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# WORLD EMPLOYMENT SOCIAL OUTLOOK



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**2016**

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# SUMMARY



### **The global economy is showing new signs of weakness...**

The world economy is estimated to have expanded by 3.1 per cent in 2015, over half a percentage point less than had been projected a year earlier. If current policy responses are maintained, the outlook is for continued economic weakening, posing significant challenges to enterprises and workers. Indeed, over the next two years, the world economy is projected to grow by only around 3 per cent, significantly less than before the advent of the global crisis.

The continuing slowdown in economic growth is being driven by weakness in emerging and developing countries. China is facing a pronounced slowdown. This, combined with other factors, has contributed to a steep decline in commodity prices, particularly those related to energy. This situation has, in turn, affected large emerging economy commodity exporters, such as Brazil and the Russian Federation, which have entered a period of recession. The benefits accruing to net commodity importers have been insufficient to offset the decline affecting exporters. Another sign of economic weakness is the fact that global trade, which had typically expanded twice as fast as the global economy, is now growing in line with or at a lower rate than global growth.

### **...pushing unemployment to over 197 million in 2015...**

The economic weakening has caused a further increase in global unemployment. In 2015, the number of unemployed people reached 197.1 million – approaching 1 million more than in the previous year and over 27 million higher than pre-crisis levels. This increase in the number of jobseekers in 2015 occurred mainly in emerging and developing countries. The employment outlook in some of these countries, notably those in Latin America, as well as some Asian countries (especially China) and a number of oil exporters in the Arab States region, is expected to have worsened in recent months.

In most advanced economies, 2015 was marked by better than anticipated job growth, especially in the United States and some Central and Northern European countries. However, despite recent improvements, unemployment rates remain high in Southern Europe, and unemployment has tended to increase in those advanced economies most affected by the slowdown in emerging Asian economies.

### **...and making existing jobs increasingly vulnerable.**

Poor job quality remains a pressing issue worldwide. The incidence of vulnerable employment – the share of own-account work and contributing family employment, categories of work typically subject to high levels of precariousness – is declining more slowly than before the start of the global crisis. Vulnerable employment accounts for 1.5 billion people, or over 46 per cent of total employment. In both Southern Asia and Sub-Saharan Africa, over 70 per cent of workers are in vulnerable employment.

As well as having limited access to contributory social protection schemes, workers in vulnerable employment suffer from low productivity and low and highly volatile earnings. There are also significant gender gaps in job quality. Women face a 25 to 35 per cent higher risk of being in vulnerable employment than men in certain countries in Northern Africa, Sub-Saharan Africa and the Arab States.

### **The outlook is for unemployment to increase by a further 3.4 million over the next two years...**

The global economic slowdown that occurred in 2015 is likely to have a delayed impact on labour markets in 2016, resulting in a rise in unemployment levels, particularly in emerging market economies. Based on the most recent growth projections, global unemployment is expected to rise by nearly 2.3 million in 2016 and by a further 1.1 million in 2017.

Emerging economies are expected to see an increase in unemployment of 2.4 million in 2016. This largely reflects the worsening labour market outlook in emerging Asian economies, in Latin America and in commodity producing economies, notably in the Arab States region and Africa.

In advanced economies, the number of unemployed is expected to decline slightly, but this will only marginally offset the increase expected in emerging economies. In a number of European countries,

unemployment rates will remain close to historical peaks. In the United States and some other advanced economies, unemployment will decline to pre-crisis rates, but the outlook is for continuing or increasing underemployment. Depending on the economy, this takes the form of involuntary temporary or part-time work and lower participation rates, especially among women and youth.

**...and for slower progress in reducing vulnerable employment, which could reach 1.5 billion by 2016...**

In the coming years, the share of vulnerable employment is expected to remain at around 46 per cent globally. The challenge will be particularly acute in emerging economies, where the number of vulnerable workers is projected to grow by some 25 million over the next three years.

**...leading to a pause in the expansion of the middle class and, in some cases, intensified risk of social unrest...**

In emerging economies, the size of the middle class (with daily consumption levels ranging between \$5 and \$13, in purchasing power parity (PPP) terms) rose from 36 per cent of the total population in 2011 to just under 40 per cent in 2015. In the coming years, the present trend of an increase in the size of the middle class is projected to slow or even end. Among developing economies, the share of the middle class is expected to continue to increase, but more slowly than in recent years. This report points to renewed risks of social unrest associated with slower growth in emerging and developing economies. In these countries, slower growth and disappointing access to middle class living standards may fuel social discontent.

The improvement in the labour market situation in advanced economies is limited and uneven, and in some countries the middle class has been shrinking, according to various measures. Income inequality, as measured by the Gini index, has risen significantly in most advanced G20 countries. Since the start of the global crisis, top incomes have continued to increase while the poorest 40 per cent of households have tended to fall behind.

**...stalling efforts to further reduce working poverty...**

Progress in terms of employment quality at the lower end of the earnings spectrum has also begun to stall. In 2015, an estimated 327 million employed people were living in extreme poverty (those living on less than \$1.90 a day in PPP terms) and 967 million in moderate or near poverty (between \$1.90 and \$5 a day in PPP terms). This represents a significant reduction in extreme poverty compared with the levels in 2000, but the improvements since 2013 have been more limited (especially within the least developed countries). Furthermore, the number of persons employed in moderate and near poverty has increased since 2000, and evidence from other sources suggests that working poverty is on the rise in Europe.

**...and complicating the tasks of increasing growth and meeting demographic challenges.**

When there is a shortage of decent jobs, more workers may give up looking for work. In 2015, the number of working-age individuals who did not participate in the labour market increased by some 26 million to reach over 2 billion. Participation rates are expected to stabilize at 62.8 per cent of the global working-age population (aged 15 years and above) but then to follow a moderate downward trend, reaching 62.6 per cent in 2020 and falling further in subsequent years. Only developing economies are expected to experience stable labour force participation rates, whereas developed and emerging economies are likely to experience further declines in activity rates. In this regard, migration is an important mechanism for balancing labour market supply and demand across countries. The recent surge of refugees into Northern, Southern and Western Europe has led to the need to facilitate the labour market entry of a large number of individuals as quickly and effectively as possible. In the long term, the influx of migrants will help to counter skills shortages in certain areas and mitigate the risks associated with secular stagnation.

The current slow growth in the global economy and the prospect of lower long-term growth have many causes, but falls in the working-age population and labour force participation rates as well as rising inequality, vulnerable employment and poor job quality, mentioned above, are prominent factors.

**Policy focus on quantity and quality of jobs and tackling income inequality is paramount.**

The need to address these long-term trends adds urgency to the calls by the ILO for a shift in economic and employment policies. It is particularly important to strengthen labour market institutions and ensure that social protection systems are well designed, in order to prevent further increases in long-term unemployment, underemployment and working poverty. A rebalancing in reform efforts is also needed. In particular, financial reforms need to ensure that banks perform their role of channeling resources into the real economy and into investment for sustainable enterprise expansion and job creation.

In the short term, there is room for manoeuvre in macroeconomic policies in many countries. This should be used to prevent a further weakening of the global economy. Further decline in commodity prices is likely to worsen the fiscal position among major commodity exporters but, as this report shows, large-scale expenditure cuts by these economies would have negative global spillover effects, thus worsening the labour market outlook in their own and other countries. In light of historically low interest rates, countries could finance necessary infrastructure projects, which would have important multiplier effects without imposing a big burden on the public purse.

In the medium to long term, achieving the sustainable development goals (SDGs), particularly decent and productive employment for all, will yield significant social dividends while contributing to strengthening and rebalancing the global economy. A concerted effort to tackle inequality through more and better jobs will be absolutely crucial in this regard.

In sum, making decent work a central pillar of the policy strategy would not only alleviate the jobs crisis and address social gaps, but would also contribute to putting the global economy on a better and more sustainable economic growth path.



# GLOBAL EMPLOYMENT AND SOCIAL TRENDS

**1**

## A. Recent patterns in the global economy

### The global economy has weakened

According to the latest International Monetary Fund (IMF) estimates, the global economy will grow by 3.1 per cent in 2015 and 3.6 per cent in 2016 (IMF, 2015d). This projection is significantly lower than the pre-crisis growth record and less than predicted by the IMF a year ago.<sup>1</sup> The weakening of the world economy is being driven by the slowdown in emerging and developing economies.<sup>2</sup>

Large emerging economies, such as Brazil and the Russian Federation, have entered a period of recession, while China, along with some other emerging and developing economies, is experiencing slower economic growth. As a group, the emerging and developing economies continue to experience levels of growth above the global average, with projections close to 4 per cent in 2015, whereas growth in these economies reached 4.6 per cent in 2014 and 5.0 per cent in 2013. This slowdown is due to the effects of several long-standing drivers, notably the decline in long-term capital investment, population ageing, rising inequality and weakening productivity gains (box 1).

### The slowdown in emerging economies, coupled with a dramatic decline in commodity prices, is dampening the recovery

China's move away from reliance on investment and export-led economic growth constitutes a major factor behind the global slowdown (IMF, 2015d). The Chinese Government recently announced a new growth target for the economy of 6.5 per cent, on average, over the next five years – half a percentage point below the previous target (CPC, 2015). Growth in the industrial sector has slowed, while imports have declined significantly. The shift towards the service sector in China, despite this sector's rapid pace of growth, is not sufficient to offset the fall in Chinese exports as a component of GDP.<sup>3</sup>

Chinese imports have also fallen, with global repercussions for countries reliant on exports to China. The IMF recently estimated that a 1 percentage point drop in China's GDP growth would lower growth in the rest of Asia by about 0.3 percentage points (IMF, 2015a). Europe is also heavily reliant on exports to China, which is its second largest export market after the United States.<sup>4</sup>

As China has reduced its demand for imports, commodity prices have declined to levels comparable to those in the early 2000s, with significant repercussions for the global economy. This has weighed heavily on commodity exporters – including both developed (e.g. Australia and Canada) and emerging and developing economies (e.g. oil-producing Arab countries, Brazil, Chile, Indonesia, the Russian Federation and the Bolivarian Republic of Venezuela). In contrast, the net importers of commodities (e.g. the European Union, India, Thailand, Turkey and the United States) have benefitted from the decline in prices, although this benefit has not been sufficient to offset the global slowdown.

### Trade and investment flows remain sluggish

Growth in global trade and investment has remained correspondingly subdued. After expanding at 6.0 per cent per year from 1990 to 2011, trade growth decelerated to only 2.7 per cent per year over the period 2012–14 (figure 2). The sharpest decline in trade growth was observed in emerging and developing economies, where it fell from 9.4 per cent per year (1990–2011) to 4.9 per cent per year (2012–14); in the case of developed economies the decline was from 5.2 per cent to 1.9 per cent per year.

This deceleration in trade growth has been attributed to a number of cyclical factors which have characterized the post-crisis period. These have included weak import demand from developed economies and, more recently, growth slowdowns in some key BRICS economies, as described above. However, there are also structural issues at play.

First, as global value chains approach their maturation stage, the lower trade elasticity to GDP growth (i.e. the weakened relationship between growth and trade) may partly reflect decreasing benefits from further international fragmentation of production. This argument is backed up by recent trends of increased substitution of domestic inputs for foreign inputs in China and stabilizing manufacturing imports in the United States.

## What are the drivers of the global growth slowdown?

The latest macroeconomic forecasts suggest that global gross domestic product (GDP) growth will remain subdued for the next two years, continuing the trend which has seen medium-term growth projections continually revised downwards since 2011. In fact, actual GDP is close to 2 per cent below potential output (IMF, 2015d; Zhu, 2015). Moreover, the output gap may widen further over the next few years, a situation which is largely attributable to a host of self-reinforcing factors, including:

*The decline in long-term capital investment:* Despite the fact that global savings are growing, long-term investment needs, especially in terms of infrastructure, often remain unmet (Spence et al., 2015; Baldwin and Teulings, 2014). This situation partly reflects adjustments following the previous credit booms in some economies. Meanwhile, the increasing shortage of safe assets, underpinned by the secular decline in real interest rates over the last two decades, risks remaining a structural drag on several major economies. In particular, safe asset shortages may increasingly incentivize reductions in long-term investment in favour easier-to-secure forms of assets (Caballero and Farhi, 2014). Particularly within developed countries, this shift away from long-term investment may be partially attributable to the rise of new business models that require little physical capital, due to their knowledge-intensive nature, which are lowering investment demand and, in turn, the equilibrium levels of long-term interest rates.

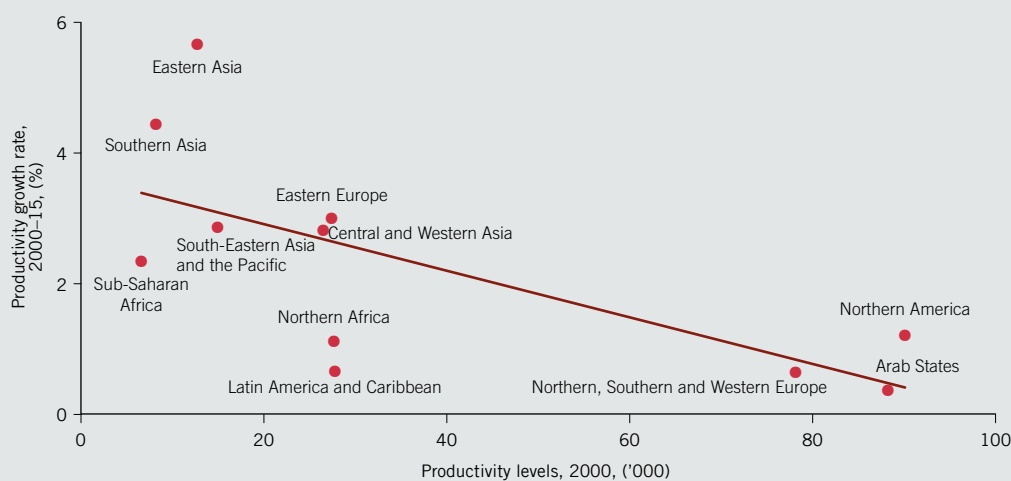
*Slowdown in working-age population growth:* The rapidly ageing population in developed economies, slower growth of the working-age population in emerging and developing countries and

a widespread trend towards declining labour force participation rates are all factors which are constraining labour supply growth and, in turn, the potential for employment growth and output expansion (see also section D of this chapter).

*Uneven distribution of gains from growth:* Following a temporary interruption in the immediate aftermath of the crisis, the incomes of the richest 1 per cent of the population have started to grow again at a rate which is considerably faster than those of the rest of the population. It is estimated that in 2016 the richest 1 per cent of the population will own more than 50 per cent of global wealth – an increase from 44 per cent in 2009 (Oxfam, 2015). Furthermore, evidence shows that there has been a secular downward trend in labour shares which further contributes to widening income inequality, especially across developed countries (ILO, 2014d). Taken together, these trends are associated with weaker consumption and demand deficits, leading to weaker investment demand and, ultimately, lower economic growth.

*Weak total factor productivity (TFP) growth:* Reduced capital investments appear to be the main reason behind the long-lasting slowdown in TFP in both developed and emerging economies. In addition, any anticipated productivity gains from the new wave of technological advancement have not yet materialized. At the same time, as several emerging economies approach the global technological frontier, TFP gains may stabilize at lower levels than the pre-crisis trends. While labour productivity growth rates have been particularly slow in regions such as Latin America and the Caribbean, Northern Africa and sub-Saharan Africa (figure 1).

Annual productivity growth rates (2000–15) and productivity levels (2000), by ILO region

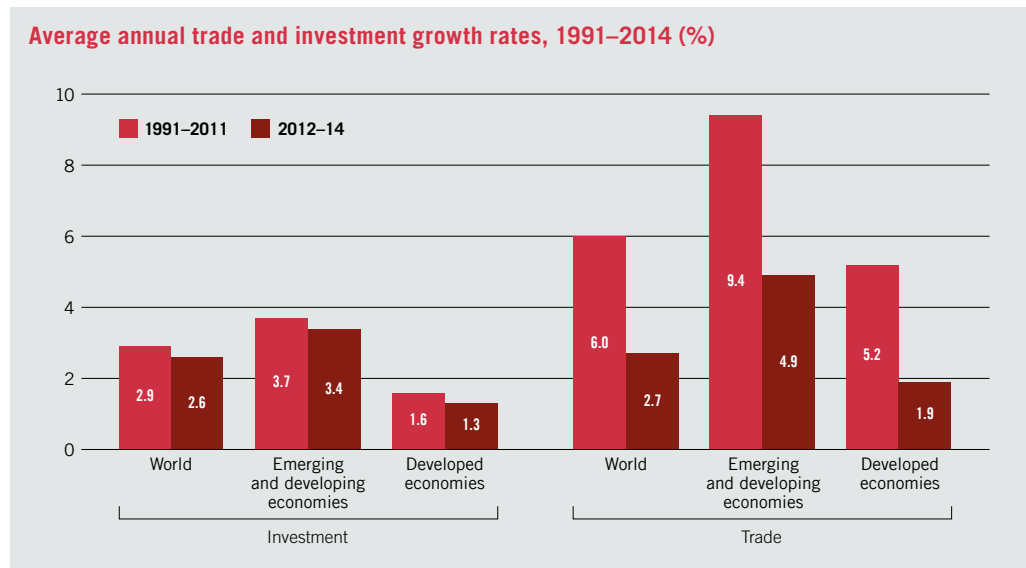


Note: Y-axis refers to compound annual growth rates over the period. Labour productivity is measured as real output per worker, purchasing power parity (PPP)-adjusted.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

Figure 1

Figure 2



Note: World trade refers to world imports of merchandise, whereas investment refers to gross fixed capital formation. Both series are measured in US\$ at constant prices (2005) and constant exchange rates (2005) in millions. Data for 2014 are preliminary.

