0.6	1.1	–0.9	–0.8	–0.2	0.8	1.6	2.6	3.3	3.9	4.5
Latin America and the Caribbean	–0.8	2.4	2.2	0.9	0.9	1.0	1.5	1.8	2.1	2.4	2.7
Middle East	0.0	0.4	1.3	1.4	1.6	1.9	2.2	2.4	2.6	2.7	2.9
North Africa	–0.2	0.0	0.0	1.1	1.5	1.7	1.9	2.1	2.2	2.4	2.5
Sub-Saharan Africa	1.3	2.0	2.4	3.1	3.8	4.7	5.5	6.3	7.1	8.0	8.8

Note: * 2013 are preliminary estimates; 2014–18 are projections based on the downside scenario; the upper and lower bounds of the confidence interval are available upon request.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2 and Annex 5.

Table P5. Youth unemployment 2007–18 (rates)

Region	Rate (%)											
	2007	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	11.6	12.0	12.9	12.9	12.7	12.9	13.1	13.2	13.2	13.2	13.2	13.2
Developed Economies and European Union	12.5	13.3	17.4	18.1	17.6	18.0	18.3	18.0	17.4	16.8	16.3	16.0
Central and South-Eastern Europe (non-EU) and CIS	17.5	16.9	20.0	19.0	17.9	17.5	18.0	18.1	18.1	18.0	18.0	18.0
East Asia	8.0	9.2	9.4	9.1	9.4	9.7	10.1	10.5	10.8	11.1	11.4	11.6
South-East Asia and the Pacific	14.8	14.1	13.9	14.5	12.9	12.7	13.0	13.3	13.5	13.6	13.8	14.0
South Asia	9.2	9.5	9.8	9.7	9.7	10.1	10.2	10.4	10.4	10.4	10.4	10.4
Latin America and the Caribbean	14.1	13.6	15.5	15.0	14.3	13.8	13.6	13.5	13.4	13.3	13.2	13.1
Middle East	23.9	24.1	23.7	26.2	26.0	26.6	27.2	27.9	28.2	28.4	28.5	28.6
North Africa	24.2	23.7	23.9	23.7	28.1	29.2	29.4	29.5	29.5	29.5	29.5	29.5
Sub-Saharan Africa	11.7	12.1	12.1	12.0	11.9	11.9	11.9	11.8	11.7	11.7	11.7	11.7

Region	Change from 2007 (percentage points)										
	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	0.4	1.2	1.2	1.1	1.2	1.4	1.5	1.6	1.6	1.6	1.6
Developed Economies and European Union	0.8	4.9	5.6	5.1	5.6	5.8	5.5	4.9	4.3	3.8	3.5
Central and South-Eastern Europe (non-EU) and CIS	–0.6	2.6	1.5	0.4	0.0	0.5	0.6	0.6	0.6	0.5	0.5
East Asia	1.1	1.3	1.0	1.3	1.7	2.1	2.4	2.8	3.1	3.3	3.6
South-East Asia and the Pacific	–0.7	–0.9	–0.3	–1.9	–2.1	–1.8	–1.5	–1.3	–1.2	–1.0	–0.8
South Asia	0.3	0.6	0.5	0.5	0.9	1.1	1.2	1.2	1.2	1.2	1.3
Latin America and the Caribbean	–0.6	1.4	0.9	0.2	–0.3	–0.5	–0.6	–0.8	–0.9	–1.0	–1.0
Middle East	0.2	–0.2	2.4	2.1	2.7	3.4	4.0	4.3	4.5	4.6	4.7
North Africa	–0.5	–0.3	–0.6	3.8	5.0	5.2	5.2	5.3	5.3	5.3	5.3
Sub-Saharan Africa	0.3	0.4	0.3	0.2	0.1	0.2	0.1	0.0	0.0	0.0	–0.1

Note: * 2013 are preliminary estimates; 2014–18 are projections; the upper and lower bounds of the confidence interval are shown in the figures in Annex 3.
Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2 and Annex 5.

Table P6. Youth unemployment 2007–18 (numbers of people)

Region	Number (millions)											
	2007	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	70.1	71.8	76.0	74.9	73.5	73.8	74.5	74.5	74.2	73.8	73.5	73.4
Developed Economies and European Union	8.1	8.6	10.9	11.0	10.5	10.7	10.9	10.6	10.2	9.8	9.5	9.3
Central and South-Eastern Europe (non-EU) and CIS	4.6	4.5	5.2	4.8	4.4	4.1	4.1	4.0	3.8	3.7	3.6	3.5
East Asia	12.0	13.6	13.6	12.7	12.8	12.8	12.7	12.5	12.2	11.9	11.7	11.4
South-East Asia and the Pacific	8.6	8.1	7.9	8.3	7.4	7.3	7.5	7.7	7.8	7.9	7.9	8.0
South Asia	12.7	12.8	12.9	12.5	12.3	12.6	12.9	13.1	13.2	13.3	13.3	13.4
Latin America and the Caribbean	8.0	7.7	8.7	8.5	8.1	7.9	7.8	7.8	7.7	7.7	7.7	7.7
Middle East	3.2	3.2	3.2	3.5	3.5	3.5	3.6	3.6	3.6	3.6	3.5	3.5
North Africa	3.3	3.2	3.2	3.1	3.7	3.8	3.9	3.8	3.8	3.8	3.8	3.8
Sub-Saharan Africa	9.6	10.2	10.4	10.6	10.8	11.0	11.3	11.5	11.8	12.1	12.4	12.7

Region	Change from 2007 (millions)										
	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	1.8	6.0	4.8	3.4	3.7	4.4	4.5	4.1	3.7	3.4	3.3
Developed Economies and European Union	0.5	2.8	2.9	2.4	2.6	2.7	2.5	2.1	1.7	1.4	1.2
Central and South-Eastern Europe (non-EU) and CIS	–0.1	0.7	0.2	–0.2	–0.5	–0.5	–0.6	–0.7	–0.8	–1.0	–1.0
East Asia	1.6	1.6	0.7	0.8	0.8	0.7	0.5	0.2	–0.1	–0.3	–0.6
South-East Asia and the Pacific	–0.5	–0.7	–0.3	–1.2	–1.3	–1.1	–0.9	–0.8	–0.7	–0.6	–0.6
South Asia	0.2	0.2	–0.2	–0.3	0.0	0.2	0.5	0.6	0.6	0.7	0.7
Latin America and the Caribbean	–0.3	0.7	0.5	0.0	–0.2	–0.3	–0.3	–0.3	–0.4	–0.4	–0.4
Middle East	0.0	–0.1	0.3	0.2	0.3	0.3	0.4	0.3	0.3	0.3	0.3
North Africa	–0.1	–0.1	–0.1	0.4	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Sub-Saharan Africa	0.5	0.8	1.0	1.1	1.4	1.7	1.9	2.2	2.4	2.7	3.0

Note: * 2013 are preliminary estimates; 2014–18 are projections; the upper and lower bounds of the confidence interval are shown in the figures in Annex 3.
Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2 and Annex 5.

Table P7. Youth unemployment 2007–18 (rates), downside scenario

Region	Rate (%)											
	2007	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	11.6	12.0	12.9	12.9	12.7	12.9	13.1	13.2	13.3	13.4	13.5	13.5
Developed Economies and European Union	12.5	13.3	17.4	18.1	17.6	18.0	18.3	18.1	17.9	17.6	17.4	17.2
Central and South-Eastern Europe (non-EU) and CIS	17.5	16.9	20.0	19.0	17.9	17.5	18.0	18.2	18.3	18.4	18.5	18.6
East Asia	8.0	9.2	9.4	9.1	9.4	9.7	10.1	10.5	10.8	11.1	11.4	11.6
South-East Asia and the Pacific	14.8	14.1	13.9	14.5	12.9	12.7	13.0	13.3	13.7	14.0	14.3	14.5
South Asia	9.2	9.5	9.8	9.7	9.7	10.1	10.2	10.3	10.5	10.5	10.6	10.6
Latin America and the Caribbean	14.1	13.6	15.5	15.0	14.3	13.8	13.6	13.6	13.5	13.4	13.4	13.3
Middle East	23.9	24.1	23.7	26.2	26.0	26.6	27.2	27.9	28.4	28.6	28.8	29.0
North Africa	24.2	23.7	23.9	23.7	28.1	29.2	29.4	29.5	29.5	29.6	29.6	29.7
Sub-Saharan Africa	11.7	12.1	12.1	12.0	11.9	11.9	11.9	11.8	11.8	11.8	11.8	11.8

Region	Change from 2007 (percentage points)										
	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	0.4	1.2	1.2	1.1	1.2	1.4	1.6	1.7	1.8	1.8	1.9
Developed Economies and European Union	0.8	4.9	5.6	5.1	5.6	5.8	5.6	5.4	5.1	4.9	4.7
Central and South-Eastern Europe (non-EU) and CIS	–0.6	2.6	1.5	0.4	0.0	0.5	0.7	0.8	0.9	1.0	1.1
East Asia	1.1	1.3	1.0	1.3	1.7	2.1	2.4	2.8	3.1	3.4	3.6
South-East Asia and the Pacific	–0.7	–0.9	–0.3	–1.9	–2.1	–1.8	–1.5	–1.1	–0.8	–0.5	–0.3
South Asia	0.3	0.6	0.5	0.5	0.9	1.1	1.2	1.3	1.4	1.4	1.4
Latin America and the Caribbean	–0.6	1.4	0.9	0.2	–0.3	–0.5	–0.5	–0.7	–0.7	–0.8	–0.8
Middle East	0.2	–0.2	2.4	2.1	2.7	3.4	4.0	4.5	4.8	5.0	5.1
North Africa	–0.5	–0.3	–0.6	3.8	5.0	5.2	5.3	5.3	5.3	5.4	5.4
Sub-Saharan Africa	0.3	0.4	0.3	0.2	0.1	0.2	0.1	0.1	0.1	0.0	0.0

Note: * 2013 are preliminary estimates; 2014–18 are projections based on the downside scenario; the upper and lower bounds of the confidence interval are available upon request.

Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2 and Annex 5.

Table P8. Youth unemployment 2007–18 (numbers of people), downside scenario

Region	Number (millions)											
	2007	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	70.1	71.8	76.0	74.9	73.5	73.8	74.5	74.7	74.9	74.9	75.0	75.1
Developed Economies and European Union	8.1	8.6	10.9	11.0	10.5	10.7	10.9	10.7	10.5	10.3	10.2	10.0
Central and South-Eastern Europe (non-EU) and CIS	4.6	4.5	5.2	4.8	4.4	4.1	4.1	4.0	3.9	3.8	3.7	3.6
East Asia	12.0	13.6	13.6	12.7	12.8	12.8	12.7	12.5	12.2	12.0	11.7	11.5
South-East Asia and the Pacific	8.6	8.1	7.9	8.3	7.4	7.3	7.5	7.7	7.9	8.1	8.2	8.3
South Asia	12.7	12.8	12.9	12.5	12.3	12.6	12.9	13.1	13.3	13.4	13.5	13.6
Latin America and the Caribbean	8.0	7.7	8.7	8.5	8.1	7.9	7.8	7.8	7.8	7.8	7.8	7.8
Middle East	3.2	3.2	3.2	3.5	3.5	3.5	3.6	3.6	3.6	3.6	3.6	3.6
North Africa	3.3	3.2	3.2	3.1	3.7	3.8	3.9	3.8	3.8	3.8	3.9	3.9
Sub-Saharan Africa	9.6	10.2	10.4	10.6	10.8	11.0	11.3	11.6	11.8	12.1	12.5	12.8

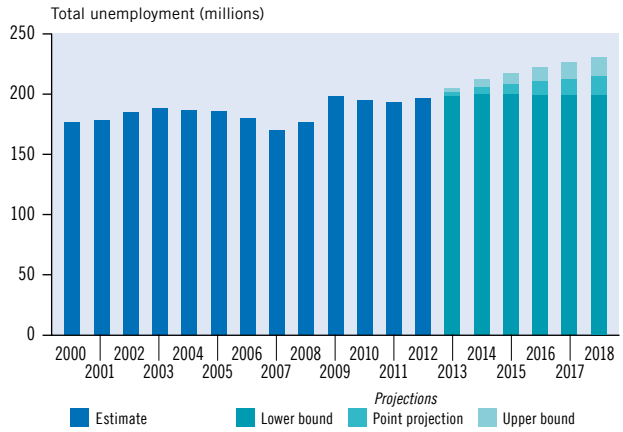
Region	Change from 2007 (millions)										
	2008	2009	2010	2011	2012	2013*	2014p	2015p	2016p	2017p	2018p
World	1.8	6.0	4.8	3.4	3.7	4.4	4.6	4.8	4.9	4.9	5.0
Developed Economies and European Union	0.5	2.8	2.9	2.4	2.6	2.7	2.6	2.4	2.2	2.0	1.9
Central and South-Eastern Europe (non-EU) and CIS	–0.1	0.7	0.2	–0.2	–0.5	–0.5	–0.6	–0.7	–0.8	–0.8	–0.9
East Asia	1.6	1.6	0.7	0.8	0.8	0.7	0.5	0.2	0.0	–0.3	–0.5
South-East Asia and the Pacific	–0.5	–0.7	–0.3	–1.2	–1.3	–1.1	–0.9	–0.7	–0.5	–0.4	–0.2
South Asia	0.2	0.2	–0.2	–0.3	0.0	0.2	0.4	0.7	0.8	0.9	1.0
Latin America and the Caribbean	–0.3	0.7	0.5	0.0	–0.2	–0.3	–0.2	–0.3	–0.3	–0.3	–0.2
Middle East	0.0	–0.1	0.3	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.3
North Africa	–0.1	–0.1	–0.1	0.4	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Sub-Saharan Africa	0.5	0.8	1.0	1.1	1.4	1.7	1.9	2.2	2.5	2.8	3.2

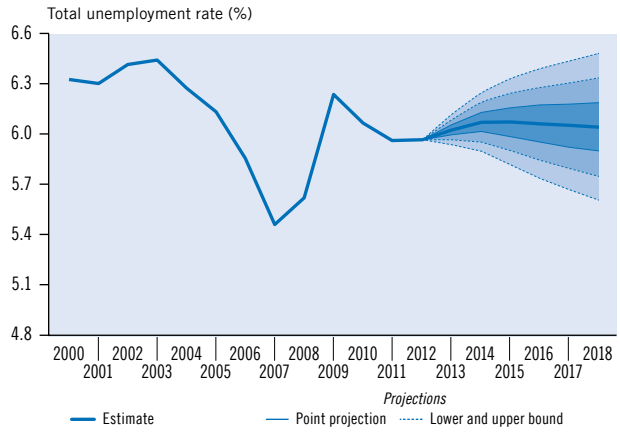
Note: * 2013 are preliminary estimates; 2014–18 are projections based on the downside scenario; the upper and lower bounds of the confidence interval are available upon request.