Source: ILO calculations based on UNCTAD Statistics 2015 (UNCTAD, 2015) and World Bank, World Development Indicators [accessed 10 December 2015].

The second issue is the persistent decline in investment spending, which is the most trade-intensive component of domestic demand. In fact, global investment has grown by only 2.6 per cent per year between 2012 and 2014, down from a long-term trend of 2.9 per cent between 1991 and 2011. In 2015, it is expected to expand by less than 3 per cent. Even in the case of emerging and developing economies which have significant infrastructure gaps, investment declined to an annual average of 3.4 per cent during the period between 2012 and 2014, compared to 3.7 per cent during the period 1991 to 2011.

### Achieving the goal of decent work for all has become more challenging

Against the backdrop of long-standing structural weaknesses, combined with unfavourable and volatile current conditions in the global economy, the world of work is being deeply impacted. Decent work gaps remain pervasive across all regions in one form or another, from high rates of unemployment in developed economies to chronic vulnerable employment rates in many emerging and developing economies. Examining these challenges, section B introduces headline unemployment estimates for both the global context and by economic and ILO country groupings. Section C then examines the implications in terms of decent work deficits and job quality, namely the prevalence of vulnerable employment and working poverty, and section D addresses two of the key structural labour market challenges in the medium term: reduced labour force participation and lower working-age population growth. Section E highlights recent rises in social unrest stemming from poor labour market conditions and section F provides an overview of the decent work element of the *Transforming Our World: The 2030 Agenda for Sustainable Development*, which includes 17 Sustainable Development Goals (SDGs).

## B. Worsening of the employment outlook

### Unemployment increased in 2015, although less sharply than anticipated

The trends in the global economy outlined above are having a considerable impact on the labour market. In 2015, the global unemployment rate stood at 5.8 per cent and total global unemployment increased by over 0.7 million to reach 197.1 million (figure 3).<sup>5</sup> While this is somewhat lower than predicted in the *World Employment and Social Outlook: Trends 2015*, global unemployment is still estimated to stand at more than 27 million higher than the pre-crisis level of 2007.

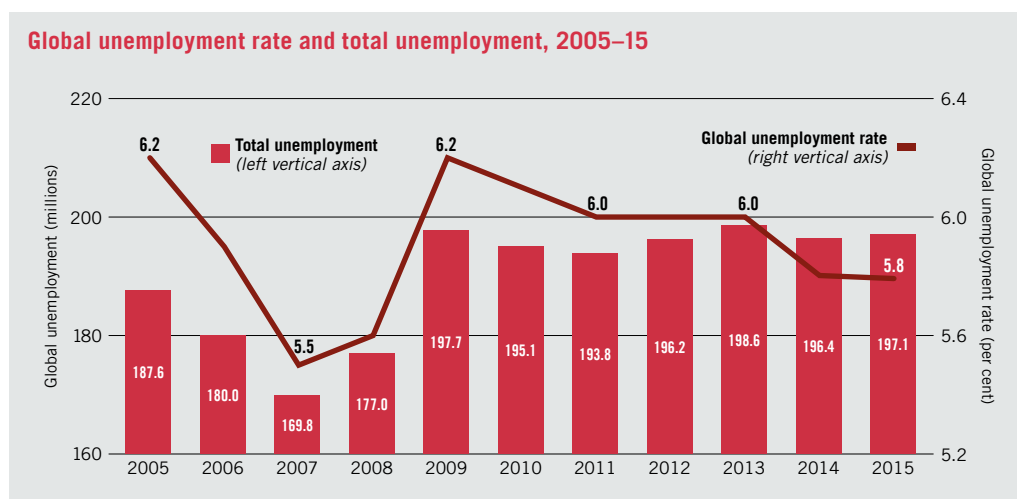


Figure 3

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

### Deteriorating employment conditions in emerging economies were not offset by improvements in developed economies

The global developments in unemployment were very much shaped by stronger than expected labour market conditions in developed economies. The unemployment rate for developed economies as a group, which accounts for nearly one-quarter of global unemployment, is predicted to have decreased from 7.1 to 6.7 per cent between 2014 and 2015. This downward trend in the unemployment rate has been driven by improvements in the Northern, Southern and Western Europe region (from 10.7 per cent to 10.1 per cent, with notable reductions in Germany and Italy), and the United States (from 6.3 per cent to 5.3 per cent) (table 1).

Meanwhile, growing unemployment in emerging economies is expected to edge the unemployment rate up slightly for this group as a whole, from 5.5 per cent in 2014 to 5.6 per cent in 2015 (table 1).

### The number of unemployed is projected to increase in both 2016 and 2017

Based on the most recent economic growth projections, the number of unemployed globally is forecast to rise by about 2.3 million in 2016, with an additional 1.1 million unemployed in 2017 (table 1). The majority of this increase in unemployment will take place in emerging economies, which are anticipated to add over 2.4 million to the tally of jobless in 2016 and another 1.4 million in 2017. Emerging economies predicted to contribute the greatest number to this total are Brazil (0.7 million) and China (0.8 million). Similarly, developing economies will see an increase in unemployment levels of 1 million over the two-year period. In other words, in emerging and developing economies, the number of jobless is expected to rise by 4.8 million over the next two years. Some of that increase will be offset by continued improvements in developed economies, where unemployment levels are anticipated to fall by 1.4 million over the course of 2016 and 2017, driven by reductions within the EU-28 and the United States. The global outlook in terms of unemployment will, however, depend on how commodity



Table 1

Unemployment rate and total unemployment: Trends and projections 2007–17								
	2007–14	Unemployment rate, 2007–17 (percentages)				Millions, 2015–17		
		2014	2015	2016	2017	2015	2016	2017
<b>Global estimates and major country groupings</b>								
<b>WORLD</b>		5.8	5.8	5.8	5.7	197.1	199.4	200.5
<b>Developed economies</b>		7.1	6.7	6.5	6.4	46.7	46.1	45.3
<b>Emerging economies</b>		5.5	5.6	5.6	5.6	135.3	137.7	139.1
<b>Developing economies</b>		5.5	5.5	5.5	5.5	15.1	15.6	16.1
<b>G20 Economies</b>		5.5	5.4	5.4	5.3	123.9	124.3	123.8
<b>G20 Advanced economies</b>		7.3	6.8	6.6	6.5	42.2	41.2	40.2
<b>G20 Emerging economies</b>		4.9	4.9	4.9	4.9	81.7	83.1	83.6
<b>EU-28</b>		10.2	9.4	9.2	9.1	23.2	22.7	22.2
<b>EU-19</b>		11.6	10.9	10.7	10.4	17.5	17.1	16.7
<b>ILO regions and country details</b>								
<b>Arab States</b>		10.1	10.1	10.2	10.2	5.3	5.5	5.6
Saudi Arabia		5.9	5.8	5.7	5.7	0.7	0.7	0.7
<b>Central and Western Asia</b>		9.1	9.2	9.4	9.4	6.8	7.0	7.1
Turkey		9.9	10.3	10.5	10.4	3.0	3.1	3.1
<b>Eastern Asia</b>		4.5	4.5	4.5	4.6	42.1	42.4	42.7
China		4.6	4.6	4.7	4.7	37.3	37.7	38.1
Japan		3.5	3.3	3.2	3.1	2.2	2.1	2.0
Korea, Republic of		3.5	3.7	3.5	3.4	1.0	0.9	0.9
<b>Eastern Europe</b>		6.8	6.9	7.0	6.9	10.2	10.3	10.1
Russian Federation		5.2	5.8	6.2	6.1	4.4	4.7	4.6
<b>Latin America and the Caribbean</b>		6.4	6.5	6.7	6.7	19.9	21.0	21.2
Argentina		7.3	6.7	6.9	6.7	1.3	1.4	1.4
Brazil		6.8	7.2	7.7	7.6	7.7	8.4	8.4
Mexico		4.9	4.3	4.1	4.0	2.5	2.4	2.4
<b>Northern Africa</b>		12.5	12.1	11.8	11.6	8.8	8.8	8.8
<b>Northern America</b>		6.3	5.5	5.1	4.9	10.0	9.3	9.0
Canada		6.9	6.9	6.8	6.8	1.4	1.4	1.4
United States		6.3	5.3	4.9	4.7	8.7	7.9	7.7
<b>Northern, Southern and Western Europe</b>		10.7	10.1	9.9	9.7	21.8	21.4	21.0
France		10.3	10.6	10.4	10.0	3.1	3.0	2.9
Germany		5.0	4.6	4.6	4.7	2.0	2.0	2.0
Italy		12.7	12.1	12.0	11.5	3.0	3.0	2.9
United Kingdom		6.1	5.5	5.4	5.5	1.8	1.8	1.9
<b>South-Eastern Asia and the Pacific</b>		4.3	4.4	4.3	4.2	15.1	15.2	15.1
Australia		6.1	6.3	6.3	5.8	0.8	0.8	0.7
Indonesia		5.9	5.8	5.7	5.6	7.3	7.3	7.3
<b>Southern Asia</b>		4.2	4.1	4.1	4.0	28.8	29.1	29.4
India		3.5	3.5	3.4	3.4	17.5	17.5	17.6
<b>Sub-Saharan Africa</b>		7.3	7.4	7.5	7.5	28.2	29.4	30.4
South Africa		24.9	25.1	25.5	25.7	5.1	5.3	5.4

Note: See Appendix A for the list of country groups by geographic region and income level. Figures for 2015, 2016 and 2017 are projections.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

### Unemployment risks and spillover effects of a return to austerity

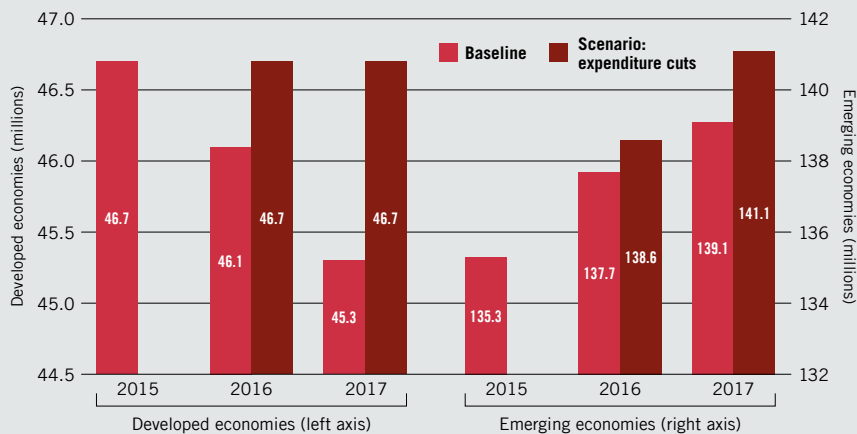
Commodity exporters' fiscal balances have become increasingly reliant on high prices, creating pressure to consolidate expenditures when the prices fall below the budget benchmark. While most advanced economies (particularly in the EU) have benefitted from lower commodity prices, they would face significant repercussions from a fiscal consolidation by commodity exporters. As Figure 4 illustrates, large-scale expenditure cuts by commodity exporters

aimed at reducing fiscal deficits would have global spillover effects, further worsening the labour market outlook.<sup>1</sup> In particular, emerging markets, among which can be found the major commodity exporters, face the prospect of 2 million additional unemployed by 2017.<sup>2</sup> Furthermore, the efforts of developed economies to further reduce unemployment would be affected by lower demand due to a fall in imports from commodity exporters.

1. In this scenario, commodity exporters are assumed to reduce their expenditures by half of the additional deficit incurred due to lower commodity prices by 2017. It implies that 37 countries would reduce their expenditure by an average of 2.4 per cent of GDP.

2. One of the channels through which fiscal contraction would lead to an increase in unemployment is the decline in public investment and, therefore, public sector employment, as is already the case with some of the Gulf Cooperation Council (GCC) countries (see Chapter 2).

#### Unemployment developments in a scenario involving expenditure cuts by commodity exporters



Notes: Baseline corresponds to figures from table 1. The scenario of expenditure cuts assumes reduced government expenditure by 37 commodity exporters by an average of 2.4 per cent of GDP. See Appendix D for more details.

Source: ILO calculations based on UN Department of Economic and Social Affairs, World Economic Forecasting Model and ILO Research Department's Trends Econometric Models, November 2015.

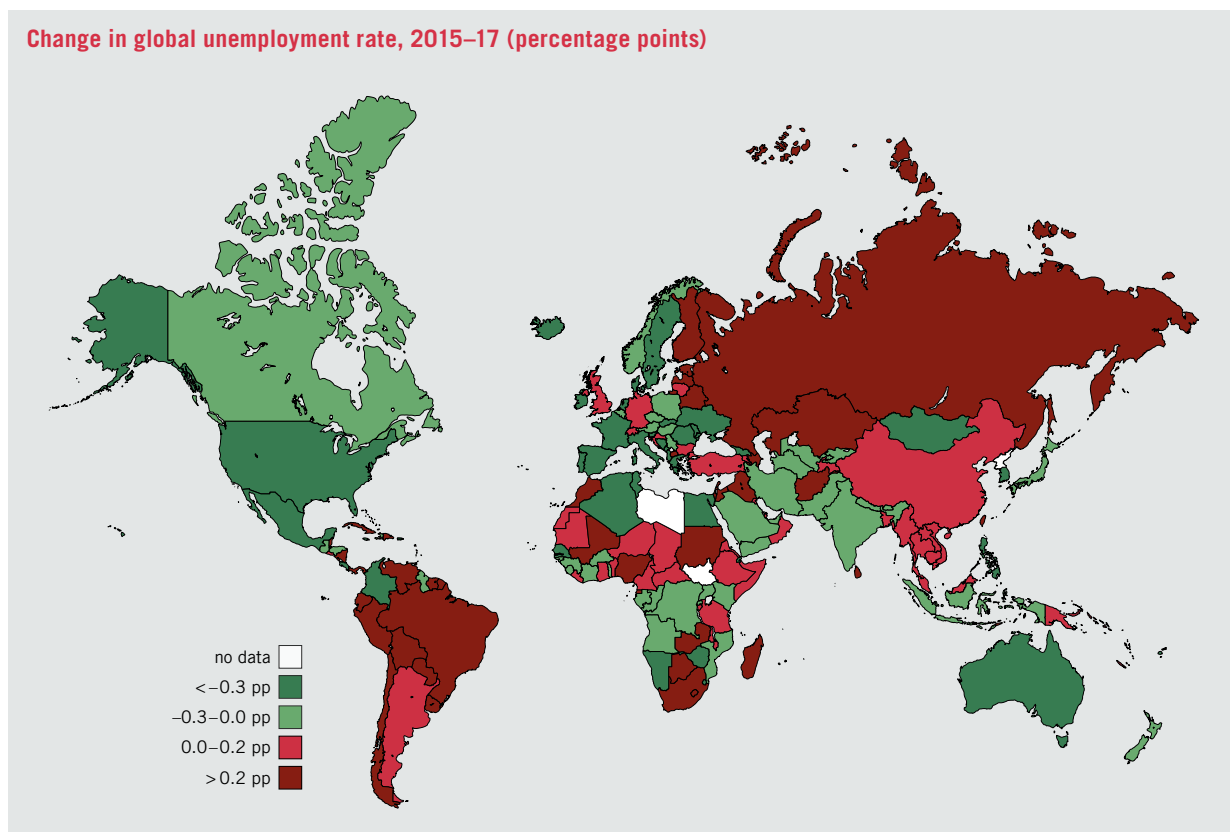
### Box 2

Figure 4

exporters react to falling revenues arising from lower prices. Substantial cuts in spending would have important spillover effects, raising global unemployment by 3.4 million, 2 million of which would be in emerging economies (box 2).