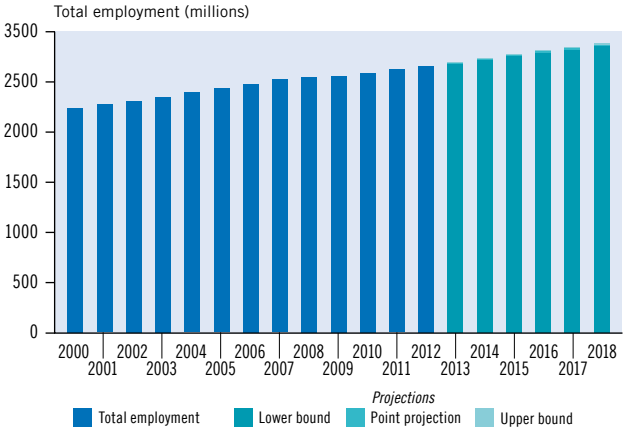
Source: ILO, *Trends Econometric Models*, October 2013; see also source of table A2 and Annex 5.

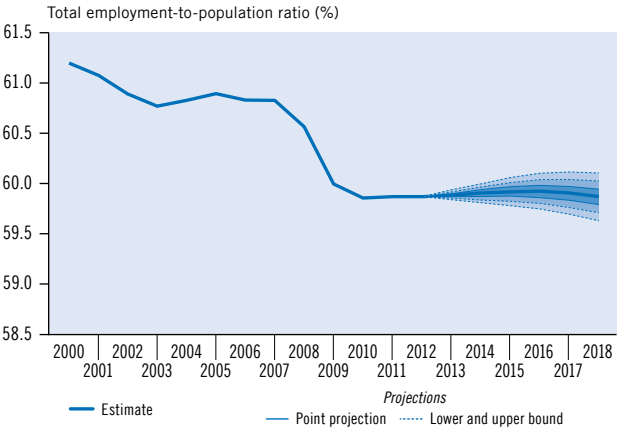
Annex 3. Global and regional figures

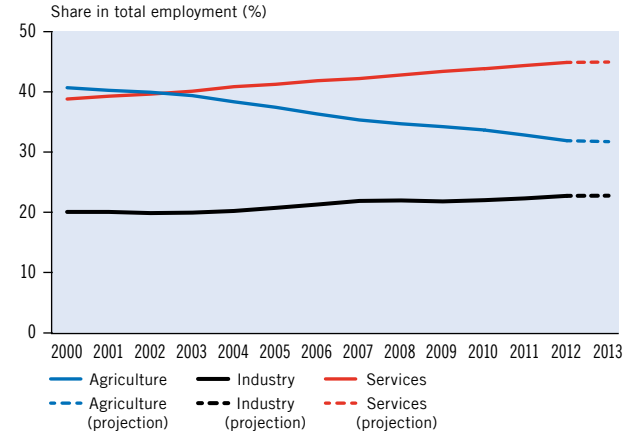
World

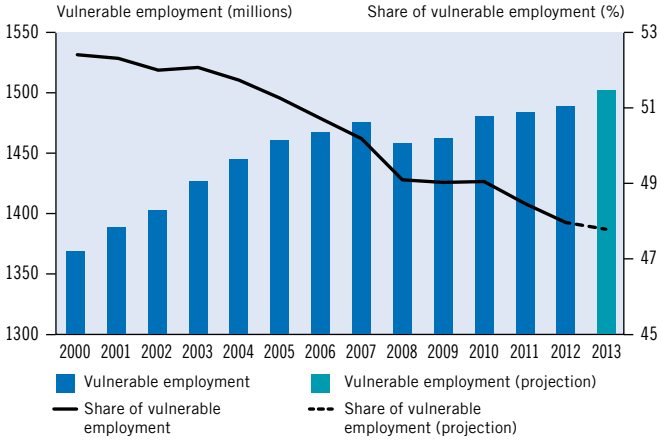


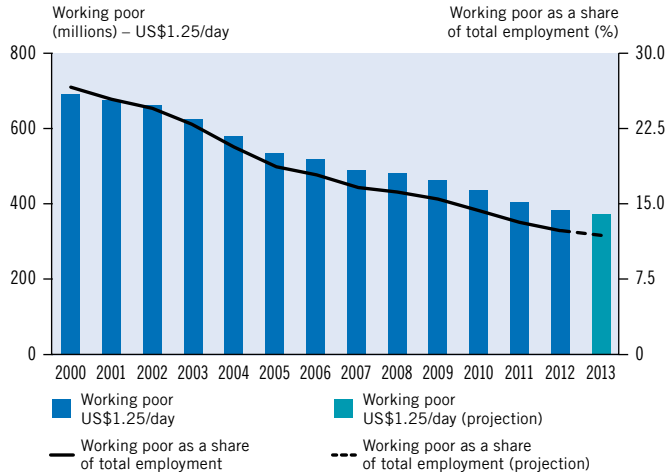


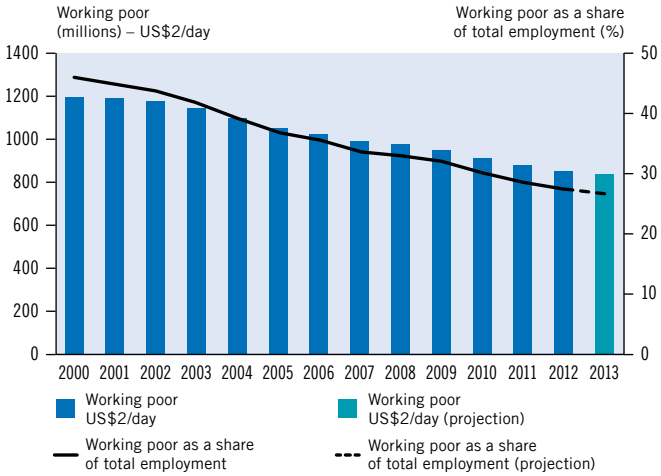




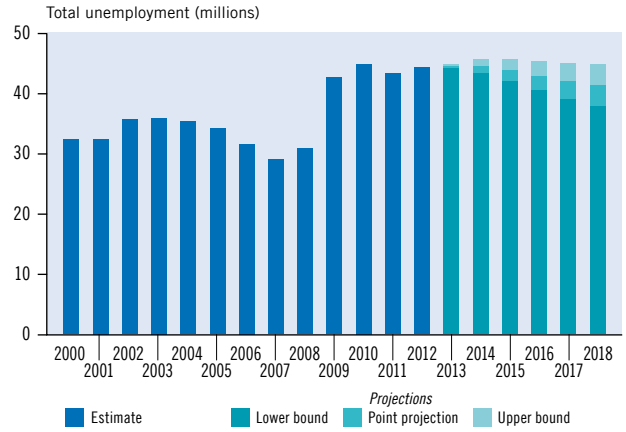


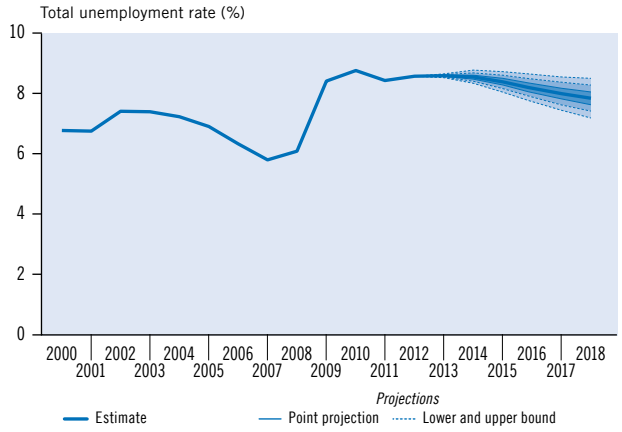


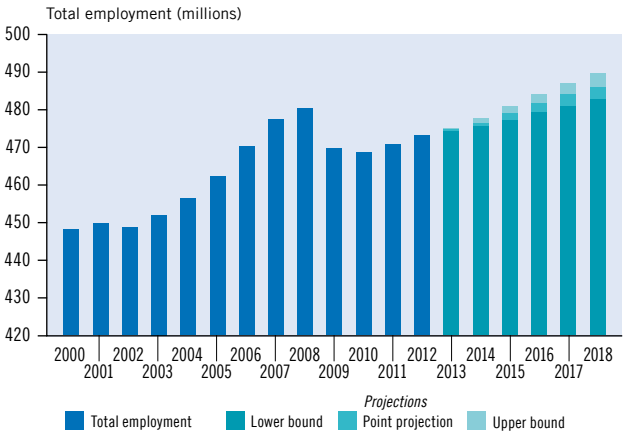


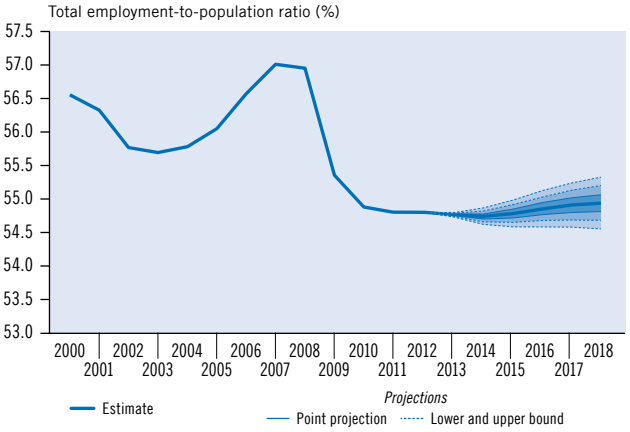


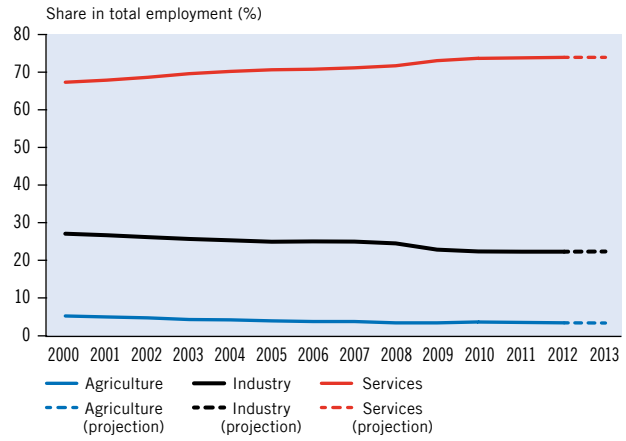
Developed Economies and European Union

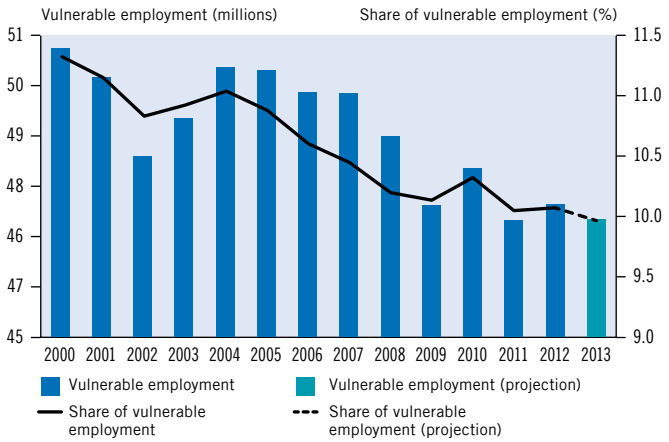






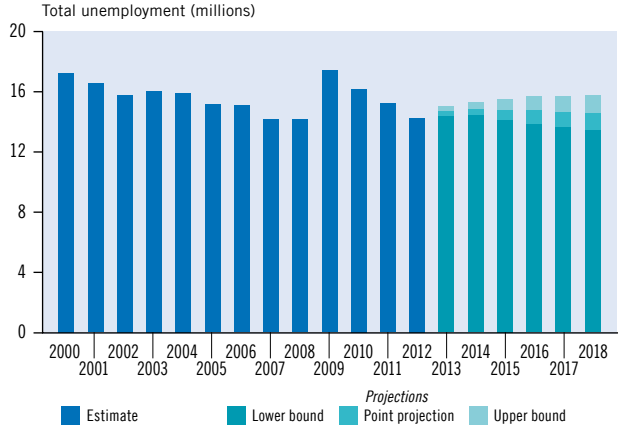




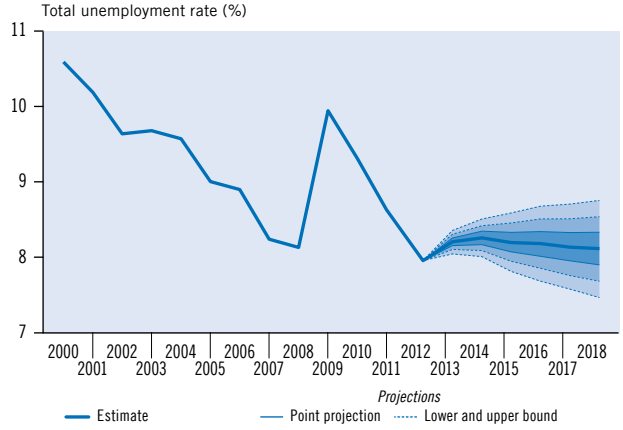


Central and South-Eastern Europe (non-EU) and CIS

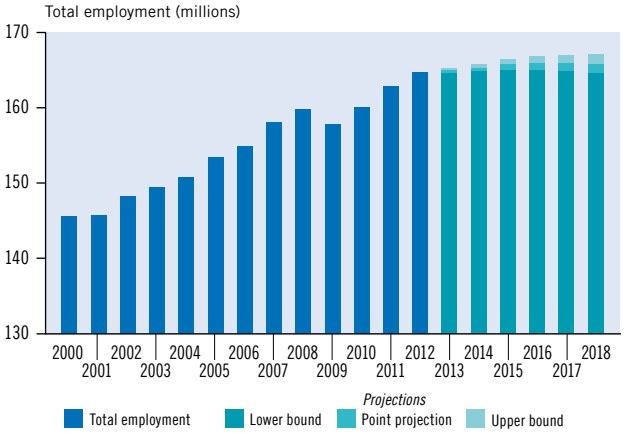
Total unemployment (millions)



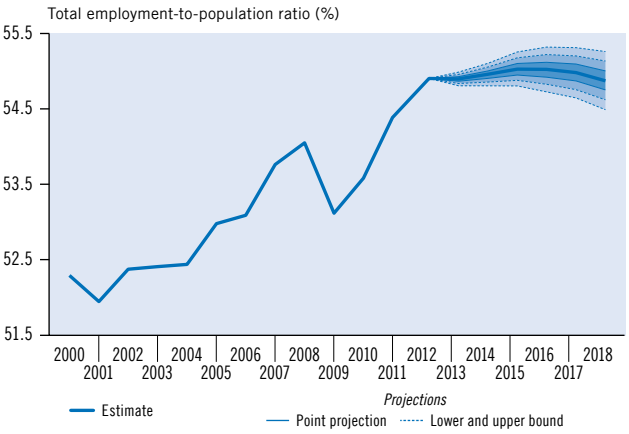
Total unemployment rate (%)