In terms of unemployment rates, the global estimate for 2016 is expected to remain unchanged at 5.8 per cent, improving marginally to 5.7 per cent in 2017, driven by improvements in the developed economies (the unemployment rate in emerging and developing economies is forecast to remain unchanged between 2015 and 2017 at 5.6 per cent and 5.5 per cent, respectively). There is considerable heterogeneity among emerging economies, with significant increases in the unemployment rate in Brazil, the Russian Federation and South Africa anticipated for 2016 with some modest improvements in the former two expected in 2017. The deteriorating labour market conditions in these large economies will have knock-on effects in their respective regions, as spillovers from migration, reductions in remittances and slower earnings growth affect neighbouring economies (see Chapter 2). Meanwhile, most of the major developed economies will see rates stabilize or continue to show modest improvements. In the case of the EU-28, the unemployment rate is projected to be 9.1 in 2017, 1 percentage point lower than in 2014. Similarly, in the United States, the unemployment rate is expected to dip below 5 per cent in 2016, reaching 4.7 per cent in 2017.

Figure 5



Note: The chart displays the percentage point (pp) change in the projected unemployment rate between 2015 and 2017, according to a quartile distribution.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

# C. Job quality remains a global concern

## The trend in vulnerable employment is improving but still affects 1.5 billion people worldwide

Vulnerable employment is the share of own-account and contributing family workers in total employment. These categories of work are typically subject to high levels of precariousness, in that persons in vulnerable employment often have limited access to social protection schemes (box 3). Vulnerable employment accounts for over 46 per cent of total employment globally (table 2)<sup>6</sup> translating into nearly 1.5 billion people. While the trend is downward, its prevalence in absolute terms indicates that there are large gaps in the inclusiveness of growth patterns and the availability of decent work.

The problem of vulnerable employment is particularly acute in emerging and developing economies, affecting over half and three-quarters of the employed population, respectively. In both Southern Asia and sub-Saharan Africa the rates are roughly 73 per cent and 70 per cent, respectively.

### Vulnerable employment and social protection

The ILO's *World Employment and Social Outlook 2015: The changing nature of jobs* showed that workers who are in vulnerable employment – own account and contributing family workers – have limited access to contributory social protection schemes, which tend to be more common among wage and salaried workers (figure 6). In total, only slightly over 5 per cent of vulnerable employees have access to such schemes.

However, the report also shows that being in wage and salaried employment is not a guarantee of access to social protection. In fact, more than 40 per cent of all wage and salaried workers are not covered by social protection. This proportion rises to more than 70 per cent in sub-Saharan Africa.

### Box 3

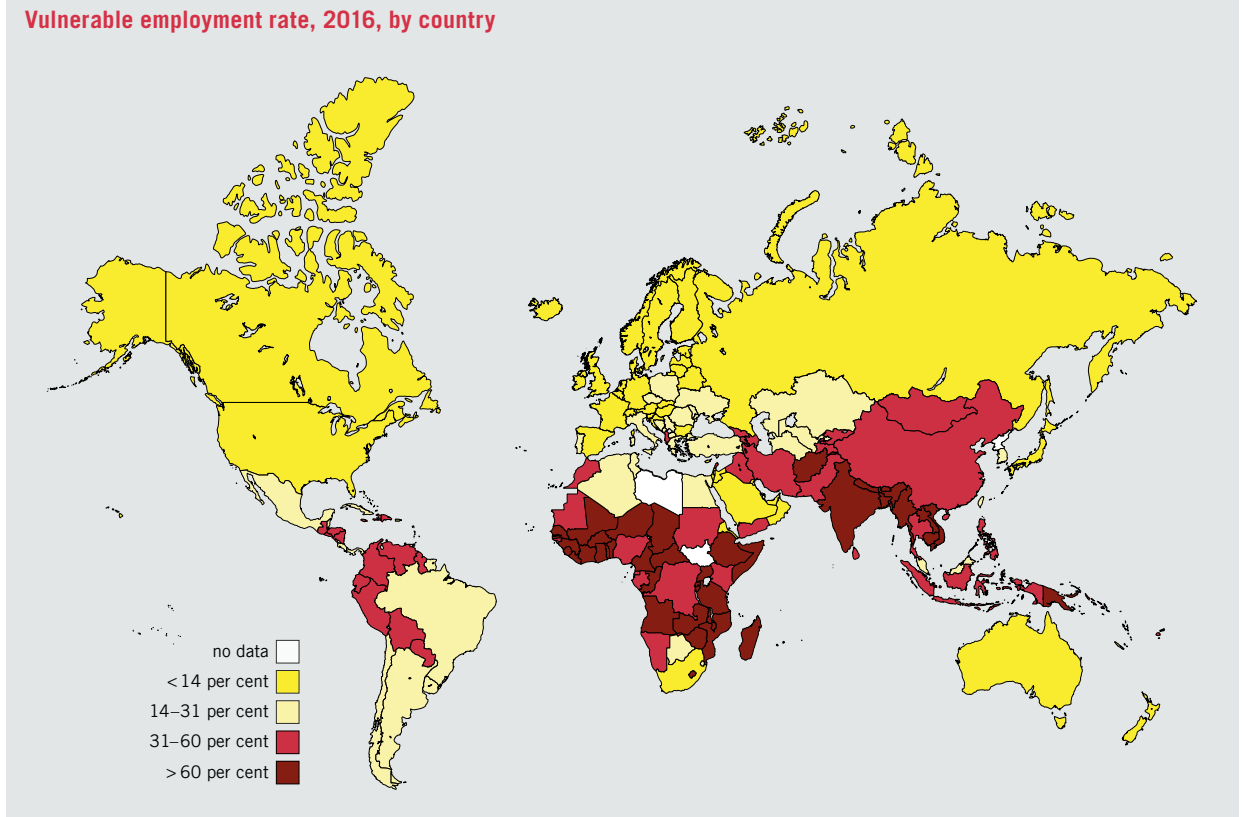
Vulnerable workers lack access to social protection, most recent year available



Source: ILO calculations based on the analysis of National Household Survey data from 94 countries.

Figure 6

Figure 7



Note: The chart displays the share of the employed population classified as being in vulnerable employment, based on a quartile distribution.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

Table 2

Vulnerable employment rates, 2007–19 (percentages)							
	2007–14	2014	2015	2016	2017	2018	2019
<b>Global estimates and major country groupings</b>							
<b>WORLD</b>		<b>46.3</b>	<b>46.1</b>	<b>46.0</b>	<b>45.9</b>	<b>45.9</b>	<b>45.8</b>
Developed economies		10.5	10.4	10.4	10.3	10.3	10.2
Emerging economies		53.1	52.9	52.6	52.3	52.1	51.9
Developing economies		76.8	76.7	76.6	76.5	76.3	76.2
<b>G20 Economies</b>		<b>42.0</b>	<b>41.7</b>	<b>41.6</b>	<b>41.4</b>	<b>41.3</b>	<b>41.2</b>
G20 Advanced economies		9.9	9.8	9.7	9.6	9.6	9.5
G20 Emerging economies		53.7	53.4	53.1	52.8	52.6	52.4
<b>EU-28</b>		<b>12.3</b>	<b>12.2</b>	<b>12.1</b>	<b>12.0</b>	<b>11.9</b>	<b>11.8</b>
<b>ILO regions and country details</b>							
Arab States		17.5	18.0	17.7	17.7	17.8	17.9
Central and Western Asia		33.0	32.6	32.3	32.0	31.6	31.1
Eastern Asia		42.6	42.1	41.6	41.3	41.1	40.9
Eastern Europe		11.3	11.2	11.5	11.4	11.4	11.3
Latin America and the Caribbean		31.0	31.0	31.1	31.1	31.1	31.1
Northern Africa		34.2	34.0	33.8	33.6	33.4	33.2
Northern America		6.5	6.5	6.4	6.3	6.2	6.1
Northern, Southern and Western Europe		11.5	11.5	11.4	11.3	11.2	11.1
South-Eastern Asia and the Pacific		54.4	54.1	53.7	53.3	52.9	52.5
Southern Asia		74.1	73.6	73.3	72.8	72.4	71.9
Sub-Saharan Africa		69.8	69.9	69.7	69.6	69.5	69.4

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

## Progress in reducing working poverty has stalled

The lack of productive job opportunities, coupled with an absence of adequate social protection, thrusts large segments of the population in developing countries into low-paid employment, often as their own employer, thereby raising the risk of poverty. Important progress has been made in reducing the share of extreme working poor (those falling below the \$1.90-a-day threshold, 2011 PPP) in total employment over recent decades, particularly under the Millennium Development Goals (MDGs), from 33.2 per cent to 12.0 per cent, globally, over the period 2000 to 2015 (figure 8).<sup>7</sup> A similar trend was observed at the \$3.10-a-day level – the moderately poor threshold – which decreased from 57.3 per cent to 27.9 per cent over the same period. This trend has continued downwards between 2014 and 2015, by 0.5 percentage points from 12.5 per cent at the extreme poverty level, and by 0.7 percentage points from 20.7 per cent at the moderate poverty level.

Despite continued improvements in reducing the shares of working poverty, efforts to reduce the absolute numbers of working poor at both thresholds have stalled. In 2015, an estimated 327 million employed people were living in extreme poverty and 967 million in moderate and near poverty. The absolute number has been falling by an annual average of 4.9 per cent (extreme poor) whereas it increased by 0.7 per cent (moderately and near poor) over the period 2000 to 2015. This has been

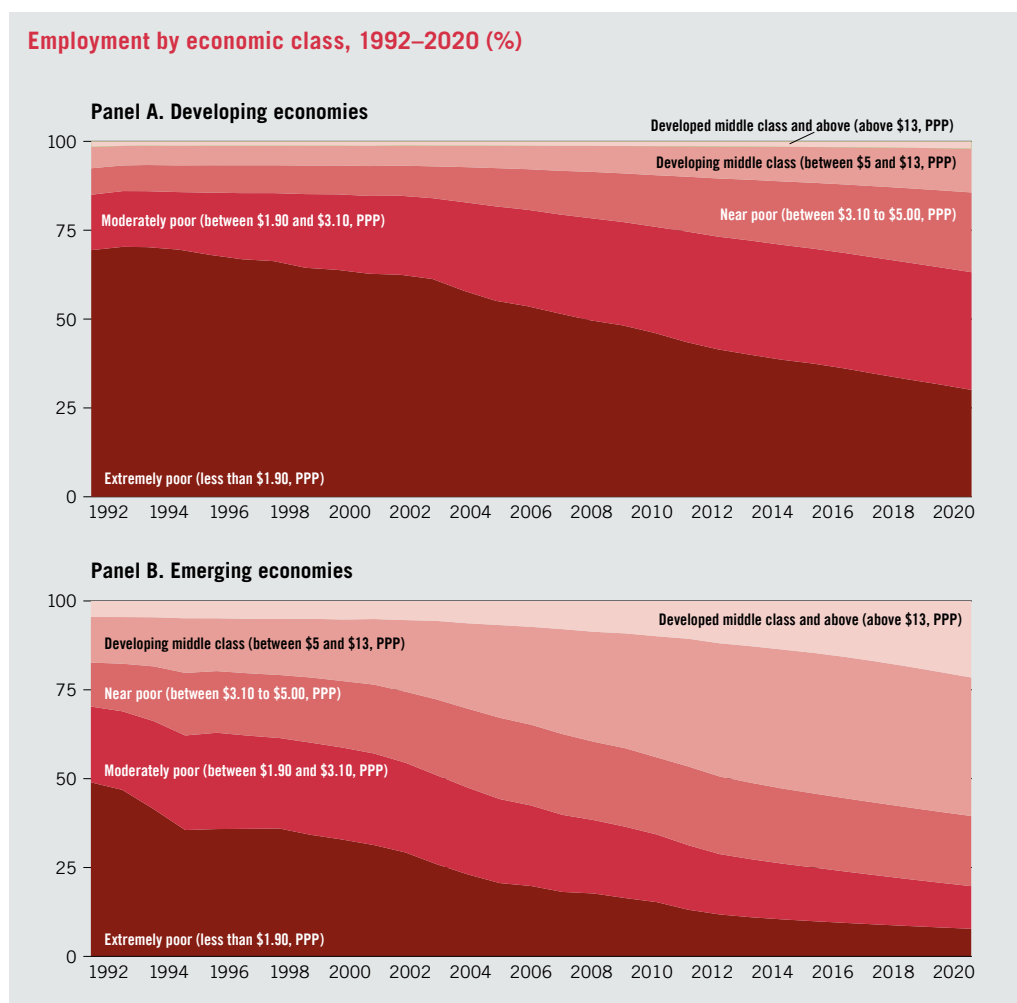


Figure 8

Note: The chart shows employment shares by economic class for developing and emerging economies up to 2020. Economic classes are defined by per capita per day consumption levels in US\$, 2011 PPP. A consumption level above US\$13 per capita per day is equivalent to developed economies' middle-class status.

Source: October 2015 update of the model in Kapsos and Bourmpoula (2013); ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

the case for both developing economies and emerging economies, which account for approximately 30 per cent and 70 per cent of the world's extreme poor, respectively. However, in developing economies the rate of decline in the numbers of working poor has slowed and between 2012 and 2015 the number of extreme poor decreased by around 0.9 per cent per annum whereas the number of moderately and near poor increased by around 5.2 per cent. This is an important development for this low-income group – which consists predominantly of sub-Saharan African countries, including Malawi, Mozambique and the United Republic of Tanzania, but also encompasses Latin America and the Caribbean countries such as Haiti, and those from Asia and the Pacific, including Cambodia and Nepal.

### **Informal employment remains pervasive in many developing and emerging economies**

Informal employment, as a percentage of non-agricultural employment, exceeds 50 per cent in half of the countries with comparable data. In one-third of countries, it affects over 65 per cent of workers. The problem of informality is rooted in the inability of countries to create a sufficient number of formal jobs to absorb all those who want to work. When there is a lack of decent jobs, workers often turn to informal employment, which is typically characterized by low productivity and low pay. This problem is unlikely to recede quickly, particularly in developing economies with rapid population growth.

## D. Slowing labour force growth

Globally, there are over 2 billion working-age people who are not participating in the labour market. Some 26 million joined these ranks in 2015. According to ILO projections, participation rates are expected to stabilize at 62.8 per cent of the global working-age population, but then follow a moderate downward trend to 62.5 per cent until 2020 (table 3).<sup>8</sup> Developed and emerging economies are likely to see further declines in activity rates, while developing economies are expected to experience more stable labour force participation rates.

As highlighted in the 2015 edition of this report, falling participation rates are due to both cyclical and structural factors. When jobs are scarce due to recession or slow recovery in the economic cycle, some jobseekers become discouraged and drop out of the labour market. In terms of structural factors, population ageing and increasing years spent in education in many countries result in shrinking or slower growth in the working-age population. These two effects need to be differentiated to provide a clearer understanding of the future path of labour force participation and to design and implement an effective set of policy interventions.

In the case of developed economies, the decline in participation rates in the aftermath of the crisis stemmed from weak labour market prospects, particularly for young people who often chose to extend their education. Indeed, some developed countries that experienced sharp declines in employment also saw a significant drop in participation rates. As labour markets improve, some of the downward trend is likely to be reversed – this is evident from the stabilization in participation rates in many of the developed economies.

Participation rates have also been declining in emerging economies and some developing economies. Some of this decline is due to more young people moving into or staying longer in education rather than entering the world of work, while in some cases fewer women are joining the labour market due to income and wealth effects.

In developing countries, both women and men tend to have very high labour force participation rates (82.8 per cent for males in 2015 and 71.0 per cent for females), often reflecting poverty, the lack of social protection and the need to earn whatever income is possible to satisfy basic needs (see box 4). In contrast, in emerging economies, the total labour force participation rate for women, which in 2015 is estimated at 46.7 per cent, is drawn downwards by chronically low levels of female participation in the emerging economies of the Arab States, Northern Africa and Southern Asia.

Global working-age population growth stood at an annual average of 1.5 per cent between 2007 and 2014, but is slowing and is anticipated to decrease to 1.3 per cent over the next five years to 2020 (see table 4). In a number of regions, this slowing growth in working-age population is coupled with extended life expectancy. This combination of factors could translate into increased dependency ratios, whereby the ratio of inactive individuals to active ones increases in the total population. Only developing economies as a country-grouping are exhibiting relatively fast growth rates of the working-age population which, in light of stagnant forecasts for female labour force participation rates, will increase pressure to address the issue of job creation specifically targeting women (see also box 4).



Table 3

Labour force participation rates and projections to 2020, selected country groups								
Global estimates and major country groupings	2007–14	2014	2015	2016	2017	2018	2019	2020
<b>Total</b>								
<b>WORLD</b>		<b>62.9</b>	<b>62.9</b>	<b>62.8</b>	<b>62.8</b>	<b>62.7</b>	<b>62.6</b>	<b>62.5</b>
Developed economies		60.6	60.5	60.4	60.3	60.1	60.0	59.8
Emerging economies		62.3	62.3	62.2	62.1	62.0	61.9	61.8
Developing economies		76.8	76.8	76.8	76.9	76.9	76.9	76.9
<b>G20 Economies</b>		<b>62.4</b>	<b>62.3</b>	<b>62.2</b>	<b>62.1</b>	<b>61.9</b>	<b>61.7</b>	<b>61.6</b>
G20 Advanced economies		60.1	60.0	59.8	59.7	59.5	59.4	59.2
G20 Emerging economies		63.3	63.2	63.1	63.0	62.8	62.7	62.5
<b>Male</b>								
<b>WORLD</b>		<b>76.2</b>	<b>76.1</b>	<b>76.1</b>	<b>76.1</b>	<b>76.1</b>	<b>76.0</b>	<b>76.0</b>
Developed economies		69.1	68.9	68.8	68.7	68.5	68.4	68.2
Emerging economies		77.7	77.6	77.6	77.6	77.6	77.5	77.5
Developing economies		83.0	82.8	82.8	82.8	82.9	82.9	82.9
<b>G20 Economies</b>		<b>75.6</b>	<b>75.5</b>	<b>75.5</b>	<b>75.5</b>	<b>75.4</b>	<b>75.3</b>	<b>75.1</b>
G20 Advanced economies		68.0	67.9	67.8	67.6	67.4	67.2	67.0
G20 Emerging economies		78.5	78.4	78.4	78.4	78.3	78.2	78.1
<b>Female</b>								
<b>WORLD</b>		<b>49.7</b>	<b>49.6</b>	<b>49.6</b>	<b>49.5</b>	<b>49.5</b>	<b>49.4</b>	<b>49.2</b>
Developed economies		52.5	52.6	52.5	52.5	52.3	52.2	52.1
Emerging economies		46.8	46.7	46.6	46.6	46.4	46.3	46.1
Developing economies		71.0	71.0	71.0	71.0	71.0	71.0	71.0
<b>G20 Economies</b>		<b>49.2</b>	<b>49.1</b>	<b>49.0</b>	<b>48.8</b>	<b>48.7</b>	<b>48.5</b>	<b>48.2</b>
G20 Advanced economies		52.6	52.7	52.6	52.5	52.4	52.2	52.1
G20 Emerging economies		47.7	47.6	47.5	47.3	47.2	46.9	46.7

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

Table 4

Working-age population and projections to 2020, selected country groups								
Global estimates and major country groupings	2007–14	2014	2015	2016	2017	2018	2019	2020
<b>Total</b>								
<b>WORLD</b>		<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.2</b>
Developed economies		0.6	0.5	0.5	0.5	0.4	0.4	0.4
Emerging economies		1.4	1.4	1.4	1.3	1.3	1.3	1.3
Developing economies		3.2	3.2	3.2	3.1	3.1	3.1	3.1
<b>G20 Economies</b>		<b>1.0</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
G20 Advanced economies		0.4	0.4	0.3	0.3	0.3	0.3	0.3
G20 Emerging economies		1.2	1.2	1.2	1.1	1.1	1.1	1.1
<b>Male</b>								
<b>WORLD</b>		<b>1.4</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>
Developed economies		0.6	0.6	0.5	0.5	0.5	0.4	0.4
Emerging economies		1.4	1.4	1.4	1.3	1.3	1.3	1.3
Developing economies		3.2	3.2	3.2	3.1	3.1	3.1	3.1
<b>G20 Economies</b>		<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
G20 Advanced economies		0.4	0.4	0.4	0.4	0.3	0.3	0.3
G20 Emerging economies		1.2	1.2	1.2	1.1	1.1	1.1	1.1
<b>Female</b>								
<b>WORLD</b>		<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
Developed economies		0.5	0.5	0.5	0.4	0.4	0.4	0.4
Emerging economies		1.4	1.4	1.4	1.3	1.3	1.3	1.3
Developing economies		3.1	3.1	3.1	3.0	3.0	3.0	3.0
<b>G20 Economies</b>		<b>1.0</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
G20 Advanced economies		0.4	0.3	0.3	0.3	0.3	0.3	0.3
G20 Emerging economies		1.2	1.2	1.2	1.1	1.1	1.1	1.1

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

## E. Intensified risks of social unrest

As growth slows in emerging and developing economies, social unrest has been on the rise (see figure 9). After a few turbulent years in the aftermath of the global crisis, the expression of dissatisfaction with the economic and social situation had started to decline in many regions (see ILO, 2015i), but as the economic situation began to deteriorate once more, most notably in developing economies, social unrest became more apparent.

In contrast, in the developed economies where the recovery has strengthened, social stability has continued to improve, while emerging economies are exhibiting little change. Should the current improvements in labour market conditions prove to be short-lived, the situation could quickly reverse. In both groups of countries, widespread unemployment among young males, which remains at an elevated level in developed economies, is often a key driver behind political and social movements.

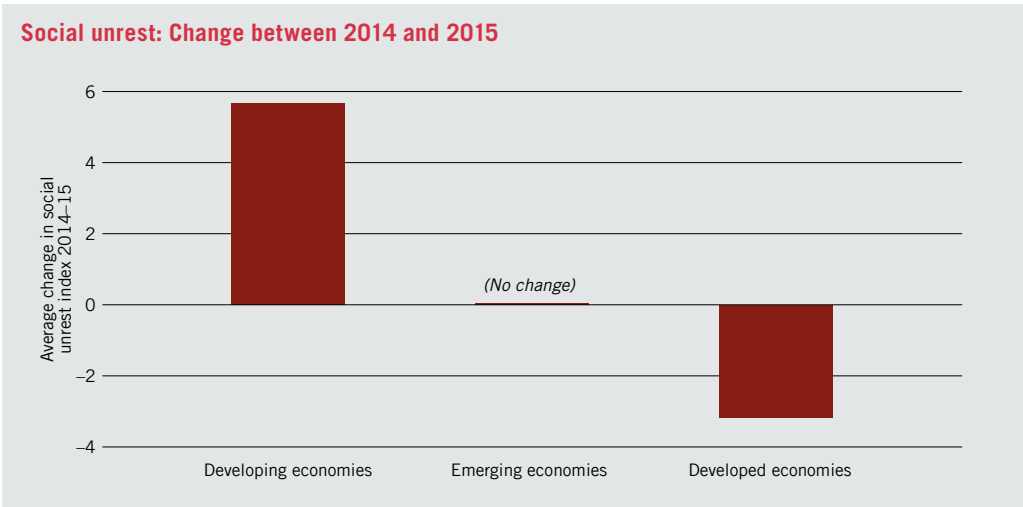


Figure 9

Note: The social unrest index for each country ranges from 0 (lowest) to 100 (highest). The figure shows the average change for all countries within an income group. See Appendix A for income group classification.  
Source: ILO calculations based on GDELT Event database (<http://gdeltproject.org>).

## F. Decent work at the heart of sustainable development

The newly adopted SDGs stress the key role of decent work in ensuring inclusive economic growth as well as its contribution to enhancing social and environmental outcomes, addressing the three dimensions of sustainable development in a balanced and mutually reinforcing way. From what was previously only a subcomponent of the MDGs on Poverty Eradication, decent work is now brought to the forefront of the new agenda with SDG 8: “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”, and mainstreamed across the Agenda. Since the quest for decent work is a universal concern, SDG 8 will provide a further impetus to address the root causes of poverty and inequality. In view of the recent trends, the new Agenda is relevant to all countries, developed as well as emerging and developing.

Indeed, decent work cuts across several goals in addition to SDG 8. For instance, access to decent employment opportunities and the extension of social protection floors to all are the most effective ways to ensure that those living below the poverty line are able to lift themselves and their families above any given poverty threshold (SDG 1). Ensuring healthy lives and the promotion of well-being

### Box 4

#### Gender gaps in labour market outcomes: Challenges for sustainable development

Gender equality and women’s empowerment are key policy objectives for the 2030 Agenda for Sustainable Development. Over the recent decade, gaps in labour force participation rates have narrowed slightly in most regions and globally there has been a significant decrease in the number of women in vulnerable employment. Despite this progress, however, several gaps persist and more steps need to be taken to address them. In particular, gender gaps in unemployment remain significant, especially for young women. Moreover, women continue to be overrepresented as contributing family workers or in other informal work arrangements, limiting their access to social protection measures, such as pensions, unemployment benefits or maternity protection. Also, in most regions of the world, women are more likely to be underemployed and to undertake part-time jobs or work under temporary contracts.

Women continue to suffer from significant pay gaps, which result from occupational segregation and discrimination as well as differences in hours worked. In developed countries, women are particularly concentrated in less well-remunerated sectors, such as health and social work, education and other services. In many developing and particularly low-income economies, women are overrepresented in time- and labour-intensive agricultural activities, which are often poorly remunerated, if they are paid at all. In order to address both gender employment and pay gaps, a well-designed set of policies and good practices is necessary. Depending on country circumstances, these may include:

- availability of part-time opportunities for those who voluntarily choose them, ensuring that these are not concentrated in low-paid work
- vocational training and apprenticeship programmes for youth, and especially young women, to facilitate a smoother transition from school to work

Source: ILO, 2016b (forthcoming).

- educational programmes, training, mentorship and exposure to encourage more young women to enter non-stereotypical fields of study and work
- accessible and affordable childcare and good quality care for the elderly, as well as adequate maternity protection, and paternity and parental leave aimed at fathers.

To bring gender issues into the mainstream of society, a set of specific strategic approaches and institutional processes need to be adopted in national public and private organizations, at both central and local policy level. Gender mainstreaming aims to transform discriminatory social institutions that might be embedded in laws, cultural norms and community practices. Sound legal frameworks that ban employment discrimination based on gender, maternity, paternity and family responsibilities must also be effectively enforced and provide for adequate redress. Legal and other barriers to employment and career progression, including restrictions on ownership, access to land or to financial services, as well as restrictions applying to female employment in certain occupations and during certain working hours must also be addressed through effective law and policy.

In this respect, government budget and fiscal measures can play an important role in promoting women’s development and gender equality, particularly when countries recognize that government budgets are not gender-neutral and fiscal measures may have different impacts on men and women. “Gender budgeting” – by incorporating gender issues into the regulations and practices underlying the budget – has been used to achieve a wide variety of goals, including increased access to education, childcare and health services, as well as higher rates of female labour force participation and reduced violence against women.

(SDG 3) as well as providing access to education and the opportunity to develop the skills necessary for decent jobs (SDG 4) are a precondition for a productive workforce. The empowerment of women and achieving gender equality (SDG 5) are central dimensions of the decent work agenda, notably in raising female labour force participation and tackling gender wage gaps (see [box 4](#)). In this same vein, reducing labour market imbalances would contribute significantly to addressing inequality within and among countries (SDG 10). The new Agenda calls for greater compliance with international and national labour standards for all groups of working people, particularly migrant workers and those in informal and vulnerable forms of work (SDG 8, target 8).<sup>9</sup> SDG 9, on sustainable industrialization, calls for inclusive and sustainable industrialization and that, by 2030, industry's share of employment and GDP should be significantly increased, in line with national circumstances, and that its share be doubled in the least developed countries. The implementation of the labour market and social protection policies listed in the ILO Global Jobs Pact is mentioned as means of achieving the decent work outcomes in the new Agenda. Furthermore, elements of the decent work agenda can be associated with environmental outcomes, notably in the areas of sustainable consumption and production (SDG 12), climate change (SDG 13), preservation of the oceans (SDG 14) and promotion of peaceful societies, the rule of law and strengthened institutions (SDG 16).

**The widespread prevalence of forced labour, human trafficking and child labour hinders the availability of decent employment for all, including for future generations**

The Sustainable Development Agenda calls for immediate and effective measures to eradicate forced labour, to end modern slavery and human trafficking, prohibit and eliminate the worst forms of child labour and end child labour in all its forms by 2025. The ILO estimates that there are 21 million people worldwide who are victims of forced labour – trapped in jobs into which they were coerced or deceived and which they cannot leave (ILO, 2012). Of these, 90 per cent are exploited in the private economy (through sexual exploitation or employment in domestic work, agriculture, construction and manufacturing), while another 10 per cent are in state-sanctioned forced labour (prisons, work imposed by military, etc.).

Emerging and developing countries in the Asia and the Pacific region account for the largest share of forced labour (including human trafficking) in the world – 56 per cent (11 million) – followed by Africa at 18 per cent (3.7 million) and Latin America and the Caribbean at 9 per cent (1.8 million).<sup>10</sup> The highest number of victims per thousand inhabitants can be observed in Central and Eastern Europe (at 4.2) and sub-Saharan Africa (4.0).

At the same time, the ILO estimates that 168 million children aged between 5 and 17 are involved in child labour across the world, constituting 10.6 per cent of all children in the age group.<sup>11</sup> Of this number, 85.3 million are in hazardous work, constituting 5.4 per cent of the total age group (ILO, 2013). While these figures remain very high, progress has been made since the start of the millennium. This figure represents a decrease in child labour from 245.5 million (15.5 per cent) and, with regard to hazardous work, from 170.5 million (11.1 per cent) in 2000. Globally, child labour rates are slightly higher for boys than girls (50.7 per cent and 49.3 per cent of the total, respectively). However, girls' involvement in child labour is likely to be underestimated due to shortcomings in data concerning household work, particularly hazardous chores, as well as other, less visible forms of labour.

**Monitoring progress will require comparable, reliable and timely data**

There are 169 targets within the 17 SDGs, and currently over 200 indicators have been proposed to track these (see Appendix C). By the end of 2016, governments are scheduled to agree on a final list of indicators. However, comparable, reliable and timely data are required to track the indicators and these are often lacking. Innovations will be required to encompass several dimensions, including scaling up administrative registers (proven to be an efficient and inexpensive method of data collection), ensuring that the national statistics offices (NSOs) have the capacity and technology to collect high-quality internationally comparable data and enabling harmonization and cross-country comparability of data ([box 5](#)).

## Box 5

**SDGs and the importance of comparable, reliable and timely data**

The ILO has made significant progress in collecting data on indicators such as informal employment in collaboration with governments' NSOs, but such information is often produced only on an irregular basis. There is a clear need for labour statistics to go beyond the headline indicators that are commonly collected by NSOs. To achieve this end, efforts must be made to enhance capacity and ensure that new methodologies and technologies are widely shared (SDG 17).

Many innovations have been introduced to facilitate the examination of labour market

outcomes, such as working poverty and vulnerable employment. It is likely that the SDGs will herald further innovations in terms of indicators, data collection methods and dissemination. Furthermore, countries will adapt the SDGs to meet their own needs in terms of tracking progress and achievements, as was the case with the MDGs. Over the next 15 years, new ways of measuring progress within the SDGs are likely to emerge, which will enhance the understanding of the development challenges facing the global community.

The image features a solid red background with a white grid pattern. The grid consists of several thin white lines that intersect to form a series of rectangles. The main title is centered in the lower half of the page. A large number '2' is positioned in the bottom left corner, partially overlapping a white rectangular area.

# EMPLOYMENT AND SOCIAL TRENDS BY REGION

**2**

As highlighted in Chapter 1, labour market and social conditions vary considerably across regions (see Appendix A for a list of ILO countries and regional classifications). In terms of unemployment, the short-term outlook shows that Europe and Central Asia and Northern America will do relatively well in comparison to other regions, including Latin America and the Caribbean, the Arab States, Asia, and Sub-Saharan Africa. However, unemployment levels and rate do not often capture well the extent of the labour market and social challenges. This is particularly the case in the emerging and developing economies, where the persistence of vulnerable employment, informal employment and working poverty is of key concern (ILO, 2015i). Even in Europe and Central Asia and Northern America, where unemployment is expected to decline, long-term unemployment and youth unemployment remain significant labour market and social challenges. In this respect, all countries and regions of the world are confronting the challenge of creating sufficient quality employment.

With that in mind, this chapter will assess both across and within regions (i) recent economic and labour market developments; (ii) short-term employment and social prospects; and (iii) major deficits and challenges to achieving success in terms of the SDGs.

## A. Africa

### NORTHERN AFRICA

#### **Signs of economic recovery are surfacing, although security and political factors continue to weigh on growth**

Despite continuing regional conflicts and difficult political transitions in a number of countries, Northern Africa is expected to register a slow but steady economic rebound over the next few years. GDP is estimated to have expanded by 3.7 per cent in 2015 – after having bottomed out at 2.0 per cent in 2011 – and the region is projected to continue growing at rates close to 4 per cent or higher over the forecast horizon (IMF, 2015d). However, a number of country-specific risks persist. The decline in tourism revenue due to the uncertain security situation is severely affecting Tunisia, where GDP growth is expected to have been a mere 1 per cent in 2015, down from 2.3 per cent of 2014. Likewise, GDP growth in 2015 will have remained subdued in Libya (2.1 per cent)<sup>12</sup> and Algeria (3.1 per cent). On the upside, economic growth in Egypt and Morocco has proven to be more resilient to geopolitical tensions in the region (although recent developments in the former may negatively affect the outlook). GDP growth in 2015 is expected to have reached 4.8 per cent in Morocco and 4.2 per cent in Egypt, the best performance for both countries since 2011.