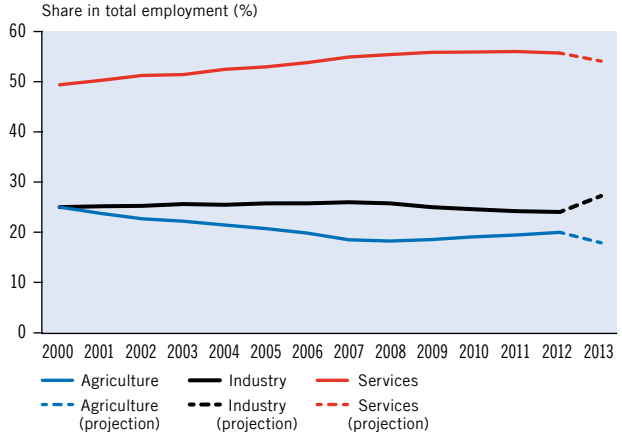
Total employment (millions)



Total employment-to-population ratio (%)

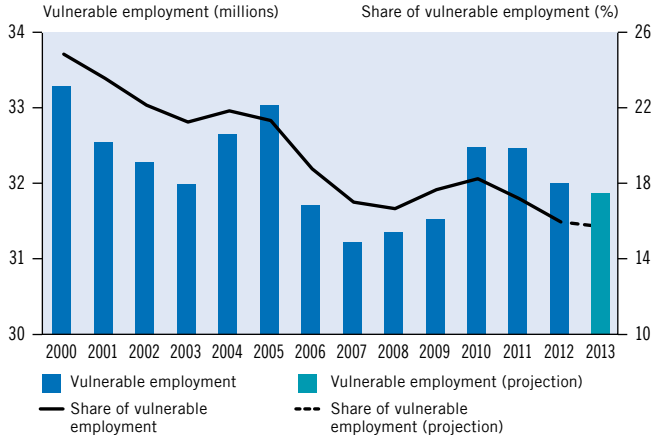


Share in total employment (%)



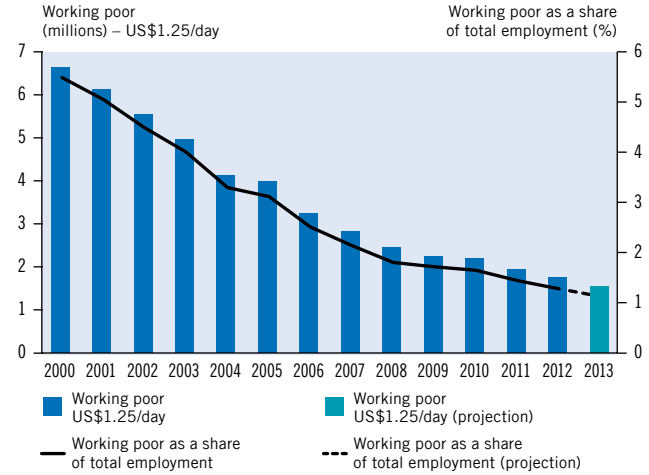
Vulnerable employment (millions)

Share of vulnerable employment (%)



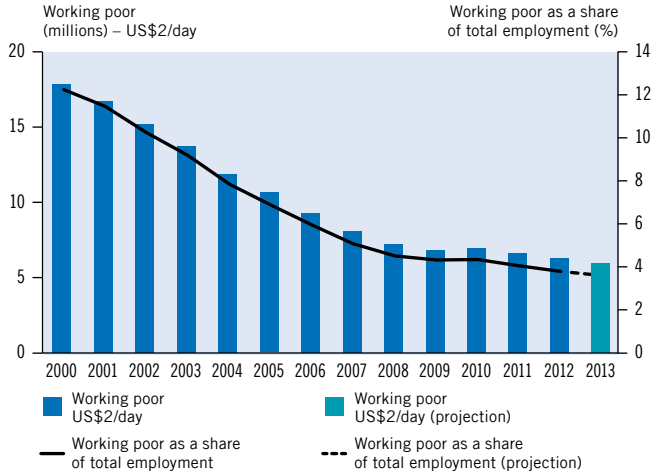
Working poor (millions) – US$1.25/day

Working poor as a share of total employment (%)



Working poor (millions) – US$2/day

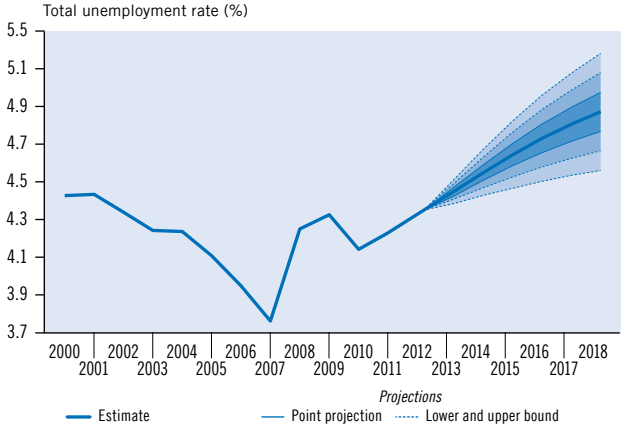
Working poor as a share of total employment (%)



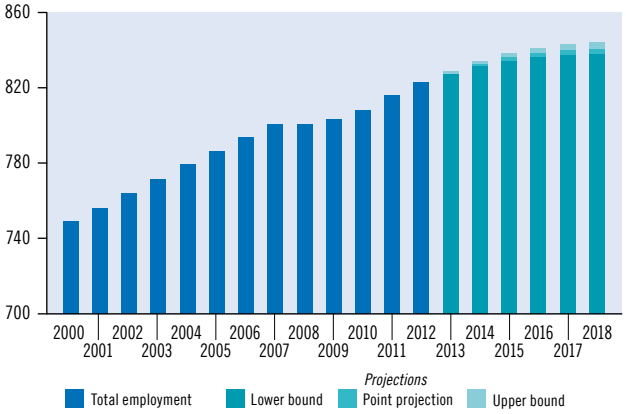
East Asia

Total unemployment (millions)

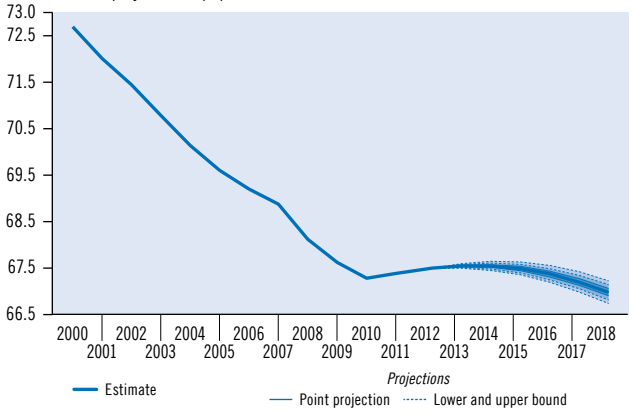
Total unemployment rate (%)



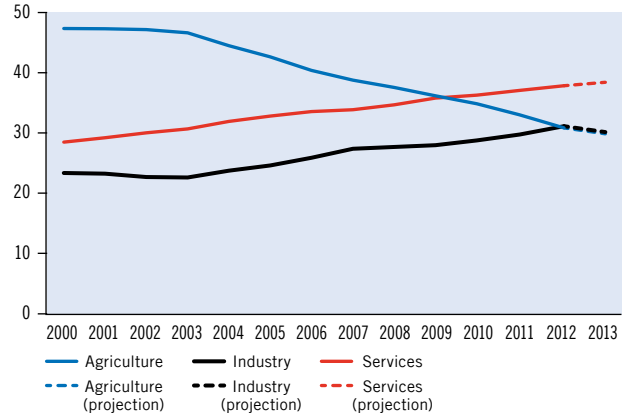
Total employment (millions)



Total employment-to-population ratio (%)

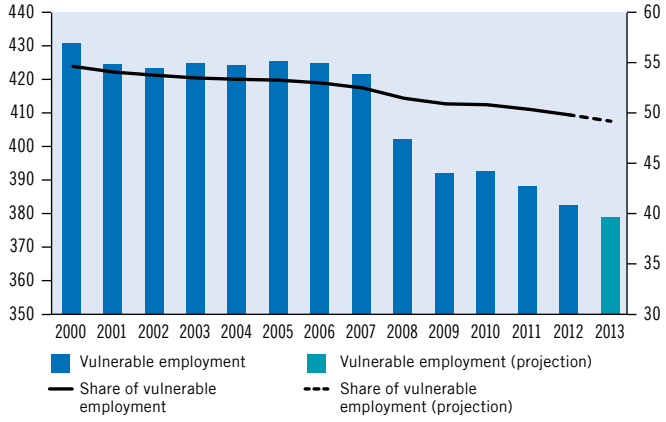


Share in total employment (%)



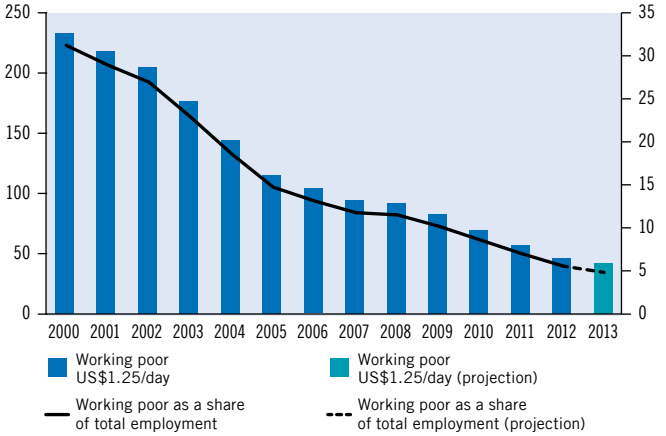
Vulnerable employment (millions)