In line with the stronger growth outlook, productivity growth is also projected to pick up in coming years, increasing from 1.1 per cent in 2015 to 2.1 per cent by 2017 (table 5). Yet, productivity gains remain weak compared to productivity performances in some regions at a similar stage of economic development. There are also a number of structural and institutional factors hampering firm creation and growth prospects. These factors include: cumbersome bureaucracy for businesses, in particular small firms; low participation of women in the labour force; and low levels of entrepreneurial activity.

#### **Unemployment appears to be on a downward trend, but labour market distress remains pervasive, particularly among women and youth**

Against this background, there are some signs that employment creation in the Northern Africa is strengthening. This has led to the first decline in the incidence of unemployment since 2011. The unemployment rate is expected to have reached 12.1 per cent in 2015 – down from 12.5 per cent in 2014 – and is projected to further decline over the next couple of years (table 5).

Growth remains too low and not sufficiently inclusive to make a significant impact on youth unemployment, however. Northern Africa has, as a whole, the highest regional youth unemployment rate

Table 5

Labour market outlook for Northern Africa (2000–17)						
	2000–07	2008–13	2014	2015	2016	2017
Labour force participation rate	47.4	47.7	48.0	48.2	48.3	48.3
Unemployment rate	13.4	11.4	12.5	12.1	11.8	11.6
Employment growth	2.9	1.9	1.5	2.5	2.1	2.2
Vulnerable employment	36.7	33.7	34.2	34.0	33.8	33.6
Working poverty (less than US\$1.90)	8.6	6.0	5.2	5.2	5.3	5.2
Working poverty (between US\$1.90 and US\$3.10)	26.4	20.5	19.0	18.8	18.6	18.2
Productivity growth	1.9	0.8	-0.4	1.1	1.8	2.1

Note: Employment and productivity growth figures present percentage growth rates. Employment figures refer to the total economy. Labour productivity is measured as real output per worker, PPP-adjusted. Vulnerable employment share is defined as the sum of own-account workers and contributing family workers in total employment.

Source: ILO calculations based on ILO Research Department’s Trends Econometric Models, November 2015.

in the world, at close to 30 per cent in 2015, and there are no signs that it will fall significantly in the near future. Moreover, the unemployment rate masks the fact that the labour force participation rate in the region remains among the world’s lowest, standing at 48.2 per cent in 2015 against a global average of 62.9 per cent. This is mainly due to the extremely low participation rates among women and youth – at 22.5 per cent and 31.9 per cent respectively in 2015.

In addition, a large share of youth and women find themselves not in education, employment or training (NEET). Recent data show that, among those aged 15–29 years old, NEETs account for 32 per cent in Tunisia (reaching some 42 per cent of young women) and 40 per cent in Egypt (64 per cent of young women) (ILO, 2015e). These NEET figures are particularly worrisome because inactivity at an early stage in life has a negative impact on employability, future earnings and access to quality jobs.

**Targeted policy interventions are needed in the areas of youth policy and activation strategies**

The increased access to education over the past decade has resulted in more young people aspiring to jobs in professional occupations. Unfortunately, there are currently not enough jobs available within this category to meet the supply of graduates. Some steps in this direction have been taken, by increasing investment in stronger skills identification and anticipation systems, in particular at the sectoral level. It should be noted that the region sends a relatively large share of skilled workers abroad, underscoring the range of factors at play in matching potential employers with skilled workers.

Several countries in Northern Africa are starting to devote more attention to the design and implementation of active labour market programmes, targeting young graduates in particular. These investments in labour market measures are funded through public sector financing and through resources from development partners. For instance, the Government of Tunisia has established an employment fund to support activation measures, while the Government of Morocco is looking into the feasibility of establishing a similar mechanism. Public employment services in Northern Africa are chronically understaffed, however, and they often do not have the means or the expertise to provide services of sufficient quality.

Meanwhile, more than one in three workers are in vulnerable employment and 24 per cent of people employed find themselves under the poverty threshold of US\$3.10 (PPP) (table 5). Despite some improvement in working conditions, the quality of employment remains an issue of particular concern in the context of the SDGs (see box 6).



## Box 6

## SDGs and the labour market in Northern Africa

As this section has shown, economic growth in Northern Africa has continued despite the ongoing political crises and instabilities. However, the continued turmoil has dampened social progress in the region, particularly when it comes to providing better employment opportunities for youth, bridging the participation and employment gaps between men and women and enhancing overall job quality in the region. The region faces considerable challenges in achieving the SDGs, in particular:

- *High unemployment and youth unemployment rate* (targets 8.5, 8.6 and 8.8): As it stands, the youth unemployment rate in Northern Africa is at 30 per cent, reaching 45 per cent for female youth. Addressing this challenge is of particular importance, as high rates of unemployment have been linked to political instability in the region. It has been argued that lack of decent work opportunities was one of the triggers of the Arab Spring Uprisings in 2011 and political instability has undermined attempts to implement strategies designed to promote youth employment.
- *Forced labour, modern slavery and human trafficking* (target 8.7): Cases of forced labour, modern slavery and human trafficking of workers from Northern Africa demonstrate that this issue continues to demand attention. Child labour remains high across the region, with 9.2 million child labourers reported in Northern Africa and the Middle East (ILO, 2013a). In Egypt, around 1.6 million children (aged 5–17) are considered child labourers. In Sudan, it is estimated that 4 per cent of the labour force is composed of children aged 6–9 years old, representing some 47 per cent of children.
- *Uneven social protection* (target 1.3): The coverage of social protection systems including social assistance is uneven and fragmented in the Northern Africa region. Pension coverage varies across the region, reaching 30–40 per cent of the workforce in countries such as Algeria, Egypt, Morocco and Tunisia, but reaching a very small proportion of the population in countries such as Sudan (Maxwell et al., 2012). Furthermore, informal workers (40–60 per cent of employment) are not covered by any social protection scheme. Health systems in the region are also largely inadequate and the cuts in public spending on health care have had detrimental effects.

## SUB-SAHARAN AFRICA

**Growth in sub-Saharan Africa remains solid but highly uneven across countries, with commodity price declines weighing negatively on exporters**

Economic progress in the African continent has been significant in recent years (ILO, 2015a). With an average rate of growth of 5 per cent per annum since the late 1990s, Africa is one of the fastest growing regions of the world (UNECA, 2015). Growth in sub-Saharan Africa has weakened recently, falling to 3.6 per cent in 2015 from 4.9 per cent in 2014, but is expected to recover partially in the course of 2016, to reach 4.2 per cent (IMF, 2015d).

China is the main trading partner for the region. However, China has been gradually moving away from a reliance on manufacturing, construction and exports, and towards a focus on services sectors and consumption, which has reduced its demand for raw materials. The consequent sudden drop in commodity prices and slowdown in international trade have worsened the outlook for the sub-Saharan Africa region considerably. The region is entering this more difficult period for growth with a more constrained space for public sector spending than at the beginning of the global financial crisis (IMF, 2015b). To address these shifts in the international environment, the continent needs to diversify and move into higher value-added activities in manufacturing (ILO, 2015g). Meanwhile, tourism also provides an opportunity for diversification away from commodities. Sub-Saharan Africa welcomed

**The Ebola epidemic in Western Africa**

According to the World Health Organization there have been a total of 28,607 reported, confirmed, probable and suspected cases of Ebola virus in Guinea, Liberia and Sierra Leone, with almost 11,314 reported deaths as of 1 November 2015. The vast majority of confirmed cases of Ebola affected the most productive segment of the population – people aged 15–45 years. The world of work has been hard hit as businesses have seen their activities significantly reduced or stopped, particularly in the mining and agricultural sectors. Workers lost their jobs and many households had to struggle

to find new ways of earning a living to compensate for lost incomes. Social unrest and industrial conflicts have taken place. Ebola has aggravated poverty, unemployment and informality, creating a vicious circle leading to even greater fragility. Based on World Bank estimations, economic growth in 2015 in Guinea and Sierra Leone is estimated to have fallen to –0.2 per cent and –23.5 per cent respectively (World Bank Group, 2015). As a subregion, West Africa’s growth is estimated to have fallen to 5 per cent in 2015, lower than the 6 per cent recorded in 2014 (AfDB et al., 2015).

around 35.9 million international tourists in 2014, up from 9.6 million in 1990. Tourism receipts grew to US\$25.9 billion in 2014 (up from US\$25.3 billion in 2013). Tourism to the region is forecast to grow to an estimated 88 million international arrivals by 2030 (UNWTO, 2015).

Steady progress has been made in attracting foreign direct investment (FDI). The stock of FDI is three-quarters higher than in 2007, and now exceeds Official Development Aid (ODA). About a quarter of this investment has come from large emerging economies in Asia (particularly China) and Latin America (ILO, 2015g). However, investments have been concentrated largely in natural resources, and have only recently diversified slightly more towards agriculture and services.

Unfortunately, only nine of the region’s 34 least developed countries (LDCs) reached GDP growth of 7 per cent or more in 2014, equivalent to the SDG target 8.1 goal for addressing poverty through inclusive growth (box 8).

Political instability, armed conflicts, terrorism and social unrest continue to prevent better social and economic performances in some parts of sub-Saharan Africa. In addition, country-specific setbacks have had negative impacts on growth in the region, such as labour disputes and power supply problems in South Africa and the Ebola virus epidemic in Guinea, Liberia and Sierra Leone (see box 7).

**Creating productive jobs remains a key challenge for the region**

The lack of economic diversification in sub-Saharan Africa has been a factor in subdued labour productivity growth, especially in comparison to other developing countries. Output per worker is expected to have grown by only 0.5 per cent in 2015, picking up to 1.7 per cent by 2017 (table 6), although productivity performance varies across major economies in the region. While above-average productivity growth (3 per cent or higher) has been registered in Ethiopia, Kenya and Tanzania, Angola, Cote d’Ivoire and South Africa posted negative productivity growth in 2015.

Although productivity gains are forecast to improve over the next few years in virtually all the economies of the region, the current figures highlight the difficulty sub-Saharan Africa has had in increasing agricultural productivity and reducing reliance on natural resources. There is also a high productivity gap between informal and formal enterprises in Africa (AfDB, 2012; Stampini et al., 2011).

The unemployment rate for the region moved up slightly to 7.4 per cent in 2015, from 7.3 per cent in 2014. Unemployment rates for women are estimated at 8.5 per cent in 2015, up from 8.4 per cent in 2014, while for men rates were estimated at 6.4 per cent in 2015 and 6.2 per cent in 2014. However, unemployment rates in the region are low because broad gaps in social protection force people to work, even if sporadically and informally. Instead, employment growth in the region closely follows labour

Table 6

Labour market outlook for sub-Saharan Africa (2000–17)						
	2000–07	2008–13	2014	2015	2016	2017
Labour force participation rate	69.8	69.9	70.0	70.2	70.3	70.4
Unemployment rate	8.1	7.6	7.3	7.4	7.5	7.5
Employment growth	3.0	3.0	3.4	3.0	3.0	3.1
Vulnerable employment	72.9	71.4	69.8	69.9	69.7	69.6
Working poverty (less than US\$1.90)	49.3	39.9	35.2	34.3	33.1	31.7
Working poverty (between US\$1.90 and US\$3.10)	23.8	27.7	29.6	29.7	30.0	30.4
Productivity growth	2.9	1.8	1.5	0.5	1.2	1.7

Note: Employment and productivity growth figures present percentage growth rates. Employment figures refer to the total economy. Labour productivity is measured as real output per worker, PPP-adjusted. Vulnerable employment share is defined as the sum of own-account workers and contributing family workers in total employment.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

force growth (between 3.1 and 3.3 per cent for 2012–15) (ILO, 2015g) and underemployment is a significant factor. In Cameroon, for instance, underemployment is estimated to stand at 75.8 per cent of total employment (ILO, 2015g); and in Ghana, with a low unemployment rate of 5.2 per cent, more than one-third of the population is underemployed, and the composite measure of underutilization is 47.0 per cent.<sup>13</sup>

### The vast majority of workers find themselves in informal or vulnerable employment

According to various studies, the informal economy in the region contributes 50–80 per cent of GDP, 60–80 per cent of employment and 90 per cent of new jobs (UNU-WIDER, 2014). Nine out of ten workers in both rural and urban areas are estimated to hold only informal jobs (ILO, 2009). The share of informality varies across the region: informal employment is lower in southern Africa, where it ranges from 32.7 per cent in South Africa to 43.9 per cent in Namibia. In the other sub-Saharan African countries for which data are available, the percentage exceeds 50 per cent and reaches as high as 76.2 per cent in the United Republic of Tanzania, 89.2 per cent in Madagascar and 93.5 per cent in Uganda (ILO, 2013c).

Unfortunately, most people in informal work are in low-skilled jobs, exposed to inadequate and unsafe working conditions, with inadequate training opportunities, low wages and long working hours, and no social protection. Data from Zimbabwe help to demonstrate the close link between informal employment, low income levels and underutilization of skills: 86 per cent of individuals in informal employment in Zimbabwe are engaged as unskilled workers, and only 8.3 per cent are in the professional or skilled category.<sup>14</sup>

Meanwhile, the incidence of vulnerable employment remains pervasive in the region, at almost 70 per cent of total employed against a global average of 46.3 per cent. More importantly, this share shows no sign of decreasing in the foreseeable future, casting doubts on the region's ability to reduce informality and improve job quality. In almost all sub-Saharan African countries, a higher share of women than men is estimated to be active in the category of contributing family workers in 2015. The highest shares of female contributing family workers out of total female employment are found in Senegal, at 75.9 per cent; Burkina Faso, at 69.1 per cent; and Ghana, at 49.5 per cent. The corresponding shares for men in these countries are estimated at 53.6 per cent, 23.5 per cent and 28.3 per cent in the same year. Labour force survey data from various countries of the region also indicate that women are overly represented in informal own-account work.<sup>15</sup>

Not surprisingly, given the prevalence of informality and lack of productive employment opportunities, sub-Saharan Africa has the highest emigration rate globally. According to UN population statistics, the region has an emigration rate of 1.5 per cent, against a global average of around 1 per cent. Countries with high emigration rates include The Gambia, Côte d'Ivoire, Somalia, Tonga and Zimbabwe. Evidence indicates that lack of decent work opportunities – including high incidence of working poverty and lack of adequate social protection – is a significant determinant of this emigration (ILO, 2014c).

**After leaving school, a striking majority of young people enter the informal economy, while many migrate, looking for opportunities elsewhere**

The prominence of the informal economy in most sub-Saharan African countries stems from the limited formal job opportunities available to the most vulnerable populations, such as the poor, women and youth. The youth unemployment rate stood at 11.1 per cent in 2015, up from 10.9 per cent in 2014. It is higher for young women (12.5 per cent in 2015) than young men (9.8 per cent in 2015). Youth employment growth remains below overall employment growth (at 2.7 per cent in 2015) (ILO, 2015b). As a consequence, informal employment tends to be the first job for most youth in sub-Saharan Africa. According to ILO data from school-to-work transition surveys in eight sub-Saharan African countries, at least eight in ten young workers are in informal employment (ILO, 2015d).<sup>16</sup> Many African students have interrupted periods of education, alternating with significant work breaks, exposing them early on to informal work and making it more difficult for them to acquire either proper academic qualifications or quality work experience.

**Working poverty is on the decline, but inequalities persist**

Sub-Saharan Africa has the world's highest poverty levels, and although poverty has declined in recent years, it has fallen at a much slower pace than in other regions (IMF, 2015b). In 2012, the poverty headcount ratio (at US\$1.90 a day) was at 42.7 per cent, down from 56.8 per cent in 1990. By way of comparison, the most recent poverty rates stand at 18.8 per cent in Southern Asia, down from 50.6 per cent, and 7.2 per cent in South Eastern Asia and the Pacific, down from 60.6 per cent, over the same period.

Working poverty is also gradually declining. The share of workers in poverty – i.e. those living on less than US\$3.10 per day, PPP – stood at 64 per cent in 2015 and it is expected to decline only slightly in the next two years (table 6). Furthermore, one-third of all workers are in extreme poverty (less than US\$1.90 per day, PPP). Sub-Saharan Africa has the second highest income inequality in the world, after Latin America and the Caribbean. On average, the poorest quintile receives 5.9 per cent of the income (or consumption) while the richest quintile attracts 49 per cent, in countries for which data are available.<sup>17</sup> Income inequality is highest in middle-income countries and some oil-exporting countries, and it has not declined despite high growth. Indeed, higher GDP growth appears to have gone hand in hand with increases in inequality, which is partly explained by weak economic governance and a high dependence on commodity exports (IMF, 2015b). This is particularly harmful considering the evidence showing that inequality negatively affects growth and macroeconomic stability over the long term.

A more positive achievement for Africa can be found in its rising developing middle class. The share of workers earning between US\$5 and US\$13 a day has reached 13.6 per cent of total employees, up from 10.1 per cent in 2000. However, this development is slower in sub-Saharan Africa in comparison to other regions, particularly Northern Africa (box 8).

### Closing gaps with the SDGs in sub-Saharan Africa

With its abundant natural resources and young population, Africa stands a good chance of achieving the recently agreed SDGs (ILO, 2015a). However, various obstacles still stand in its way, most notably the significant decent work gaps in the continent, which – unless appropriately addressed – put at risk the achievement of these global goals. The ILO's constituents in Africa adopted *Transforming Africa through Decent Work for Sustainable Development* at their Regional Meeting held in Addis Ababa 30 November to 3 December 2015, which sets out policy priorities and the ILO's role in promoting decent work and inclusive development in the continent.

- *GDP per capita growth* (target 8.1): GDP growth in Sub-Saharan Africa (PPP weighted) remained at a high level over the past ten years (5.9 per cent on average for 2004–14), with only a recent decline to 3.6 per cent. However, this growth has largely been driven by commodity price cycles and it remained uneven across countries.
- *Decent work* (target 8.5): Despite relatively low unemployment rates and high labour force participation, underemployment, working poverty and poor job quality remain significant problems. Underemployment can reach over 75 per cent in some countries, and extreme poverty still touches 34.3 per cent of the employed population. The proportion of the working-age population legally covered by an old-age pension is lowest across all regions, at just above 35 per cent (ILO, 2015h). Protection against unemployment is almost non-existent in the region, and where it is available it only covers employees (SDGs 1 and 10). In response to these critical challenges, 46 ILO member States in the region have made progress in mainstreaming decent work into their national development strategies and frameworks, while 34 states have made progress in adopting integrated strategies for sustainable enterprises with a special focus on supporting women entrepreneurs. A few countries have put in place policies to formalize enterprises (ILO, 2015a) (target 8.3).
- *Youth unemployment* (target 8.6): Overall, educational attainment has improved, with 41 per cent of young people in the region attaining secondary education, compared with 26 per cent in 2000. Estimates indicate that in 2010, there were 44.7 million NEETs in sub-Saharan Africa (WEF, 2013).
- *ILO labour standards*: Ratification of the ILO fundamental Conventions is high in the region: only six countries have not ratified one or more of the eight fundamental Conventions (ILO, 2015b). However, countries in the region lack sufficient institutional capacity for enforcement, as evidenced by the widespread breaches of the core standards (target 8.8). According to the latest ILO global and regional estimates, the sub-Saharan Africa region has the highest incidence of child labour, with one in five children involved. In absolute terms, 28.4 per cent of children aged 5–17 years old – or 58 million – were in child labour (ILO, 2013), as compared to 14.8 per cent in Asia and the Pacific and 9 per cent in Latin America. Furthermore, in the region, 38.7 million children aged 5–17 years old find themselves in the worst forms of child labour (ILO, 2015b). Forced labour and human trafficking continue to be significant in the continent: out of a global estimated 21 million persons in conditions of forced labour (including trafficking), 3.7 million are found in Africa (target 8.7) (ILO, 2013).
- *Gender equality*: The region's level of gender inequality is better than only that of the Arab States and Northern Africa, as measured through the UN Gender Equality Index. However, the percentage of women in non-agricultural wage employment in sub-Saharan Africa has increased from 24 per cent to 34 per cent in the past 25 years (SDG 5) (ILO, 2015a).
- *Access to employment for workers with disabilities*: In terms of progress towards anti-discrimination, Malawi and Zambia enacted the Disability Act 2012 and Persons with Disabilities Act 2012, respectively. Also Cameroon, Ethiopia and Niger have recently legislated on the promotion of employment for people with disabilities. South Africa published the Pay Equity Regulations in 2014, including criteria and guidelines to assess work of equal value.
- *Social dialogue and collective bargaining*: Effective social dialogue is necessary for inclusive and sustainable growth. While data are not sufficient to comprehensively evaluate the status of social dialogue and collective bargaining in the region, trade union density in general is low (generally below 5 per cent; highest in South Africa at 24.9 per cent (2008)). Collective bargaining coverage is generally at 10 per cent or less of total employment (SDG 9) (ILO, 2015a).

### NORTHERN AMERICA

#### **Expansionary monetary policy and lower oil prices have helped to fuel economic growth in the United States and job creation has continued at a healthy rate since 2013<sup>18</sup>**

Economic growth in the United States is expected to strengthen. Having grown at 2.4 per cent in 2014, it is expected to grow by 2.6 per cent in 2015 and 2.8 per cent in 2016.<sup>19</sup> The strengthening of the outlook stems from lower oil prices and increased consumer spending, recovering housing and labour markets and improved financing conditions for businesses. As a result, the economy is on the mend and labour market conditions are continuing to improve. The Federal Reserve's decision to continue its expansionary monetary policy throughout 2015 has further boosted the domestic and global economy.

In November 2015, the unemployment rate in the United States stood at 5.0 per cent, down from 5.8 per cent in November 2014 (the number of unemployed declined by 1.1 million from 9.0 million to 7.9 million). The unemployment rate has fallen 3 percentage points from its level of 8.0 per cent in January 2013. While job creation has been robust, part of the fall in the unemployment rate is due to large numbers of discouraged workers and declining labour force participation rates (table 7). The share of those without employment for 27 weeks or more in total unemployed stood at 25.7 per cent (2.1 million) in the United States in November 2015. The youth unemployment rate (aged 16–19) declined from 16.6 per cent in November 2014 to 15.7 per cent in November 2015, yet remains high in comparison to the adult rate (ILO 2015c).

#### **The decline in commodity prices dampened Canada's growth in 2015 and the unemployment rate has crept up**

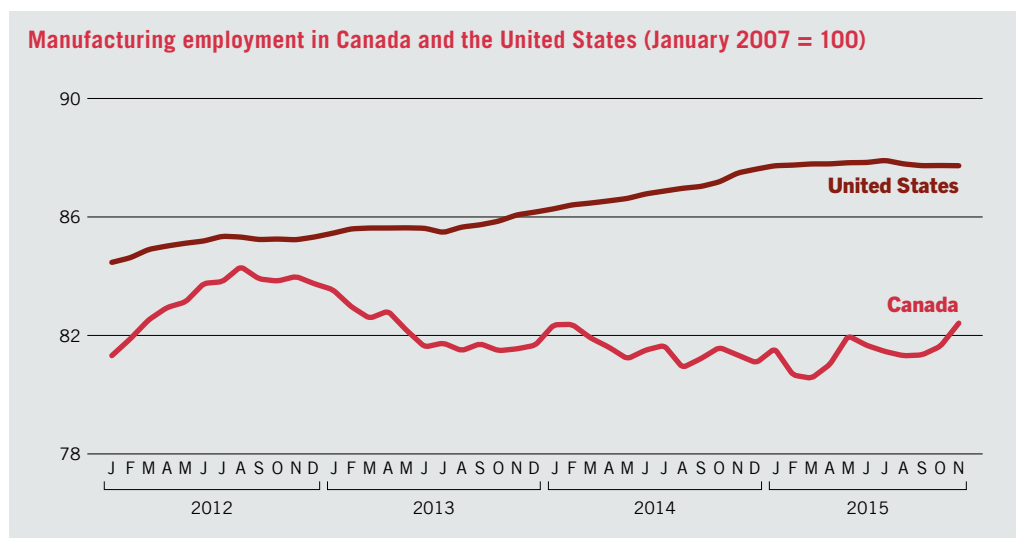
In the first half of 2015, the Canadian economy contracted by 0.8 per cent during the first quarter and 0.5 per cent during the second quarter of 2015 (quarter-on-quarter percentage change), largely due to lower oil and commodity prices (Bank of Canada, 2015). Oil- and gas-related industries account for 9 per cent of Canadian economic activity and contraction of this sector (3.1 per cent in the second quarter of 2015, year-on-year) has had important negative spillover effects. The non-energy commodity-related industries, which account for another 8 per cent of the economy, also contracted over the same period (by 1.6 per cent, year-on-year). In the last two quarters of 2015, GDP growth is expected to have improved and, as a result, annual GDP growth is estimated at 1.0 per cent in 2015 and 1.7 per cent in 2016 (considerably lower than the 2.4 per cent achieved in 2014) (IMF, 2015d).<sup>20</sup>

As commodity prices tumbled, demand for the Canadian dollar (CAD) followed suit. Between January 2012 and the end of 2015, the CAD depreciated by more than 30 per cent against the United States dollar (US\$).<sup>21</sup> There was some speculation that a falling CAD would boost the competitive position of the Canadian manufacturing sector and lead to stronger export growth. Such a development would also have led to more regionally balanced economic growth within the country.<sup>22</sup> However, this has not materialized, at least in terms of manufacturing employment. Since the middle of 2012, when the CAD began to depreciate, manufacturing employment in Canada has trended downwards (although there have been some recent improvements towards the end of 2015) (figure 10).<sup>23</sup>

The unemployment rate increased from 6.7 per cent in November 2014 to 7.1 per cent in November 2015. Since January 2013, the unemployment rate in Canada has hovered around 7 per cent. In 2014, the share of long-term unemployed (those without employment for more than a year) in total unemployed stood at 12.9 per cent (163,000) in Canada, one of the lowest shares among the OECD countries (OECD, 2015). At the same time, the youth unemployment rate (aged 15–24) in Canada stood at 12.7 per cent in November 2015, down from 16.4 per cent in July 2010, and is only just over double the adult rate (6.1 per cent), considerably below the global average of 2.9 per cent (ILO, 2015c).

Overall employment creation in Canada has not been adequate to absorb new labour market entrants and this has translated into higher unemployment. The gains in competitiveness from relatively lower priced goods may take time to develop fully. The sector must also face the challenge presented by the emergence of lower cost competitors in other countries, such as Mexico, combined with structural transformation and new manufacturing methods.

Figure 10



Source: ILO calculations based on Statistics Canada and the United States Bureau of Labor Statistics.

### Labour force participation has fallen considerably in the United States, while it has undergone only a modest decline in Canada

In the case of the United States, the participation rate remained stable at 66 per cent between 2003 and 2008, but it has since fallen precipitously by 3.4 percentage points: between November 2008 and November 2015, it dropped to 62.5 per cent. Falling participation rates are due to both cyclical and structural factors. Estimates vary depending on the study and the methodology used, but all of them show the importance of both structural and cyclical factors for declines. According to Braun et al. (2014), half of the decline in US participation rates is attributable to lower participation rates among older cohorts in the context of an ageing population; one-sixth of the decline is due to cyclical factors in line with previous recessions; one-third is due to other factors (excluding both ageing and cyclical factors) specific to the financial and economic crisis of 2007.

Meanwhile, the participation rate in Canada stood at 65.8 per cent in November 2015, down from 67.4 per cent in November 2008, representing a decline of 1.6 percentage points. Looking ahead, the participation rate is expected to continue to decline, albeit at a modest pace in comparison to the United States (table 7).

### Labour market outlook for the next two years is stronger in the United States than in Canada

The ILO projections indicate that the unemployment rate in the United States will continue its downward trend over the next two years, reaching 4.7 per cent in 2017 (table 7). The expected decline in the United States is a result of the continuing policy of robust job creation (1.7 per cent in 2015 and 1.1 per cent in 2016) but is also a reflection of the ongoing slide in labour force participation rates. Labour productivity is anticipated to pick up in the United States in the coming years but remains a key policy concern.

In the case of Canada, the unemployment rate is forecast to hold steady at just under 7 per cent, with employment growth expected to keep pace with labour force growth. Meanwhile, annual labour productivity growth will slowly pick up in 2016, rising to 1.9 per cent in 2017.

Table 7

Labour market outlook for Northern America (2000–17)		2000–07	2008–13	2014	2015	2016	2017
Labour force participation rate	United States	65.5	63.6	62.2	62.1	62.0	61.8
	Canada	66.4	66.6	65.7	65.6	65.4	65.2
Unemployment rate	United States	5.1	8.3	6.3	5.3	4.9	4.7
	Canada	7.0	7.4	6.9	6.9	6.8	6.8
Employment growth	United States	0.8	-0.1	1.7	1.7	1.1	0.7
	Canada	2.0	0.9	0.7	0.8	1.1	0.5
Productivity growth	United States	1.8	1.0	0.8	0.9	1.7	2.0
	Canada	0.8	0.5	2.0	0.3	0.6	1.9

Note: Employment and productivity growth figures present the percentage growth rate. Employment figures refer to the total economy. Labour productivity is measured as real output per worker, PPP-adjusted.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

Box 9

### SDGs for the United States and Canada

As highlighted in Chapter 1, unlike the MDGs, the SDGs apply to all countries, including the advanced economies, such as Canada and the United States. The goals that are particularly salient to these economies in terms of labour market issues include achieving gender equality (SDG 5), decent and productive employment for all (SDG 8) and reducing inequality (SDG 10).

Among the indicators that have been proposed for SDG 8, those particularly relevant to Canada and the United States include:

- *Gender pay gap* (target 8.5 and SDG 5): The current (October 2015) ratio of women's to men's weekly earnings in the United States is 81 per cent, relatively unchanged in the past decade; in the case of Canada, the ratio to women's to men's earnings is 85 per cent. Achieving gender parity in pay will require both government efforts to enforce equal pay laws and societal changes regarding family responsibilities and availability of quality, affordable child and elder care.
- *Youth unemployment and inactivity* (target 8.6): In both countries the youth unemployment rate has undergone a welcome decline in the past few years, but the rates remain more than twice those for adults, as discussed above. Moreover, youth not in education, employment or training (i.e. NEETs) are estimated to account for 16.5 per cent of all youth (aged 16–24) in the United States in 2012 and 13.3 per cent (aged 15–24) in Canada in 2013 (ILO, 2015e). Programmes to facilitate the entry of young people into the labour market will be key, and both the countries have made progress on this front in the past few years. Moreover, in the case of the United States, strong job creation will help reduce youth unemployment.
- *Rights of migrant workers* (target 8.8): Historically, both countries have been welcoming to migrant workers, and their large service sectors tend to rely heavily on migrants. It will be important to ensure continued access to rights for migrant workers, including undocumented workers.



### **The new SDGs present several challenges, notably to reduce inequality and the gender pay gap**

Among the 17 goals of the recently adopted SDGs, Goal 10 is to “reduce inequality within and among countries”. Importantly, there is strong evidence that shows that rising income inequality undermines growth and employment creation (ILO et al, 2015). Furthermore, a joint communiqué by the G20 leaders in November 2015 highlighted the fact that rising inequalities not only had a negative impact on growth but also posed significant risk to social cohesion and general well-being. Yet, income inequality, as measured by the Gini index, continues to rise in the United States, while in Canada it has remained stable in recent years. In particular, in the United States, the Gini coefficient (on disposable income basis) has risen from 0.31 in 1980 to 0.40 in recent years, whereas in Canada it has remained unchanged at roughly 0.32 over the past decade (ILO et al., 2015).

Recent evidence suggests that weakening of labour market institutions (including low unionization rates) is strongly linked to the rise in income inequality among the advanced economies (Jaumotte and Buitron, 2015). Moreover, in the case of the United States, the principal source of inequality lies in the labour market, i.e. wages (Rani and Furer, forthcoming). The recent push in the United States to raise the minimum wage represents a step towards tackling income inequality, but clearly more measures will be needed to reverse the inequality trend.

Achievement of the SDGs will also require efforts to close the gender gap, address youth unemployment and inactivity and integrate migrant workers successfully into the labour market (box 9).

## **LATIN AMERICA AND THE CARIBBEAN**

### **The economic slowdown in the region has worsened**

Economic growth in Latin America and the Caribbean (LAC) continued to decelerate, with Brazil – the largest economy in the region – entering a severe recession. The region registered sustained growth in the 2000s, and relatively strong growth at the onset of the crisis, but economic growth began to slow in mid-2011 and the economic outlook has been repeatedly adjusted downwards in recent years (IMF, 2015d). In 2015, GDP growth in LAC is estimated at 0.3 per cent, the second lowest rate worldwide (after Eastern Europe). This recent slowdown, as discussed in Chapter 1 in the context of emerging market economies, reflects a combination of the decline in commodity prices and structural factors. Indeed, the prices of all main exports from the region have fallen significantly since 2011, including food and beverage products (–29 per cent), metals (–54 per cent) and petroleum (–60 per cent).<sup>24</sup> As discussed in Chapter 1, the most notable structural factor affecting the region is weak productivity gains.<sup>25</sup>

However, this deceleration in growth rates is not uniform across the region. In particular, countries in Central America – which experienced less sustained growth in the boom years of the 2000s – are now growing at a robust pace, partially thanks to their closer economic interconnection with the United States. GDP growth in 2015 is estimated at 4.0 per cent in Nicaragua and 6.0 per cent in Panama, for example.

By contrast, South American countries – which grew faster than the regional average in the 2000s – are currently experiencing a marked slowdown in economic performances. These differences are due in part to their higher exposure to China (Brazil is a case in point, with GDP expected to have contracted by 3 per cent in 2015) and reliance on commodities.