Share of vulnerable employment (%)



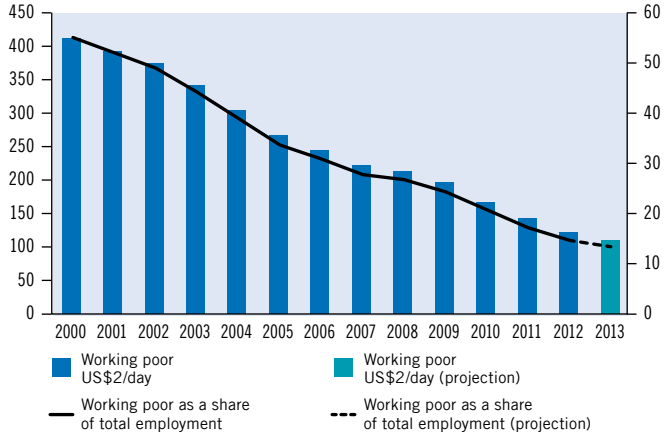
Working poor (millions) – US$1.25/day

Working poor as a share of total employment (%)



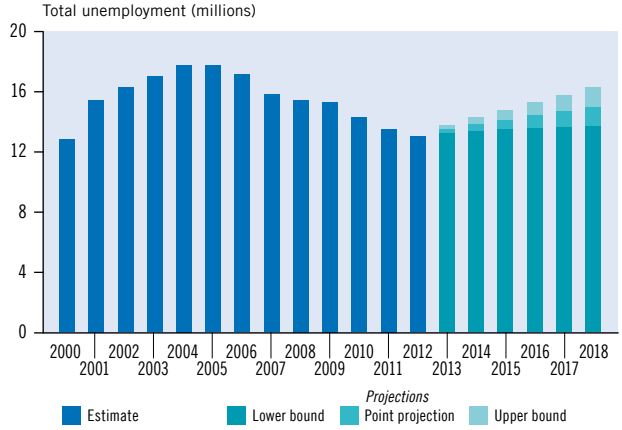
Working poor (millions) – US$2/day

Working poor as a share of total employment (%)

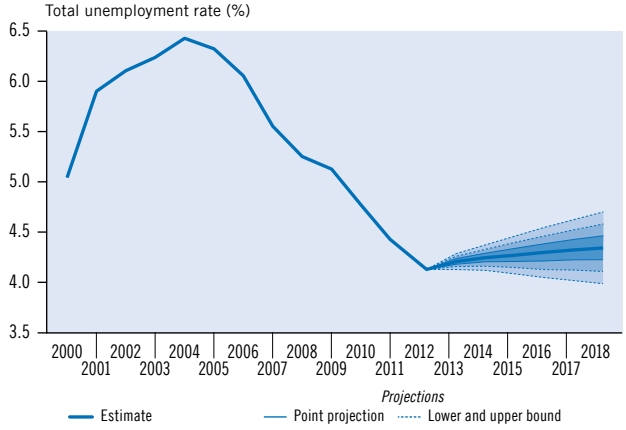


South-East Asia and the Pacific

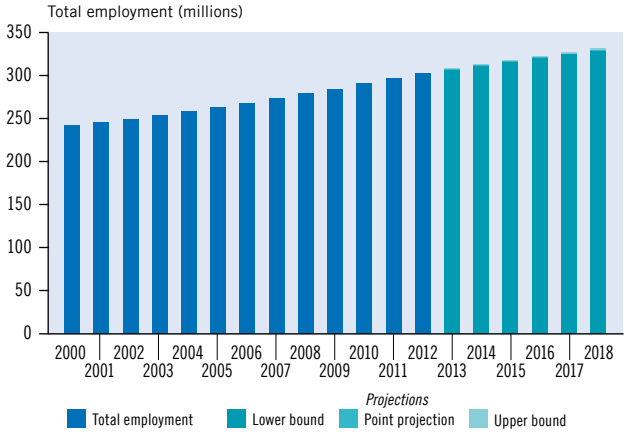
Total unemployment (millions)



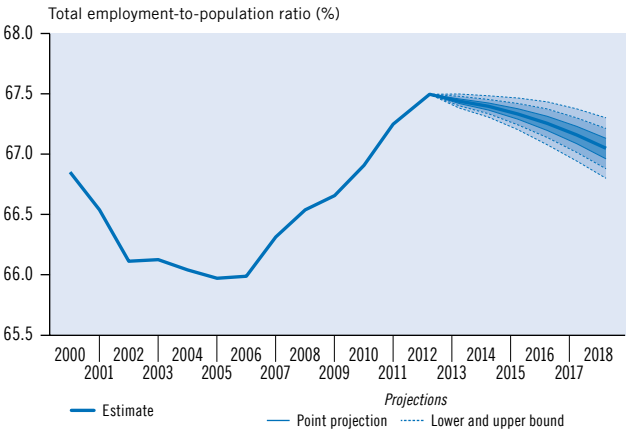
Total unemployment rate (%)



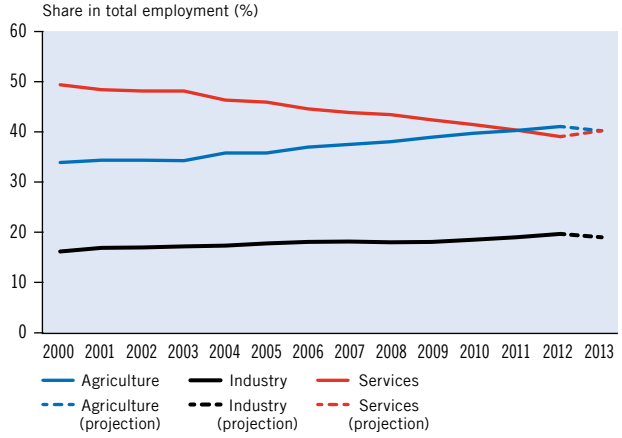
Total employment (millions)



Total employment-to-population ratio (%)

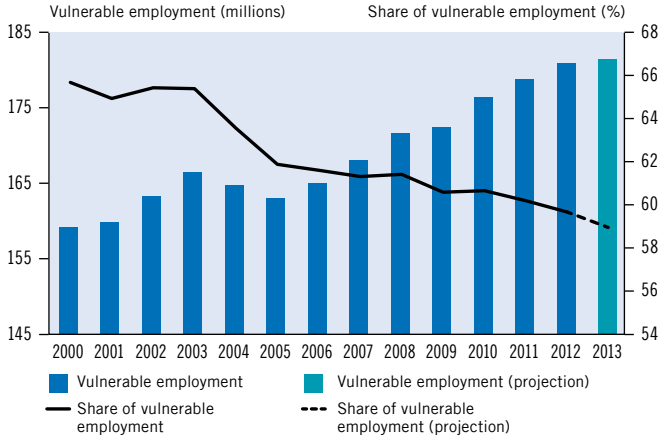


Share in total employment (%)



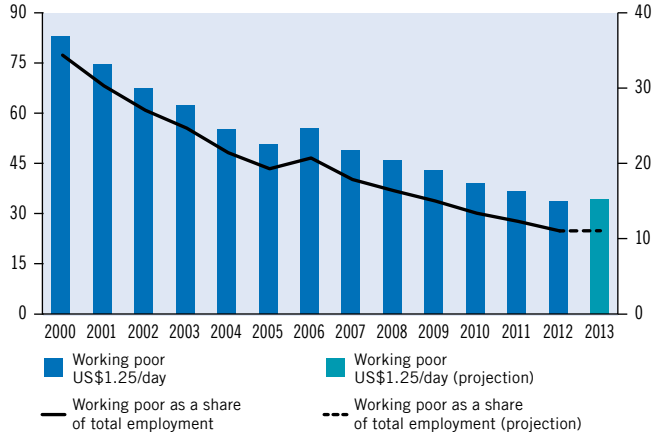
Vulnerable employment (millions)

Share of vulnerable employment (%)



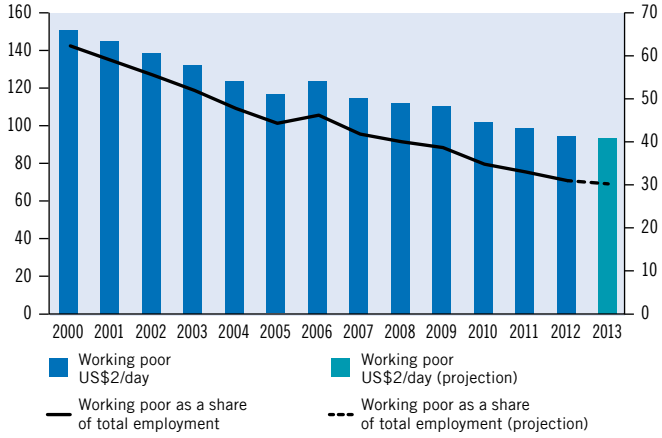
Working poor (millions) – US$1.25/day

Working poor as a share of total employment (%)



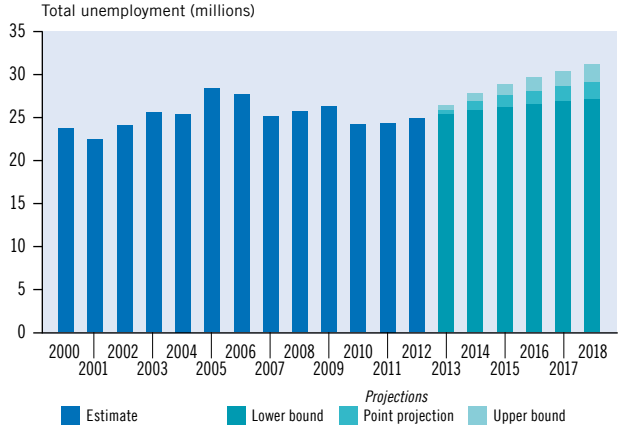
Working poor (millions) – US$2/day

Working poor as a share of total employment (%)

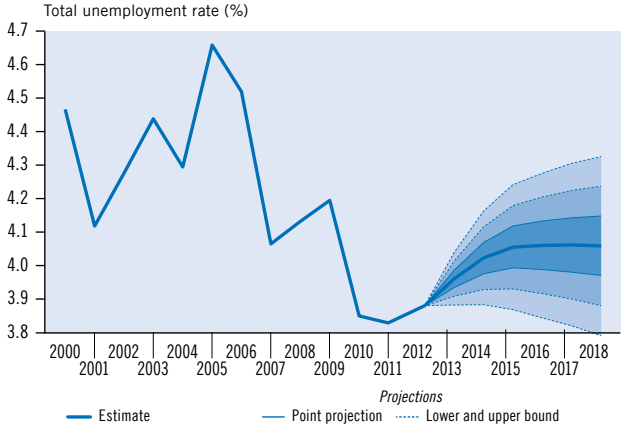


South Asia

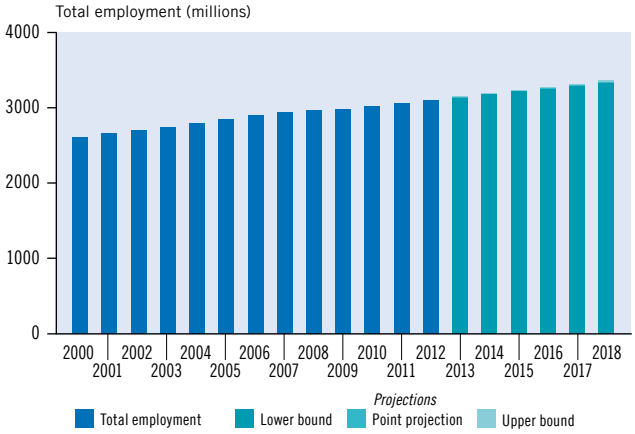
Total unemployment (millions)



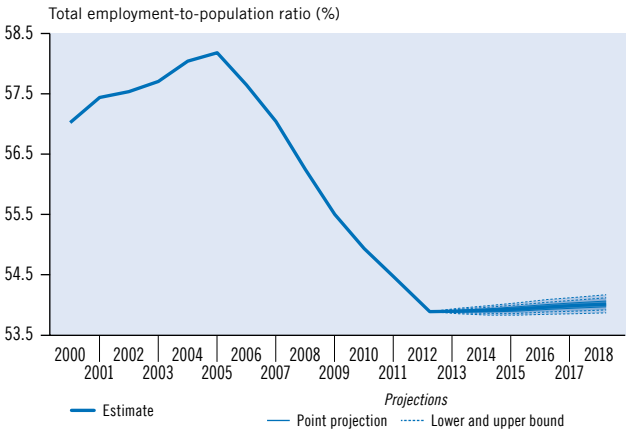
Total unemployment rate (%)