### **Labour market improvements have lost momentum**

Labour markets in the region showed resilience in the first phase of the slowdown, from mid-2011 to 2014, but signs of deterioration are now emerging, both in terms of the quantity of jobs created as well as the quality of those jobs. Overall employment growth at 1.5 per cent in 2015 is projected to decline to 1.2 per cent in 2016, compared to an average of 2.5 per cent between 2000 and 2007 and 1.7 per cent between 2008 and 2013 (table 8).

Labour market outlook for Latin America and the Caribbean (2000–17)						
	2000–07	2008–13	2014	2015	2016	2017
Labour force participation rate	64.8	65.5	65.0	65.2	65.2	65.2
Unemployment rate	8.6	6.8	6.4	6.5	6.7	6.7
Employment growth	2.5	1.7	1.9	1.5	1.2	1.5
Vulnerable employment	34.8	31.8	31.0	31.2	31.3	31.3
Working poverty (less than US\$3.10)	16.3	9.6	8.3	8.2	8.1	8.0
Productivity growth	1.1	1.3	-0.6	-1.0	0.1	1.2

Note: Employment and productivity growth figures present percentage growth rate. Employment figures refer to the total economy. Labour productivity is measured as real output per worker, PPP-adjusted. Vulnerable employment share is defined as the sum of own-account workers and contributing family workers in total employment.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

As a result, the unemployment rate for the region, at 6.5 per cent in 2015, may rise in 2016 and remain at 6.7 per cent through to 2017. Unemployment, however, is only part of the story in terms of the risks associated with the current slowdown. Indeed, progress in reducing vulnerable employment has come to a halt. After trending downward over the past decade, it is expected to edge up 0.1 percentage points in 2016 (the first time it has increased since 2009). As a result, 90.4 million people in LAC will be in vulnerable employment in 2016, compared to 89.1 million in 2015.

On the upside, working poverty has decreased considerably. The share of working poor at the US\$3.10-a-day (PPP) level is projected to continue to fall to 8.1 per cent by 2016, compared to an average of 16.3 per cent between 2000 and 2007 and 9.6 per cent over the period 2008–13. However, this trend could be threatened by a recent slowdown in wage growth – see discussion below.

### The slowdown poses risks to the substantial gains in quality employment and socio-economic achievements of the past decade

The LAC region continues to be challenged by the persistently high share of informal employment – estimated at 46.8 per cent of total non-agricultural employment in 2013 (ILO, 2014a). The situation varies considerably across countries, with the share of non-agricultural informal employment ranging from 36.4 per cent in Brazil to above 70 per cent in Honduras and Guatemala. Informal employment disproportionately affects women, youth and households at the bottom of the income distribution.

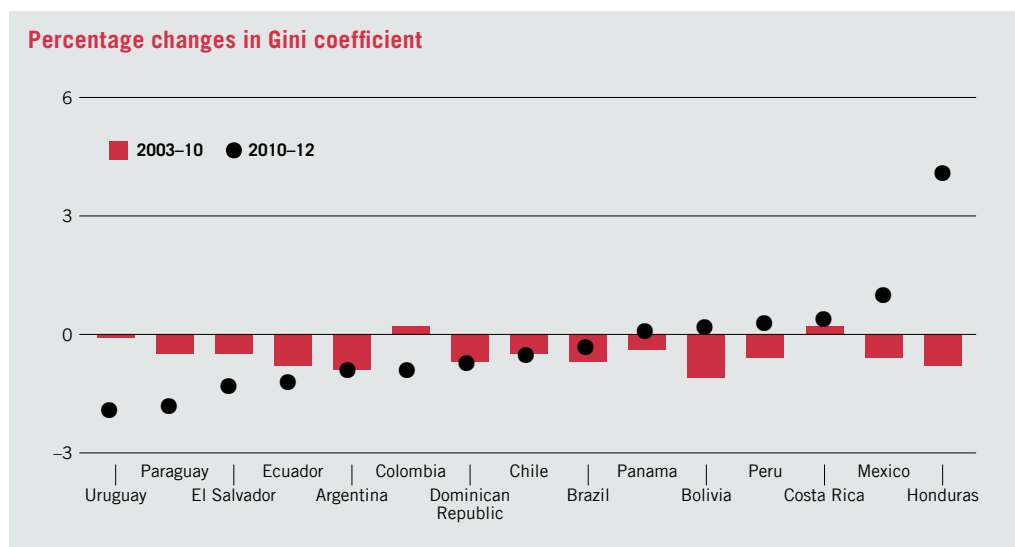
Wage growth has begun to slow. Overall wage growth was 0.3 per cent in 2014, compared to 3.9 per cent before the crisis, in 2006 (ILO, 2014a). Real minimum wages increased by 2.1 per cent in 2014, compared to an average growth rate of 4.2 per cent between 2006 and 2012.<sup>26</sup>

The slowdown in real wages might slow poverty reduction and the progress made on income inequality – domains in which the region had made remarkable achievements during the 2000s. Reductions in income inequality have stagnated in some countries since 2010, with the Gini coefficient actually increasing in five out of 15 countries between 2010 and 2012 (Cord et al., 2014) (figure 11). Similarly, after an impressive drop in the poverty rate of 15.8 percentage points in the region in the decade leading to 2012 (ECLAC, 2015), the poverty rate stabilized at around 28 per cent of the population from 2012 to 2014.

Efforts may also be merited to improve active labour market policies, which, if designed properly, can help to combat informality and poverty and improve quality employment outcomes (box 10).

These trends also point to the need to strengthen social protection systems to sustain living standards during an economic downturn. Many countries in LAC have increased the coverage of health and pension schemes, with the share of the working-age population legally covered by an old-age pension increasing from an average of 69.1 per cent in 2000 to 94.7 per cent in 2013. By contrast, legal coverage of unemployment benefits is still very low (at 29.4 per cent of the labour force) and progress has stalled (ILO, 2015g).

Figure 11



Source: ILO based on Cord et al., 2014.

## Box 10

### Active labour market policies in Latin America and the Caribbean

Active labour market policies (ALMPs) have gained importance in LAC as policy instruments to improve the functioning of the labour market. Indeed, public expenditure on ALMPs has increased in most countries in the region for which information is available. In most of the countries in the region, expenditure on ALMPs has largely outpaced public spending on unemployment insurance (Cerutti et al., 2014).

These trends reflect the increasing efforts to complement interventions targeted at

poverty reduction (such as conditional cash transfers) with policies aimed at increasing the employability of the labour force. Concerns about stagnant productivity growth (as discussed above) have also encouraged governments to invest in training components of ALMPs. Evidence from evaluations of public work programmes and public employment systems in the region shows that the design of these interventions is crucial for ensuring their success in terms of sustained reductions in informality and poverty (ILO 2016a, forthcoming).

Coverage is lower for own-account and unpaid family workers than for dependent employees, as is generally true around the world. This generates substantial differences between legal and effective coverage across categories of workers. Interventions to extend the reach of social security represent a key component of the strategy that LAC countries will need to adopt to meet the SDGs (see box 11 for details).

### The SDGs in Latin America and the Caribbean

### Box 11

The SDGs provide an opportunity to reassess the needs and priorities for equitable and sustainable development in the coming years. Under the MDG framework, extreme poverty in the region was reduced from 22.6 per cent to 11.5 per cent between 1990 and 2011 (ECLAC, 2015) and universal primary education was achieved. Despite this, major gaps remain. Inequality levels remain highly problematic in a number of countries and progress towards eliminating hunger and undernourishment has been insufficient. Low productivity growth, gender gaps in the workplace, a large informal economy and major shortfalls concerning labour rights persist in some countries. As such, the region's priority areas under the SDGs are likely to include the following:

- *Productivity, diversification, technological upgrading and innovation* (target 8.2): As detailed above, the slowdown in growth rates experienced in the LAC region points to the need for improvements in productivity through innovation and technological upgrading. Further, the region remains highly vulnerable to commodity prices, which points to the need for further efforts towards economic and trade diversification.
- *Decent work, entrepreneurship and formalization* (target 8.3): There are 130 million workers in informal employment in the region (47 per cent of the total) and some 80 per cent of all informal employment is concentrated in own-account workers, SMEs and domestic work. The high incidence of informal employment is problematic in terms of low wages, low productivity and foregone tax revenues, which could fund necessary public investments in infrastructure and social services.
- *Protection of labour rights and promotion of safe and secure working environments for all workers* (target 8.8): A significant proportion of workers, especially own-account workers, domestic workers and those in the informal sector, are not covered by labour laws and, when they are, there is often insufficient compliance.
- *Expanding opportunities for youth* (targets 8.5, 8.6 and 8.12): In terms of unemployment rates, youth levels are triple that of adults in the region and some 22 million young people aged 15–24 do not work or study. The absence of decent work opportunities available for youth means that many enter into informal and vulnerable employment arrangements.

### **The decline in oil prices has worsened the outlook for Gulf Cooperation Council countries, while others face geopolitical tensions and uncertainty**

As oil prices continued to fall during 2015, GDP growth for the Gulf Cooperation Council (GCC) countries as a group is expected to have declined to 3.4 per cent in 2015, from 3.6 per cent in 2014.<sup>27</sup> The fall is most marked in Saudi Arabia, where the estimated 3.4 per cent GDP growth in 2015 falls short by more than 1 percentage point compared to the October 2014 forecast (and significantly below the average growth rate of 5.5 per cent between 2000 and 2011), while estimated growth in Bahrain was down 2.1 percentage points.

The fall in oil export earnings in 2015 is estimated at US\$287 billion (21 per cent of GDP) for GCC countries and US\$90 billion (11 per cent of GDP) for non-GCC countries (IMF, 2015d). As a result, these countries are expected to see their budget surplus (4.5 per cent in 2014) turn into a deficit (8 per cent of GDP in 2015). Many economies in the region are heavily reliant on revenues from oil exports and as a result are likely to cut public spending. This may include cuts to public sector employment, which is relatively high in the region compared to international standards.<sup>28</sup>

Meanwhile, other countries in the region – such as Iraq, Jordan, Lebanon and Yemen – continue to suffer from political instability and geopolitical tensions and, in some cases, active conflict. This has considerably slowed economic growth in Jordan and Lebanon: GDP growth in 2015 is estimated at 2.0 per cent and 2.9 per cent, respectively. This is far below the averages of 5.8 per cent and 4.8 per cent achieved in these countries between 2000 and 2011. In the case of Iraq and Yemen, lower oil prices have also played a role in the deterioration of the economic outlook. In Syria, the ongoing military conflict overshadows economic and labour market developments in the country.

### **Unemployment, vulnerable employment and working poverty are expected to remain elevated in non-GCC countries**

As economic growth in the region is predicted to improve modestly in 2016, labour market conditions in GCC countries are expected to stabilize (table 9). In 2016, employment growth (1.6 per cent) is expected to moderately outpace labour force growth and, as a result, the unemployment rate will improve marginally to 4.6 per cent, remaining constant through 2017. However, in non-GCC countries, unemployment is expected to remain elevated and increase further to 15.4 per cent in 2016 (improving slightly in 2017).

In addition, vulnerable employment in non-GCC countries rose by more than a full percentage point in 2015. It is expected to improve in 2016, but at above 33 per cent, this means that almost 8 million workers in non-GCC countries are in vulnerable employment. This is in contrast to GCC countries, where the share of vulnerable employment is less than 3 per cent.

Similarly, incidence of working poverty (less than US\$3.10 per day, PPP) in non-GCC countries increased from 31.8 per cent in 2014 to 38 per cent in 2015 (table 9). It is projected to decrease to 36 per cent in 2016 and 34.4 per cent in 2017. The projected levels of working poverty are still higher than the average between 2008 and 2013 and similar to the incidence observed in 2000–07. In case of GCC countries, while the incidence of working poverty is low (at 6.9 per cent in 2015), it has increased slightly since 2011.

Furthermore, a large share of the population in the region continues to remain outside the labour market. The labour force participation rate in non-GCC countries is expected to have reached only 44.3 per cent in 2015, whereas in GCC countries it should have remained slightly above the global average at 63.9 per cent of the working-age population in 2015. This difference largely reflects the extremely low participation rate among women in non-GCC countries. At only 18.0 per cent in 2015, this remains almost 10 percentage points below the rate observed in GCC economies.

Meanwhile, the risk of youth labour market detachment remains a largely unresolved issue throughout the region. Only one-quarter of the youth population in GCC countries is actively engaged in the labour market, while less than one in five youths is in the labour market across non-GCC economies. Such low participation rates among women and youth are partly due to deep-rooted social and economic traditions, but a high reliance on public sector employment has also played a key role in this regard.

Labour market outlook for Arab States (2000–17)		2000–07	2008–13	2014	2015	2016	2017
Labour force participation rate	GCC	57.2	62.0	63.7	63.9	63.6	63.2
	Non-GCC	44.7	44.2	44.3	44.3	44.5	44.6
Unemployment rate	GCC	4.4	4.5	4.7	4.7	4.6	4.6
	Non-GCC	15.5	14.4	15.1	15.2	15.4	15.3
Employment growth	GCC	6.0	6.3	2.9	2.9	1.6	1.4
	Non-GCC	3.0	2.6	2.7	2.4	2.9	3.4
Vulnerable employment	GCC	3.9	2.9	2.7	2.7	2.7	2.7
	Non-GCC	36.0	31.1	33.1	34.2	33.3	33.1
Working poverty (less than US\$3.10)	GCC	6.7	6.7	6.9	6.9	6.8	6.8
	Non-GCC	34.4	31.9	31.8	38.0	36.0	34.4
Productivity growth	GCC	-0.7	-2.4	0.1	0.3	1.7	1.7
	Non-GCC	1.1	3.3	-0.4	-1.3	1.9	1.4

Note: Employment and productivity growth figures present percentage growth rates. Employment figures refer to the total economy. Labour productivity is measured as real output per worker, PPP-adjusted. Vulnerable employment share is defined as the sum of own-account workers and contributing family workers in total employment. GCC aggregate refers to those countries belonging to the Gulf Cooperation Council, namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates. Non-GCC refers to the country group comprising Iraq, Jordan, Lebanon, Syrian Arab Republic, West Bank and Gaza Strip, and Yemen.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

Despite significantly rising educational attainment across most of the region, mismatch of skills and employment opportunities continues to be cited by the private sector in the Arab States. For example, more than half of employers in Lebanon say the lack of an adequately educated workforce is the major constraint to their firm's growth. The challenge is to better match the skills of young graduates with those actually demanded in the private sector. There have been concerted efforts in that direction recently, with the creation of vocational training and other types of skills training programmes.

The issue of weak job creation in the face of a rapidly growing labour force is expected to exacerbate in the near future, particularly in countries such as Iraq, Jordan and Lebanon where the influx of Syrian refugees is steadily growing (box 12).

### Migrant workers tend to be engaged in low-paid work with substandard working conditions

The incidence of migrant workers in the total regional employment is the highest in the world at 35.6 per cent – representing some 11.7 per cent of all migrant workers globally (ILO, 2015f). The GCC alone accounts for some 29 million migrants, mostly from Southern Asia and South-Eastern Asia and the Pacific, especially in recent years, but also from other neighbouring Arab countries such as Egypt. Migrants make up the bulk of the private sector workers in the GCC, where they are considered as temporary workers. They are often paid low wages and confronted with significantly poorer working conditions. The proportion of migrants to total population averages 41 per cent for the GCC as a whole, but it varies widely, from around 30 per cent in Oman and Saudi Arabia to 87 per cent in Qatar (Baldwin-Edwards, 2011).

The Arab States also typically experience large movements of people within the region – a situation that has been exacerbated by outflows of individuals from Iraq, Syria and elsewhere. Indeed, most recent estimates suggest that by the end of 2014 there were already 2.5 million refugees in the region, and that millions more from the region had moved elsewhere. Aside from the humanitarian crisis this represents, the massive movement of people is affecting the economies and labour markets of both the sending and receiving countries (box 12).

### Refugee crisis and economic challenges for the Arab States region

Most recent estimates suggest that some 60 per cent of the global refugee population is from the Arab States, mostly as a result of ongoing conflicts in Iraq, Libya, Syria and Yemen.<sup>29</sup> Around 4 million refugees are from Syria and Iraq alone, with many temporarily sheltered in neighbouring countries. For example, in Lebanon, refugees comprise 25 per cent of the population, and in Jordan they make up 10 per cent of the population, while Turkey is host to some 2.3 million Syrian refugees.

Ongoing conflicts affect economic activity and growth by reducing the stock of human capital and physical infrastructure, disrupting production and trade, creating prolonged uncertainty and weakening confidence in many economies of the region (IMF, 2015d). For instance, in Syria it will take an estimated 20 years of 3 per cent annual GDP growth for the country to attain the same level of output as in 2010. Studies indicate that post-conflict recovery depends largely on the economic/institutional development of the country, the structure of the economy (for example, whether it relies on oil or not), the duration of the war and international help (Sab, 2014; UN ESCWA, 2014). For example, GDP recovered in Lebanon only after 20 years, while in Kuwait it took seven years and in Iraq it recovered within 12 months.