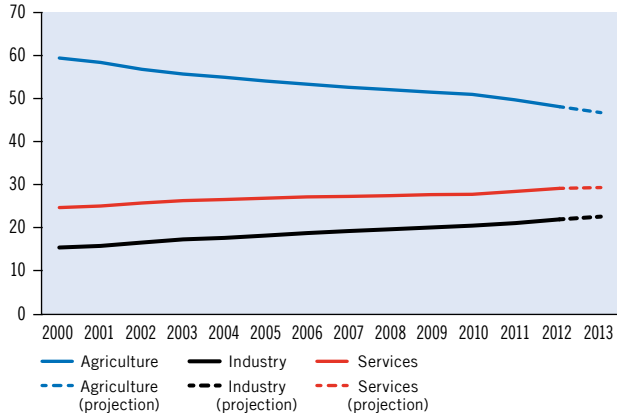
Total employment (millions)



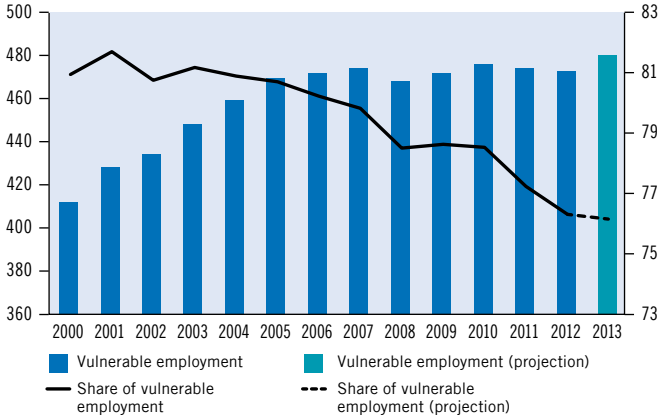
Total employment-to-population ratio (%)



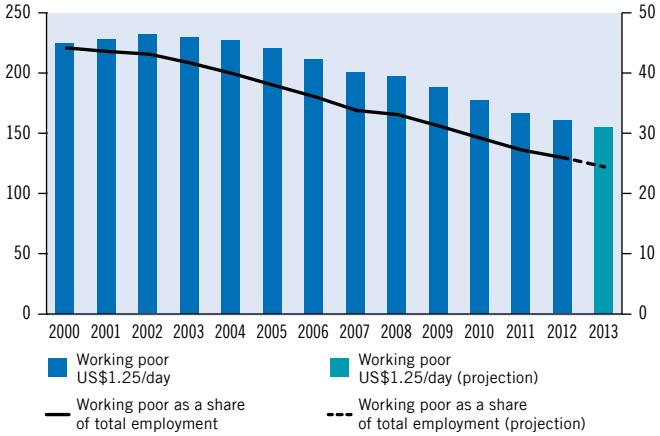
Share in total employment (%)



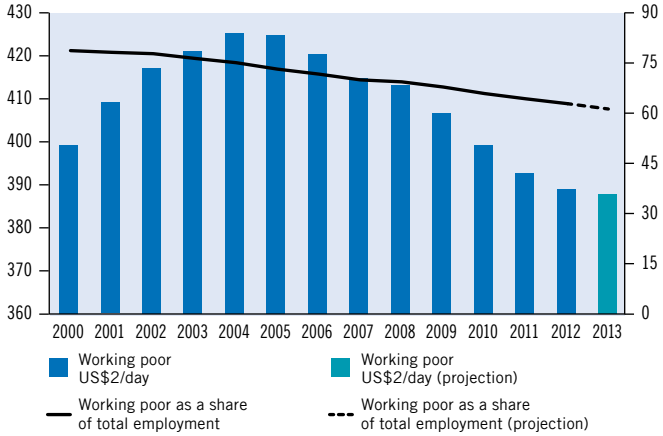
Vulnerable employment (millions) / Share of vulnerable employment (%)



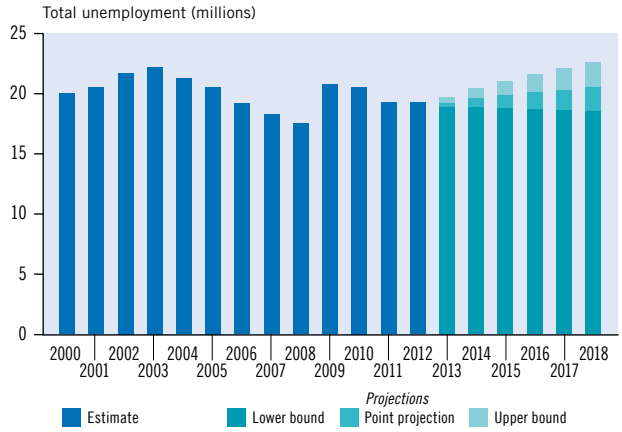
Working poor (millions) – US$1.25/day / Working poor as a share of total employment (%)

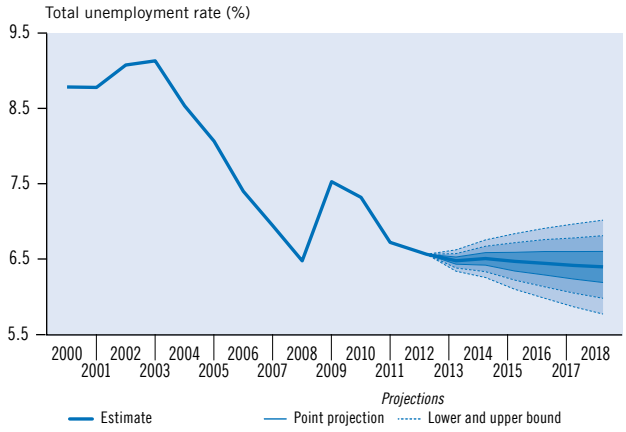


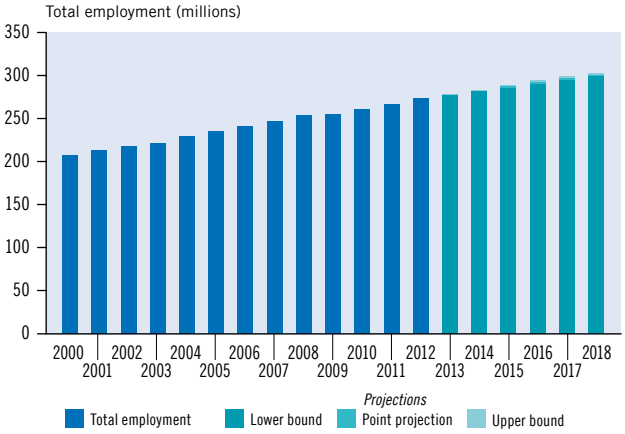
Working poor (millions) – US$2/day / Working poor as a share of total employment (%)

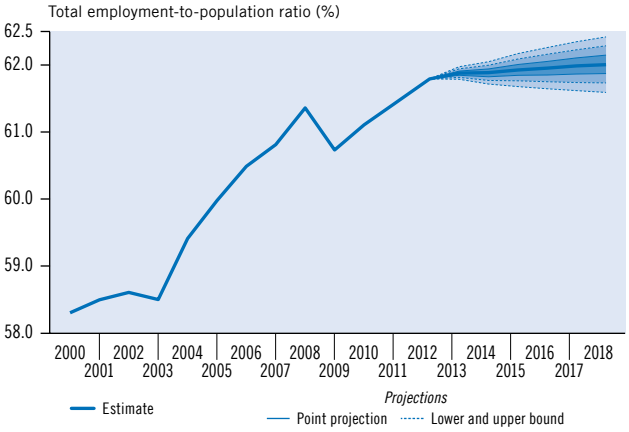


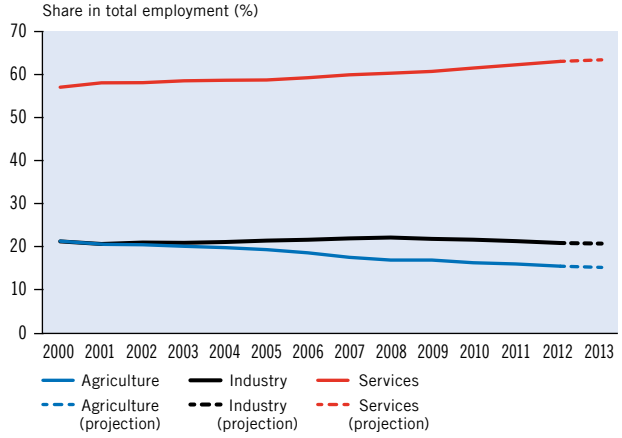
Latin America and the Caribbean

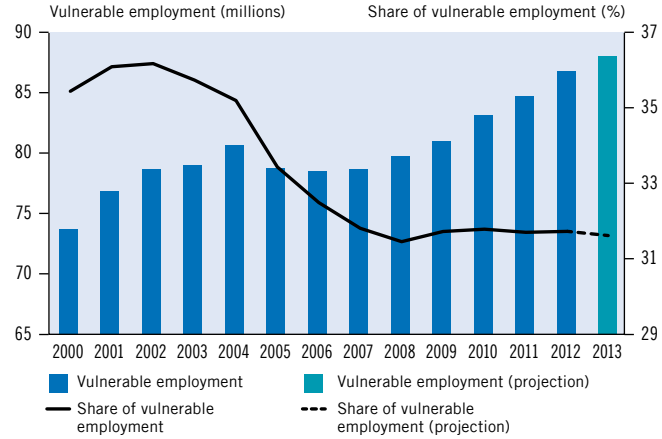


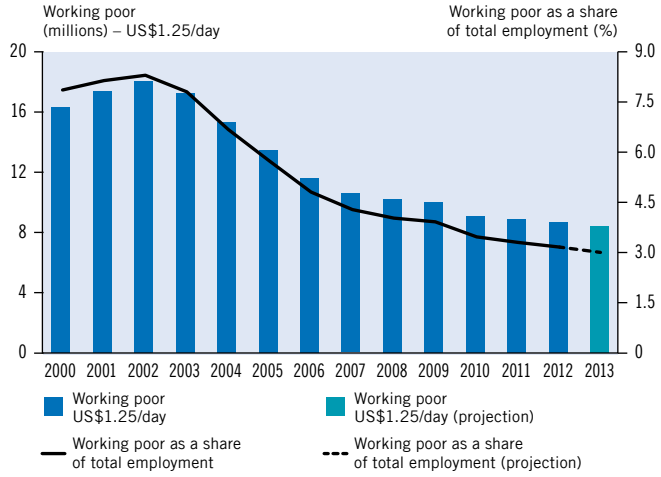


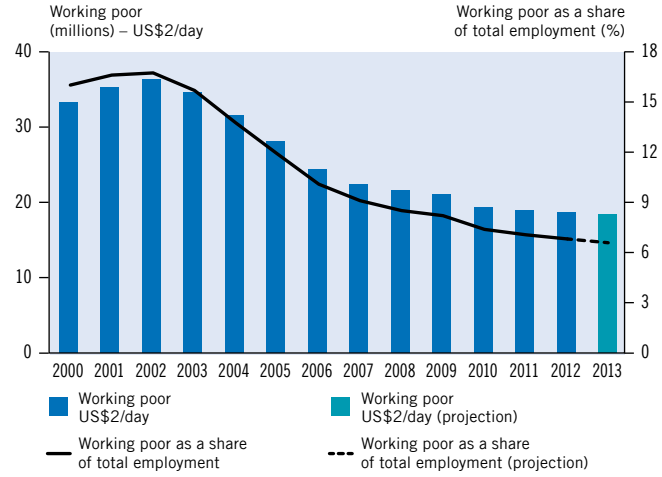






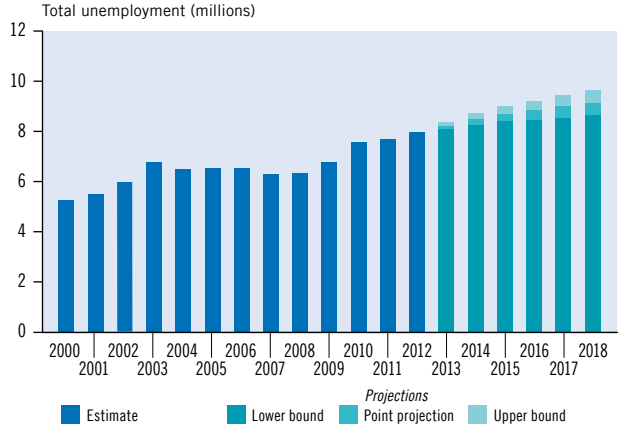




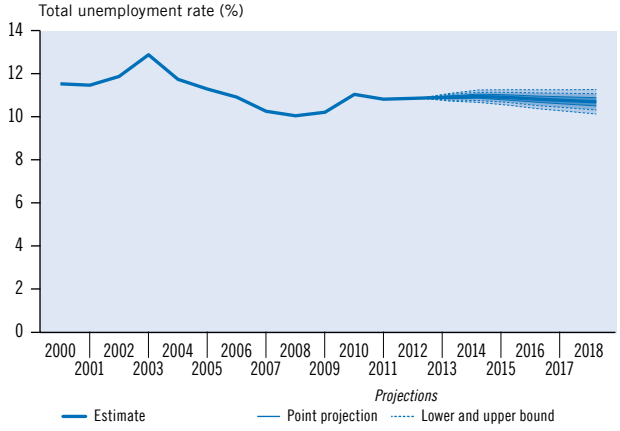


Middle East

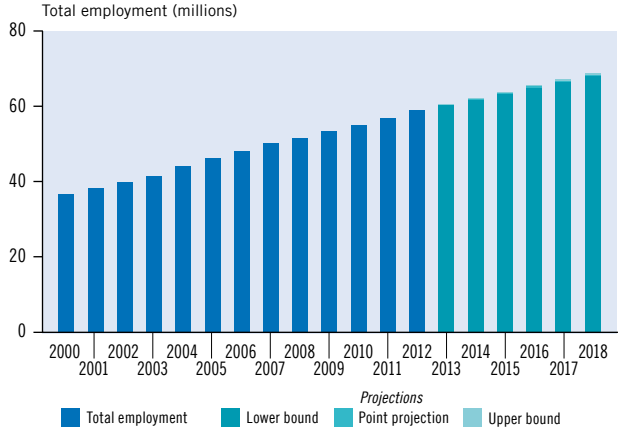
Total unemployment (millions)



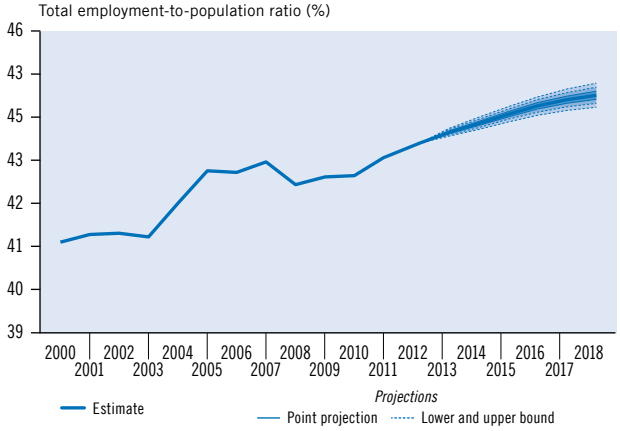
Total unemployment rate (%)



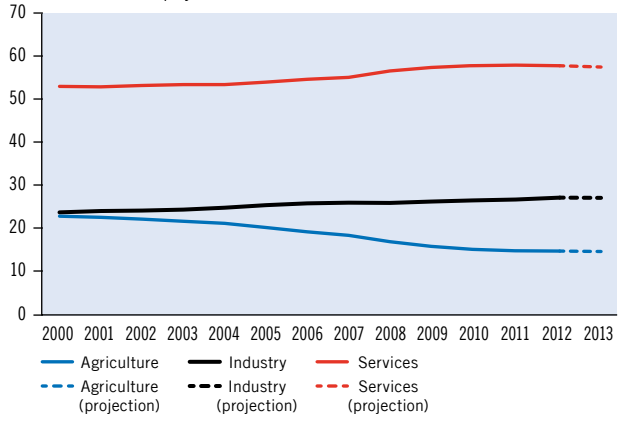
Total employment (millions)



Total employment-to-population ratio (%)

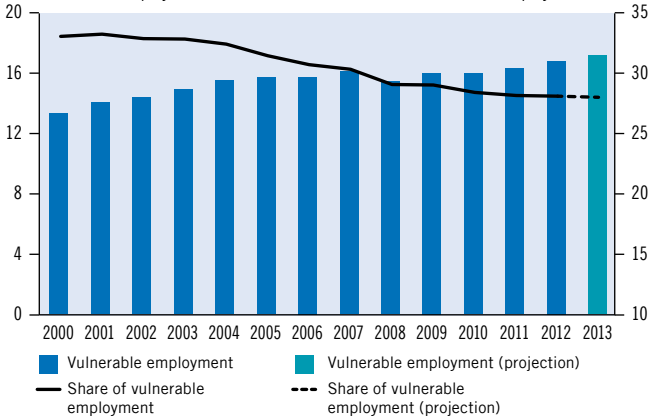


Share in total employment (%)



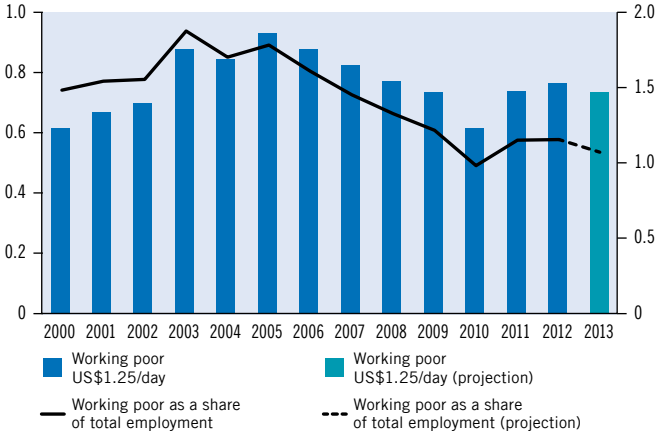
Vulnerable employment (millions)

Share of vulnerable employment (%)



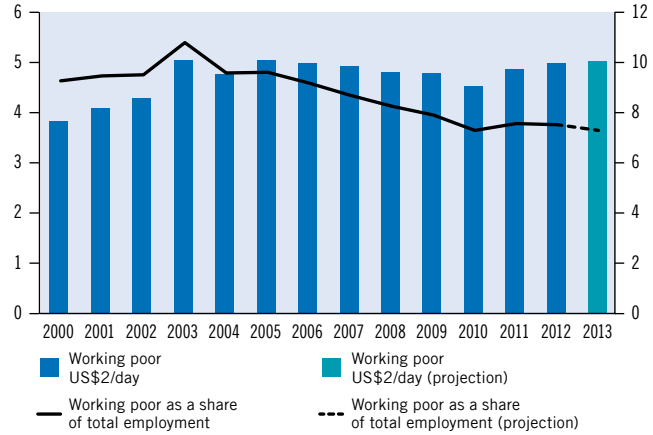
Working poor (millions) – US$1.25/day

Working poor as a share of total employment (%)



Working poor (millions) – US$2/day

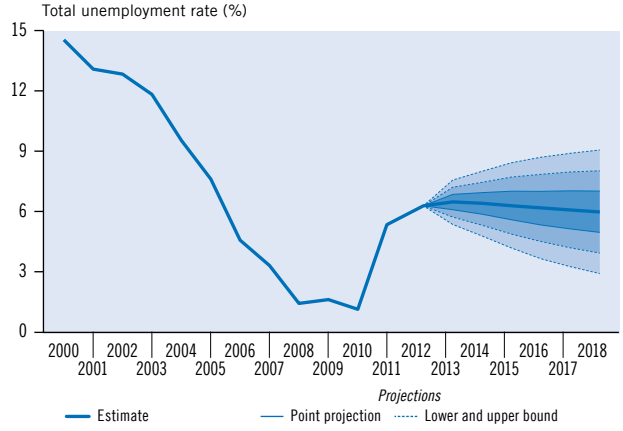
Working poor as a share of total employment (%)



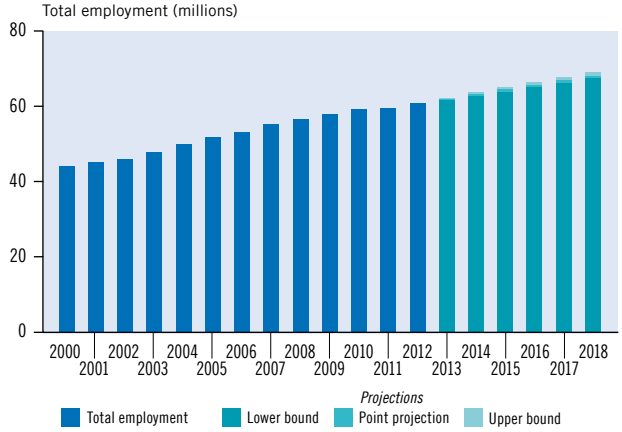
North Africa

Total unemployment (millions)

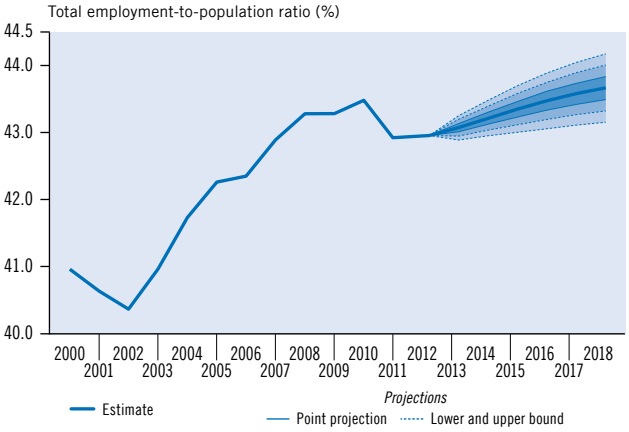
Total unemployment rate (%)



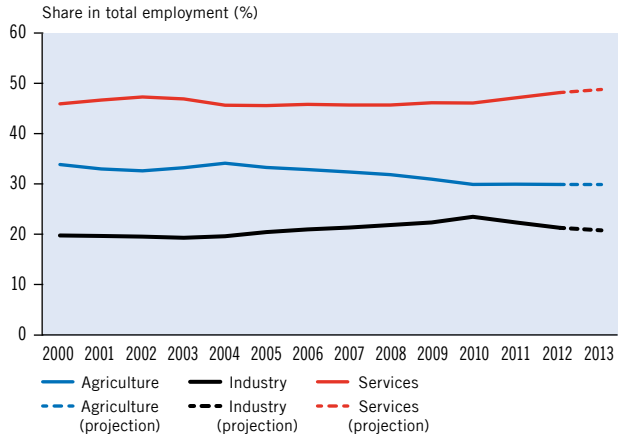
Total employment (millions)



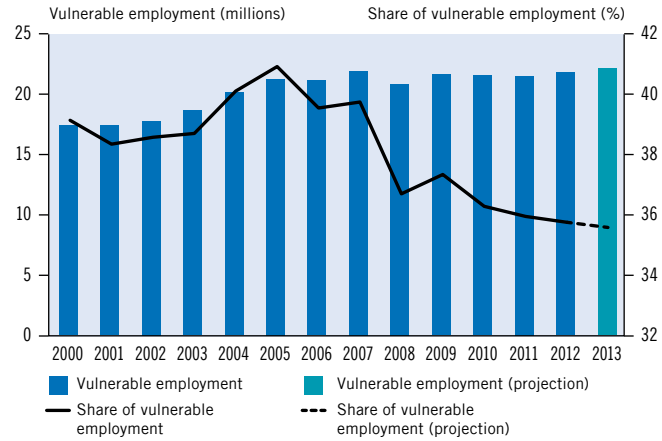
Total employment-to-population ratio (%)



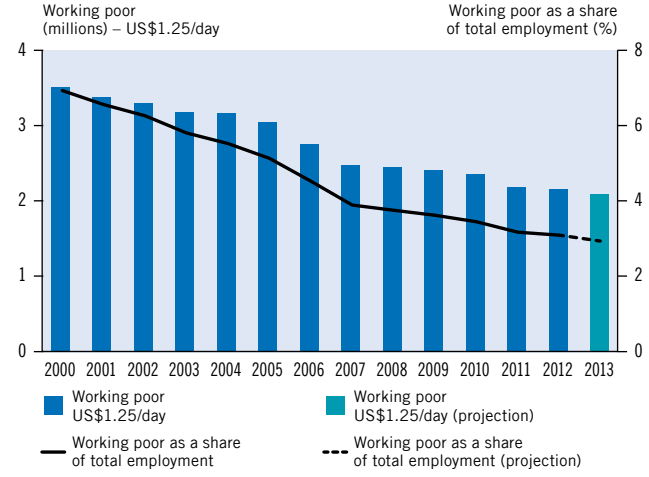
Share in total employment (%)



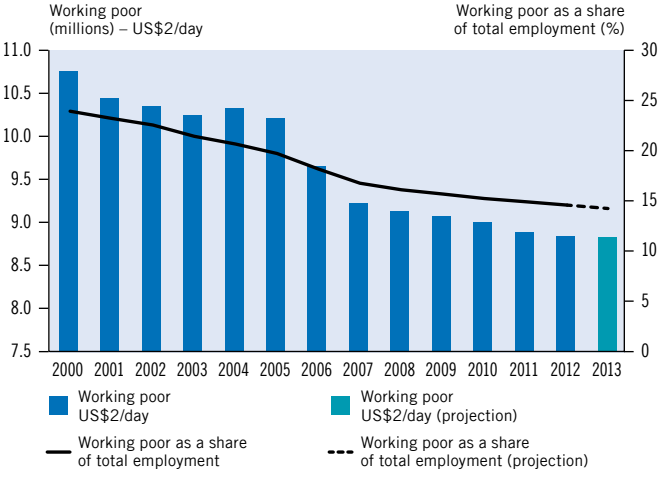
Vulnerable employment (millions) Share of vulnerable employment (%)



Working poor (millions) – US$1.25/day Working poor as a share of total employment (%)

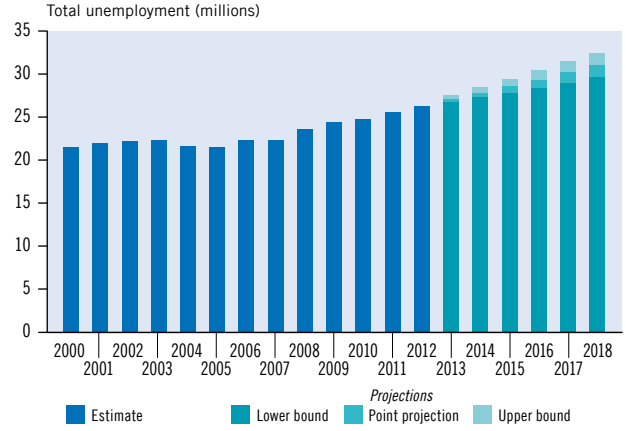


Working poor (millions) – US$2/day Working poor as a share of total employment (%)

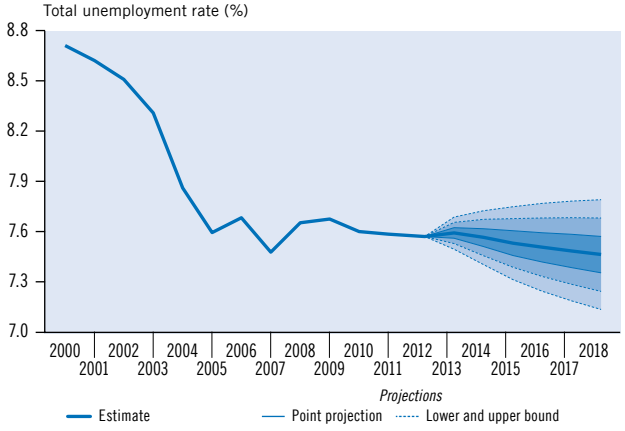


Sub-Saharan Africa

Total unemployment (millions)

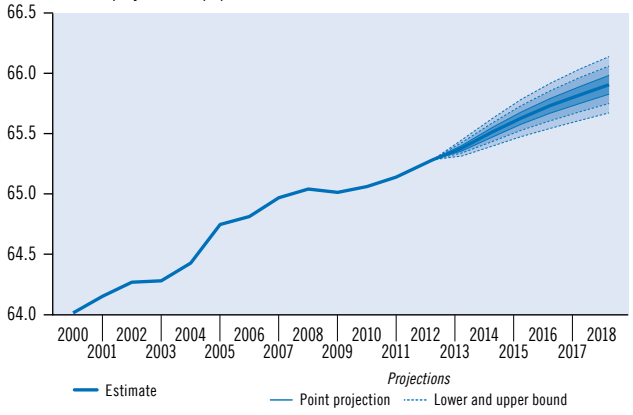


Total unemployment rate (%)

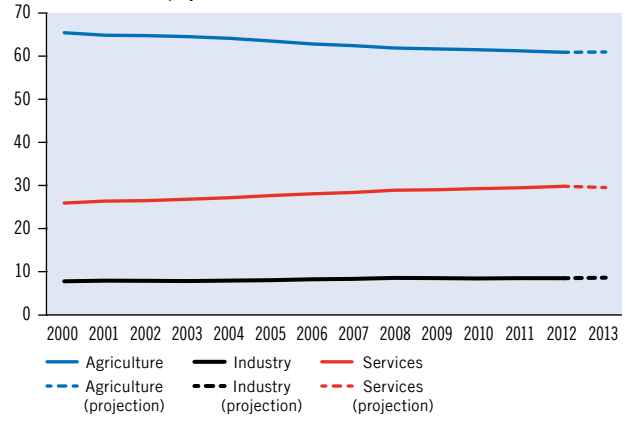


Total employment (millions)

Total employment-to-population ratio (%)

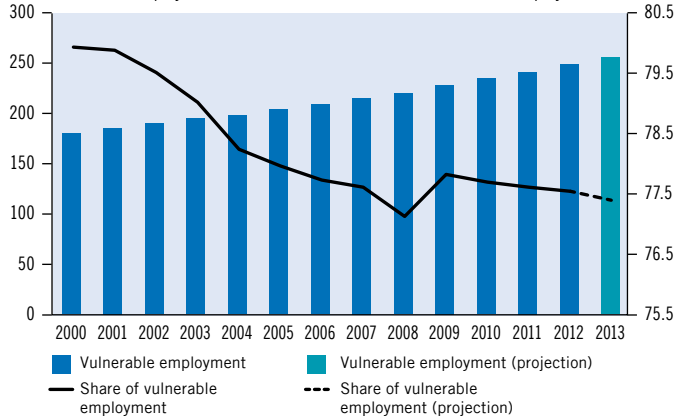


Share in total employment (%)



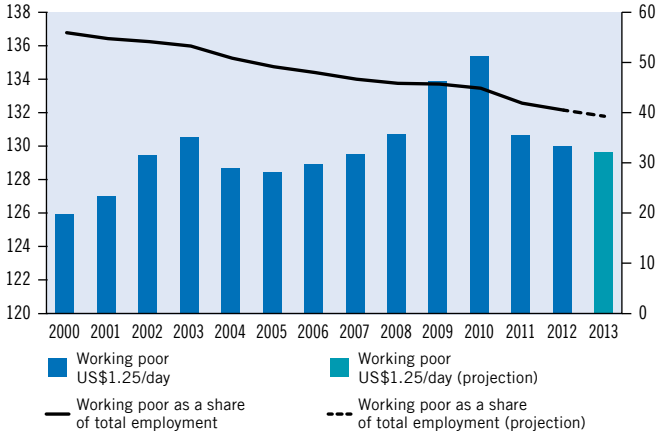
Vulnerable employment (millions)

Share of vulnerable employment (%)



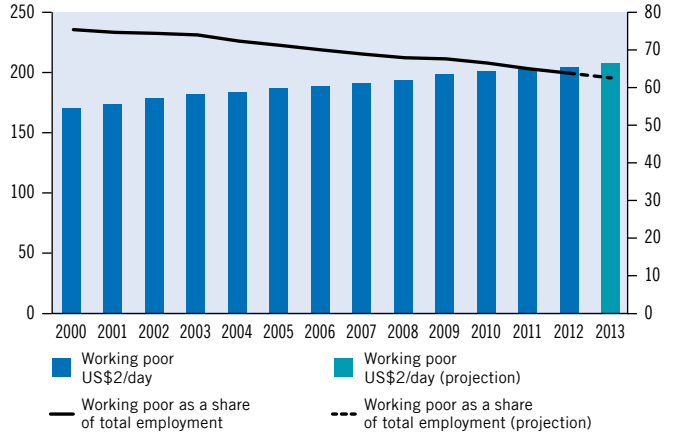
Working poor (millions) – US$1.25/day

Working poor as a share of total employment (%)



Working poor (millions) – US$2/day

Working poor as a share of total employment (%)



Annex 4. Note on global and regional estimates

The source of all global and regional labour market estimates in this *Global Employment Trends* report is ILO, *Trends econometric models*, October 2013. The ILO Employment Trends Unit has designed and actively maintains econometric models which are used to produce estimates of labour market indicators in the countries and years for which country-reported data are unavailable. These give the ILO the ability to produce and analyse global and regional estimates of key labour market indicators and the related trends.

The Global Employment Trends Model (GET Model) is used to produce estimates – disaggregated by age and sex as appropriate – of unemployment, employment, status in employment and employment by sector. The output of the model is a complete matrix of data for 178 countries. The country-level data can then be aggregated to produce regional and global estimates of labour market indicators such as the unemployment rate, the employment-to-population ratio, sector-level employment shares, status in employment shares and vulnerable employment.

Prior to running the GET Model, labour market information specialists in the Employment Trends Unit, in cooperation with specialists in ILO field offices, evaluate existing country-reported data and select only those observations deemed sufficiently comparable across countries – with criteria including: (1) type of data source; (2) geographic coverage; and (3) age group coverage.

- With regard to the first criterion, in order for data to be included in the model, they must be derived from either a labour force survey or population census. National labour force surveys are typically similar across countries, and the data derived from these surveys are more comparable than data obtained from other sources. A strict preference is therefore given to labour force survey-based data in the selection process. Yet many developing countries without adequate resources to carry out a labour force survey do report labour market information based on population censuses. Consequently, due to the need to balance the competing goals of data comparability and data coverage, some population census-based data are included in the model.
- The second criterion is that only nationally representative (i.e. not prohibitively geographically limited) labour market indicators are included. Observations corresponding to only urban or only rural areas are not included, as large differences typically exist between rural and urban labour markets, and using only rural or urban data would not be consistent with benchmark files such as GDP.
- The third criterion is that the age groups covered by the observed data must be sufficiently comparable across countries. Countries report labour market information for a variety of age groups and the age group selected can have an influence on the observed value of a given labour market indicator.

Apart from country-reported labour market information, the GET Model uses the following benchmark files:

- United Nations World Population Prospects, 2012 revision for population estimates and projections.
- ILO Economically Active Population, Estimates and Projections (EAPEP, July 2013 edition) for labour force estimates and projections.[29]

[29] This database was updated in October 2013 to include the 2012 observation for India. The projections afterwards use the same trend as in the ILO-EAPEP database. For the full EAPEP database, see http://www.ilo.org/ilostat/faces/home/statisticaldata/data_by_subject?_adf.ctrl-state=qsnwz2c9l_187&_afrLoop=266825864906349.

- IMF/World Bank data on GDP (PPP, per capita GDP and GDP growth rates) from the World Development Indicators and the World Economic Outlook October 2013 database.
- World Bank poverty estimates from the PovcalNet database.

The first phase of the GET Model produces estimates of unemployment rates, which also allows for the calculation of total employment and unemployment and employment-to-population ratios. After all comparable unemployment rates are compiled, multivariate regressions are run separately for different regions in the world in which unemployment rates broken down by age and sex (youth male, youth female, adult male, adult female) are regressed on GDP growth rates. Weights are used in the regressions to correct for biases that may result from the fact that countries that report unemployment rates tend to be different (in statistically important respects) than countries that do not report unemployment rates.[30] The regressions, together with considerations based on regional proximity, are used to fill in missing values in the countries and years for which country-reported data are unavailable.

During subsequent phases, employment by sector and status in total employment are estimated. The models use similar techniques to the GET Model to impute missing values at the country level. In addition to GDP growth rate, the variables used as explanatory variables for the above are the value added shares of the three broad sectors in GDP, per capita GDP and the share of people living in urban areas.

Additional econometric models are used to produce global and regional estimates of working poverty and employment by economic class.[31] For more information on the methodology of producing world and regional estimates, see www.ilo.org/trends.

Sources of historical revisions in the global and regional estimates

Over the various GET Model runs, the main sources of revision in the global and regional estimates are revisions and changes in the benchmark files (i.e. GDP, population, labour force) and in the original sample of the reported unemployment rates. Any additional observation in the original sample and/or revision in the main explanatory variables can cause changes in the estimated relationship (e.g. between GDP and the unemployment rate) and hence in the estimated/imputed rates. This is most common in regions where the statistical base is relatively poor. For the 2012 estimate, due to the combination of both the changes in the original sample and the revisions in the benchmark files, the downsize revision of unemployed as compared to the *Global Employment Trends* 2013 report was 0.385 million, globally.

In addition, the unemployment rate for India (2012) was upwards revised as the results of the all-India household survey (68th round survey programme during the period July 2011 to June 2012, conducted by the National Sample Survey Office) became available. This survey is the internationally comparable and utilized source for the historical series for the Indian unemployment rate.

[30] For instance, if simple averages of unemployment rates in reporting countries in a given region were used to estimate the unemployment rate in that region, and the countries that do not report unemployment rates are different with respect to unemployment rates than reporting countries, without such a correction mechanism, the resulting estimated regional unemployment rate would be biased. The "weighted least squares" approach adopted in the GET Model serves to correct for this potential problem.

[31] See Kapsos and Bourmpoula (2013).

Annex 5. Note on global and regional projections

Unemployment rate projections are obtained using the historical relationship between unemployment rates and GDP growth during the worst crisis/downturn period for each country between 1991 and 2005, and during the corresponding recovery period.[32] This was done through the inclusion of interaction terms of crisis and recovery dummy variables with GDP growth in fixed effects panel regressions.[33] Specifically, the logistically transformed unemployment rate was regressed on a set of covariates, including the lagged unemployment rate, the GDP growth rate, the lagged GDP growth rate and a set of covariates consisting of the interaction of the crisis dummy, and of the interaction of the recovery-year dummy with each of the other variables.

Separate panel regressions were run across three different groupings of countries, based on:

(1) geographic proximity and economic/institutional similarities;

(2) income levels;[34]

(3) level of export dependence (measured as exports as a percentage of GDP).[35]

The rationale behind these groupings is the following. Countries within the same geographic area or with similar economic/institutional characteristics are likely to be similarly affected by the crisis and have similar mechanisms to attenuate the crisis impact on their labour markets. Furthermore, because countries within geographic areas often have strong WTO and financial linkages, the crisis is likely to spill over from one economy to its neighbour (e.g. Canada's economy and labour market developments are intricately linked to developments in the United States). Countries of similar income levels are also likely to have more similar labour market institutions (e.g. social protection measures) and similar capacities to implement fiscal stimulus and other policies to counter the crisis impact. Finally, as the decline in exports was the primary crisis transmission channel from developed to developing economies, countries were grouped according to their level of exposure to this channel, as measured by their exports as a percentage of GDP. The impact of the crisis on labour markets through the export channel also depends on the type of exports (the affected sectors of the economy), the share of domestic value added in exports and the relative importance of domestic consumption (for instance, countries such as India and Indonesia with a large domestic market were less vulnerable than countries such as Singapore and Thailand). These characteristics are controlled for by using fixed-effects in the regressions.

In addition to the panel regressions, country-level regressions were run for countries with sufficient data. The ordinary least squares country-level regressions included the same variables as the panel regressions.

In this GET Model run, to take into account the uncertainty around GDP prospects as well as the complexity of capturing the relationship between GDP and unemployment rate

[32] The crisis period comprises the span between the year in which a country experienced the largest drop in GDP growth, and the "turning point year" when growth reached its lowest level following the crisis, before starting to climb back to its pre-crisis level. The recovery period comprises the years between the "turning point year" and the year when growth has returned to its pre-crisis level.

[33] In order to project unemployment during the current recovery period, the crisis-year and recovery-year dummies were adjusted based on the following definition: a country was considered "currently in crisis" if the drop in GDP growth after 2007 was larger than 75 per cent of the absolute value of the standard deviation of GDP growth over the 1991–2008 period and/or larger than 3 percentage points.

[34] The income groups correspond to the World Bank income group classification of four income categories, based on countries' 2008 GNI per capita (calculated using the Atlas method): low-income countries, US$ 975 or less; lower middle-income countries, US$ 976–US$ 3,855; upper middle-income countries, US$ 3,856–US$ 11,905; and high-income countries, US$ 11,906 or more.

[35] The export dependence-based groups are: highest exports (exports ≥70 per cent of GDP); high exports (exports <70 per cent but ≥50 per cent of GDP); medium exports (exports <50 per cent but ≥20 per cent of GDP); and low exports (exports <20 per cent of GDP).

for all the countries, a variety of 10 (similar) multilevel mixed-effects linear regressions (varying-intercept and varying-coefficient models) are utilized. The main component that changes across these 10 versions is the lag structure of the independent variables. The potential superiority of these models lies in the fact that not only is the panel structure is fully exploited (e.g. increased degrees of freedom), but also it is possible to estimate the coefficients specifically for each unit (country), taking into account unobserved heterogeneity at the cluster-level and correcting for the random effects' approach caveat that the independent variables are not correlated with the random effects term.

Overall, the final projection was generated as a simple average of the estimates obtained from the three group panel regressions and also, for countries with sufficient data, the country-level regressions. For a selection of countries (44 out of 178), an average of another set of forecast combination was made according to judgemental examination in order to represent more realistically the recent trends observed in each country's economic forecast.

Refinement of the global and regional projections

At the beginning of Q4 2013, at the time of production of this *Global Employment Trends* report, 61 out of a total sample of 178 countries had released monthly or quarterly unemployment estimates for a portion of 2013. In one country, estimates were available through October; in 25 countries, estimates were available through September; in nine countries, estimates were available through August; in three countries, estimates were available through July; in 21 countries, estimates were available through June (Q2); and in two countries, estimates were available through March (Q1). These monthly/quarterly data are utilized in order to generate an estimate of the 2013 annual unemployment rate. The 2013 projection for the rest of the sample (countries without any data for 2013), as well as projections for 2014 onwards are produced by the extension of the GET Model using the relationship between economic growth and unemployment during countries' previous recovery periods, as described above.

In generating the 2013 point estimate for the 61 countries for which 2013 data are available, the first step is to take an unweighted average of the (seasonally adjusted) unemployment rate over the available months or quarters of 2013, which is defined as the point estimate. Around this point estimate a confidence interval is generated, based on the standard deviation of the monthly or quarterly unemployment rate since the beginning of 2008, multiplied by the ratio of the remaining months or quarters to 12 (for monthly estimates) or 4 (for quarterly estimates).[36] Thus, all else being equal, the more months of data that are available for a country, the more certain is the estimate of the annual unemployment rate, with uncertainty declining in proportion to the months of available data.

In order to integrate the short-term and medium-term trends in the movement of unemployment rates, the above point estimate is adjusted according to whether the two trends are in agreement.[37] Specifically,

- if both trends are positive (negative), then the above point estimate is recalculated as a weighted average of 60 (40) per cent of the upper bound and 40 (60) per cent of the lower bound;

[36] In cases where the ratio of the point estimate and the standard deviation is less than or equal to 5, the standard deviation is instead constructed since the beginning of 2009. The rationale is that the exceptionally high volatility of unemployment rates during the early period of the global financial crisis is unlikely to persist over the short-to-medium term. Rather, the most recent level of volatility can be expected to persist.

[37] The short-term and the longer-term trend are defined, respectively, as the percentage point differences between the unemployment rate of the latest month M (or quarter Q) available and the unemployment rate of the month M3 (or quarter Q1), and of the month M6 (or quarter Q2), respectively.

- if the two trends are in opposite directions, the unemployment rate of the latest month or quarter available is assigned to the remaining months or quarters of the 2012, and the above point estimate is recalculated as an unweighted average over the 12 months or four quarters of 2012.

The underlying assumption is that in cases where there is a clear upward (downward) trend over two consecutive periods, the tendency will be for somewhat higher (lower) unemployment rates than in the latest month of available data. In cases in which there is no discernible trend over the past two periods, unemployment is expected to remain at the most recent rate, and therefore more weight is given to the latest information available. The final 2013 unemployment rate estimate for these countries is equal to the adjusted point estimate.

The same procedure is followed for the unemployment rate of the youth subcomponents for the countries with at least two quarters available in 2013 (46 out of 61 countries). The projections for the unemployment rate of the rest of the subcomponents for 2013 onwards are produced with the extension of the GET Model, using separately for each subcomponent the same model specifications as for the total unemployment rate. The nominal unemployment for the various subcomponents estimated with the extension of the GET Model is aggregated to produce a nominal total unemployment, which may differ from what the above procedure estimates for total nominal unemployment. The difference between the total nominal unemployment produced as the sum of the subcomponents and the total nominal unemployment estimated separately is distributed among the subcomponents in proportion to each subcomponent's share of total unemployment.[38] These adjusted point estimates are the final point estimates for the subcomponents.

For the 61 countries for which 2013 data are available, the confidence interval remains as described above. For the rest of the countries and for the projections for 2014 onwards, the confidence intervals around the projections are generated with one standard deviation across the projections of the various models' projections, as described above. In order to construct the confidence interval for each sub-component, the ratio of the subcomponent unemployment rate to total unemployment rate is applied to the upper- and lower-bound estimates of the total unemployment rate.

Projections based on the downside scenario

In its latest World Economic Outlook (WEO), the International Monetary Fund (IMF) takes into account that the high uncertainty around the global economy produces a downside scenario (IMF, 2013). This scenario uses the Euro Area Model (EUROMOD). The downside scenario assumes four main drivers, among others: higher interest rates and slower productivity growth in the United States; rising risk premia and additional fiscal tightening in the euro area; slow recovery in emerging market economies due to weak investment, mild capital outflows and tightening in financial conditions; and, for Japan, a scenario of less than successful implementation of its three-pronged recovery strategy.[39] In this scenario, GDP globally would fall by 0.8 percentage points in 2014 relative to the baseline projection and by 0.9 points in 2015. The ILO has produced a downside scenario for global unemployment based on GDP growth estimates from the IMF downside scenario. This scenario is implemented in the GET Model by introducing the corresponding changes to the annual GDP growth rates and running the extension of the GET Model as described above.

[38] The underlying assumption is that the relationship between the total unemployment rate and GDP growth is better understood than the relationship between unemployment rates of sub-groups of workers and GDP growth.

[39] For more details on assumptions underlining the scenario, see figures 1.17 of the IMF *World Economic Outlook* October 2013 report (IMF, 2013).

Annex 6. Global employment trends – Regional groupings

Developed Economies and European Union
European Union
Austria
Belgium
Bulgaria
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Ireland
Italy
Latvia
Lithuania
Luxembourg
Malta
Netherlands
Poland
Portugal
Romania
Slovakia
Slovenia
Spain
Sweden
United Kingdom
North America
Canada
United States
Other developed economies
Australia
Israel
Japan
New Zealand
Western Europe (non-EU)
Iceland
Norway
Switzerland

Central and South-Eastern Europe (non-EU) and CIS
Central and South-Eastern Europe (non-EU)
Albania
Bosnia and Herzegovina
Croatia
Serbia and Montenegro
The former Yugoslav Republic of Macedonia
Turkey
Commonwealth of Independent States
Armenia
Azerbaijan
Belarus
Georgia
Kazakhstan
Kyrgyzstan
Republic of Moldova
Russian Federation
Tajikistan
Turkmenistan
Ukraine
Uzbekistan

South Asia
Afghanistan
Bangladesh
Bhutan
India
Maldives
Nepal
Pakistan
Sri Lanka

South-East Asia and the Pacific
South-East Asia
Brunei Darussalam
Cambodia
East Timor
Indonesia
Lao People's Democratic Republic
Malaysia
Myanmar
Philippines
Singapore
Thailand
Viet Nam
Pacific Islands
Fiji
Papua New Guinea
Solomon Islands

East Asia
China
Hong Kong, China
Korea, Democratic People's Republic of
Korea, Republic of
Macau, China
Mongolia
Taiwan, China

Latin America and the Caribbean
Caribbean
Bahamas
Barbados
Cuba
Dominican Republic
Guadeloupe
Guyana
Haiti
Jamaica
Martinique
Puerto Rico
Suriname
Trinidad and Tobago
Central America
Belize
Costa Rica
El Salvador
Guatemala
Honduras
Mexico
Nicaragua
Panama
South America
Argentina
Bolivia
Brazil
Chile
Colombia
Ecuador
Paraguay
Peru
Uruguay
Venezuela, Bolivarian republic of

Middle East
Bahrain
Iran, Islamic Republic of
Iraq
Jordan
Kuwait
Lebanon
Oman
Qatar
Saudi Arabia
Syrian Arab Republic
United Arab Emirates
Occupied Palestinian Territory
Yemen

North Africa
Algeria
Egypt
Libya
Morocco
Sudan
Tunisia

Sub-Saharan Africa
Eastern Africa
Burundi
Comoros
Eritrea
Ethiopia
Kenya
Madagascar
Malawi
Mauritius
Mozambique
Réunion
Rwanda
Somalia
Tanzania, United Republic of
Uganda
Zambia
Zimbabwe
Middle Africa
Angola
Cameroon
Central African Republic
Chad
Congo
Congo, Democratic Republic of
Equatorial Guinea
Gabon
Southern Africa
Botswana
Lesotho
Namibia
South Africa
Swaziland
Western Africa
Benin
Burkina Faso
Cape Verde
Côte d'Ivoire
Gambia
Ghana
Guinea
Guinea-Bissau
Liberia
Mali
Mauritania
Niger
Nigeria
Senegal
Sierra Leone
Togo

Global Employment Trends 2014

The annual *Global Employment Trends (GET)* reports provide the latest global and regional estimates of employment and unemployment, employment by sector, vulnerable employment, labour productivity, informal employment and working poverty, while also analysing country-level issues and trends in the labour market.

Based on the most recently available data and taking into account macroeconomic trends and forecasts, the GET reports seek to shed light on current labour market trends and challenges. The reports build on the ILO's *Key Indicators of the Labour Market (KILM)* and include a consistent set of tables with regional and global estimates of labour market indicators. Each report contains a medium-term labour market outlook, assessing likely trends and drivers of labour market developments around the world.

The *Global Employment Trends 2014* report highlights the risks of a jobless recovery. Economic activity is starting to recover in most developed and emerging economies. However, labour markets have not yet recovered from previous weaknesses and global unemployment remains at 6 per cent or almost 202 million jobseekers. As joblessness persists, ever more unemployed workers are becoming discouraged and quit the labour market, further widening the crisis-related jobs gap in comparison to pre-crisis trends. Insufficient private and public consumption as well as low investment prevent faster job creation and a quicker fall in the unemployment rate. Historically low interest rates, especially in advanced economies, have so far triggered a surge in financial rather than in real investment, with little effect on job creation.

The report argues that policy-makers need to tackle weak aggregate demand growth through more pro-active policies that help boost private and public consumption. In addition, hiring uncertainty needs to be brought down in order to increase investment and job creation. This can be achieved, in particular, by providing better coordination of different policy instruments. Also, in countries with high and persistent unemployment, active labour market policies can help address emerging mismatch problems that hamper a faster labour market recovery. Finally, rising labour market discouragement and structural unemployment should be tackled with new skills and training initiatives to help jobseekers find employment in alternative industries and to promote their employability more broadly.

January 2014

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