In the receiving countries, inflows of migrants have had strong fiscal implications, overstressing public services and posing the challenge of integrating migrants into the workforce (Stave and Hillesund, 2015). Migrants often find employment only in the informal sector in the short term. There are other spillovers in countries neighbouring Syria and Iraq, including disruption in regional commerce and flows of capital, and price effects due to a surge in housing and real estate demand (IMF 2014 and 2015c). Some estimates suggest that for Lebanon and Jordan, the direct fiscal costs associated with Syrian crisis related to health, education, and infrastructure amounts to roughly 1 per cent of GDP.<sup>30</sup> Nevertheless, and despite the estimated short-term costs for host countries' economies, the large influx of migrants typically represents a resource in the longer term. As refugees gradually integrate in local labour markets, economic growth and domestic demand are expected to improve. For instance, a preliminary ILO study shows that Syrian direct investment inflows have benefitted Jordan by accelerating industrial activities, while also creating employment opportunities for both Syrians and Jordanians (ILO, 2014b).

### Success in terms of the SDGs will require peace and the tackling of gender gaps and youth unemployment

Beyond the need to restore peace in order to resume economic growth, the region also faces specific challenges in achieving the SDGs. Closing the gender gap in labour market outcomes is one (see [box 13](#)). The unemployment rate for females is almost three times greater than that for males and is currently the highest in the world. Moreover, the gap in labour force participation rates between males and females is also the widest, reaching values on the order of 55 percentage points, against a world average of 26 percentage points.

The youth unemployment rate is also high. At 28.4 per cent in 2015, it is almost five times higher than joblessness rates for adults ([figure 12](#)).<sup>31</sup> Given the increased educational attainment of youth in the region and the lack of adequate jobs – or of opportunities to be engaged productively in society more generally – social unrest has generally been high. Indeed, with the exception of Bahrain, where the youth unemployment rate is lower than the average, there seems to be a positive relationship between the youth unemployment rate and the incidence of recorded unrest in the region. Of course, political and democratic factors are often the primary cause of unrest, but the lacklustre job market has also provided impetus for it. With the exception of Qatar and the United Arab Emirates, most countries in the region seem to have witnessed an increase in the incidence of social unrest in the past five years.

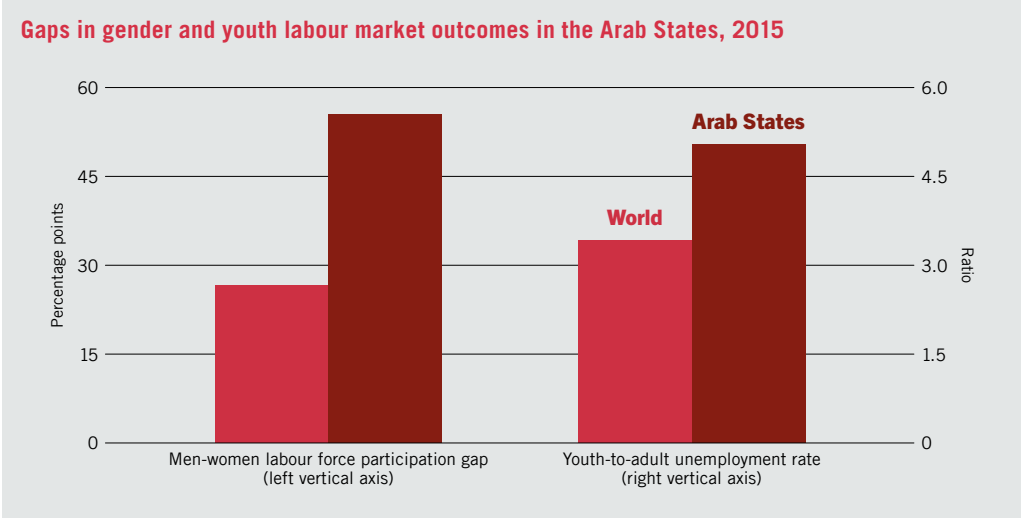


Figure 12

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

The SDGs and Arab States

Box 13

The Arab States region made significant progress in achieving many of the MDGs, but the ongoing conflicts in the region have reversed some of these achievements (UN ESCWA, 2013). Not surprisingly, many of the decent work deficits continue: high unemployment rates (especially for youth and women), uneven social protection, deteriorating working conditions and inadequate labour standards, including protection of workers' rights. These labour market challenges will require attention if SDG 8 and targets 8.5 to 8.8 are to be met by the Arab States, as are challenges regarding social protection and migrant and domestic workers. In particular:

- *Achieving full and productive employment and decent work for all women and men* (target 8.5): This target will require the Arab States to address the growing decent work deficits in the region, including the lack of employment opportunities for youth and women (who are increasingly better educated).
- *Reducing the proportion of youth not in employment, education or training* (target 8.6): Currently, one in three male youths in the Arab States is unemployed, while almost one in two female youths is unemployed. As such, achieving this target will require substantial effort in the region. It is closely linked to skills development (target 4.4), which would help address youth unemployment by addressing skills mismatch. Although most countries in the region have a youth strategy, they typically face a lack of resources or uncertainties due to geopolitical tensions.
- *Eradicating forced labour, modern slavery, human trafficking and worst forms of child labour* (target 8.7): Given the heavy reliance on migrant

workers, the risk of forced labour or trafficking in the Arab States cannot be ignored. Furthermore, with the growing refugee crisis (see box 12), child labour is becoming more prevalent in the conflict-ridden countries (Iraq and Syria) and the recipient host countries (Lebanon and Jordan).

- *Protecting labour rights and promoting safe and secure working environments for all workers, including migrant workers* (target 8.8): Involvement of social partners in economic and development policy has been limited or, in some cases, non-existent in the Arab States. Currently in many countries there is no genuine freedom of association, which prevents advocacy and establishment of worker's rights through representative and democratic trade unions.
- Targets 1.3 on *social protection floor* and 10.4 on *wages and social protection for addressing inequality* are equally important for the Arab States. Currently, social protection systems in the region remain uneven and fragmented. Pension coverage is relatively low and health systems are generally not given full priority or adequate funding. However, there are considerable differences between GCC and non-GCC countries, with the former offering better access to social protection and health services.
- Targets 5.4 on *domestic workers* and 10.7 on *migrant workers* are highly relevant for the region. The influx of refugees and the reliance on migrant workers raises issues of fair treatment. For example, there are over 2.1 million domestic workers in the region (representing 3.6 per cent of total paid employment), who need better protection, access to basic rights and better working conditions (ILO, 2013b).<sup>32</sup>



## D. Asia and the Pacific

### China's slower growth, coupled with a prolonged slump in commodity prices, have weighed on the region's growth

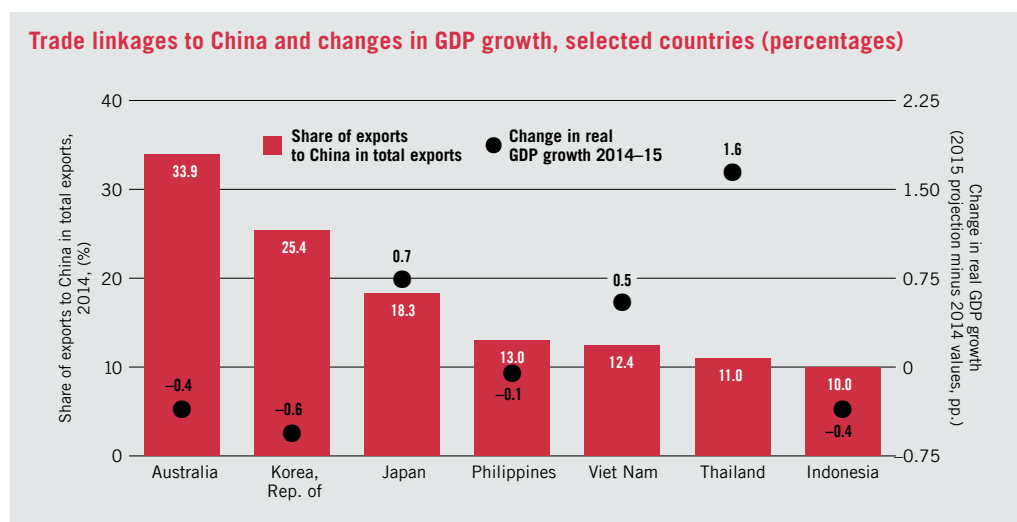
The Asia-Pacific economy has been affected by weaker than expected growth in China, which accounts for some 40 per cent of the region's total output, combined with lower commodity prices, disproportionately impacting the region's commodity exporters. While the relationship is far from one-dimensional (see Chapter 1), with different degrees of exposure and vulnerability, as reflected by the variation shown in figure 13, it does remain a significant evolution for the region.

In 2015 China's economic growth dropped below 7 per cent (to 6.8 per cent) for the first time in more than two decades. As China ramps up investment in technology-intensive manufacturing and shifts its focus further towards services and higher value-added sectors, there will be new opportunities available in the country and for its trading partners, particularly ASEAN economies. China's *One Belt, One Road* initiative to rebuild Silk Road trade links will likely help mitigate job losses in China's construction sector, while also propping up demand for raw materials and generating jobs in the region.

Reduced demand for raw materials will still weigh on export demand for many of its major regional trade partners, however, and consequently on jobs in the region, including in Australia, Indonesia and Mongolia, all of which recorded a drop in growth rates in 2015. Countries with relatively less commodity dependence, such as Thailand and Viet Nam, continued to enjoy rising growth rates. Overall, however, the region's growth declined from 5.5 per cent to 5.3 per cent from 2014 to 2015, significantly lower than the 5.6 per cent annual average over 2010–14.

A major risk to the region's economic outlook, and therefore its employment and social outlook, in 2016 is the degree to which the region's major commodity exporters can compensate for reduced export demand from China. Developing and emerging markets in Asia and the Pacific are also expected to face capital outflows and volatility in financial markets, because of a further easing in US monetary policy. This is likely to result in reduced FDI and tighter financial conditions in the region, hampering business creation and expansion. The expected further appreciation of the US dollar may also create unfavourable terms of trade for merchandise exporters, including India, and poses particular problems for those Asia-Pacific firms with substantial foreign debt.

Figure 13



Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

**Balancing economic, social and environmental SDGs in Asia-Pacific**

**Box 14**

With over half the world’s population, a third of the world’s GDP and some of the highest economic growth rates in the world, the Asia and the Pacific region faces the challenge of combining rapid growth with sufficient job creation in an environmentally sustainable manner – priority areas identified by a regional discussion on the post-2015 agenda (ECE et al, 2013). These bring to the fore the key components of the post-2015 sustainable development agenda, not least the goal to *promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all* (SDG 8). For the Asia and the Pacific region, there is a particular need to decouple economic growth from environmental degradation through progressive improvements to resource efficiency in consumption and production (target 8.4). With the commitments adopted in Paris at the Conference of Parties (COP) XXI, the path has become somewhat clearer.

- **Poverty reduction:** Foremost to the region’s sustainable development is the need to eradicate extreme poverty (target 1.1) and reduce overall poverty (target 1.2), given that over half of the world’s extreme poor reside in Asia-Pacific. Decent and productive employment opportunities are fundamental in this regard, placing greater urgency on the need for increased productivity of the poorest (target 8.2), to achieve full and productive employment and decent work for all women and men (target 8.5). An essential element of poverty elimination will be to provide adequate social protection floors in every country (target 1.3).
- **Youth challenges:** According to a recent UN report (RCM-UNDG, 2015), some of the region’s youth face particular vulnerabilities, including early and forced marriage (target 5.3) and violence against young females (target 5.2). In other countries, the challenges lie more in creating a number of sufficient quality jobs for the increasing share of youth completing tertiary education. The TWG report notes progress with respect to youth civic engagement and the position of youth as partners in development (SDG 17).

- **Gender equality:** Women face significant disadvantages in the labour market in the Asia and the Pacific region, particularly in Southern Asia. Steps are needed to recognise the contribution to economies of unpaid care and domestic work in the provision of public goods and services and infrastructure, including through social protection policies (target 5.4). Some trailblazing innovations have been adopted in this regard, such as India’s National Rural Employment Guarantee, which provides households a guarantee of 100 days’ paid work on useful public projects. After nearly a decade, the NREG has reduced poverty and drawn *millions* of women into paid work. The region also needs to undertake reforms to give women equal rights to economic resources, in accordance with national laws (target 5a).
- **Migrant workers:** Protecting labour rights and promoting safe and secure working environments, in particular for migrant workers (target 8.8), is highly relevant in a region that is home to *millions* of migrant workers, and which sends far more to other countries. Facilitating remittances between these workers and their home countries can also help reduce inequality (target 10c).
- **Natural disasters and climate change:** Particular attention must be paid to the region’s susceptibility to natural disasters and climate change. With narrow margins between extreme and moderate poverty, millions are at risk of hunger and destitution deriving from exposure to natural hazards and climate change. There is therefore a dire need to improve resilience in this regard (target 13.1). The inadequacies of the region’s social protection systems (target 1.3) exacerbate the situation.
- **Resource management:** Other priority areas identified in a regional consultation include the need to improve energy access and natural resource management, with particular emphasis on the management of marine ecosystems, and to provide support specifically for small island developing states, particularly in the Pacific (target 13b), and small-scale farmers (target 2.3).

### Lacklustre progress in job creation

Overall, despite the creation of 21 million net new jobs in 2015, total employment growth continues to fall short of working-age population growth. The ratio of employment to the working-age population is expected to have slightly decreased in 2015 and to continue trending downwards over the next couple of years. Moreover, of the jobs that are created, many are in informal and vulnerable arrangements.

A major explanatory factor behind lower employment rates in the Asia and the Pacific region is the tendency for more young people to move into secondary and tertiary education (ILO, 2015e). Despite this welcome trend, the incidence of unemployment among those youth who do enter the labour market still remains significantly higher than that for their adult counterparts, at around five times as high in South-Eastern Asia and the Pacific, and three to four times as high in Eastern Asia and Southern Asia. Moreover, school-to-work transitions surveys in the region reveal that youth are often in an employment position that does not match their qualifications (RCM-UNDG, 2015). Those with higher levels of education are often able to afford to wait longer for more suitable employment; while those with lower levels of education often have little option but to accept any form of employment that is available.

Labour force participation for women remains an ongoing challenge, particularly in Southern Asia, where the gap is the third highest of all global subregions after the Arab States and Northern Africa. The female labour force participation rate in Southern Asia in 2015 is estimated at 28.2 per cent. This is far lower than the participation rate of 61.9 per cent in Eastern Asia and 58.8 per cent in South-Eastern Asia and the Pacific. Moreover, the gender gap in labour force participation has worsened in Southern Asia over the past decade. In 2015, female participation was 51.1 percentage points lower than male participation, representing a gender gap 4.0 percentage points higher than a decade earlier (box 14). While the gap in Eastern Asia is narrower than in Southern Asia, it has also widened over the past ten years.

### Encouraging signs of reductions in vulnerable employment and working poverty

The share of workers living in poverty – i.e. those living on less than US\$3.10 (PPP) per day – in 2015 is expected to have declined to 11.2 per cent in Eastern Asia, 25.7 per cent in South-Eastern Asia and the Pacific and 45.5 per cent in Southern Asia (table 10). In the case of Southern Asia, the number of workers living in extreme poverty (less than US\$1.90 per day, PPP) has declined considerably since 2000 – from 42.2 per cent in 2000 to 33.0 per cent in 2008 and 18.1 per cent in 2015. It is projected to continue to fall over the next two years.

This may be partly explained by the fact that a number of economies are gradually moving towards the production of higher value-added products, which is typically associated with higher pay and better quality jobs. Labour market tightness in several countries is partly contributing to widespread pay increases, which are also benefitting workers at the lower end of the wage distribution. Minimum wage policies and increases have made a particularly important contribution in the region. For example, Myanmar implemented its first minimum wage in 2015, to improve workers' incomes while establishing itself as an alternative garment manufacturing destination in the region, and Cambodia, Indonesia and Viet Nam all implemented significant increases in minimum wages in some sectors or regions. This virtuous trend is expected to continue over the next couple of years in each of the subregions, though the incidence of working poverty in Southern Asia will remain second only to that in sub-Saharan Africa.

As most of the countries in the region continue to grow and as they develop better institutional capacities, the share of vulnerable employment – a rough proxy for informality – is expected to gradually fall across the region. Yet vulnerable employment remains comparatively high, especially in South-Eastern Asia and the Pacific and Southern Asia, where it reached 54.1 per cent and 73.6 per cent respectively in 2015. Countries with large informal sectors, such as Cambodia, Indonesia and Myanmar, continue to have high shares of vulnerable employment, in the order of 60 per cent, and there are no signs that they will decrease over the next couple years.

Labour market outlook for Asia and the Pacific (2000–17)		2000–07	2008–13	2014	2015	2016	2017
Labour force participation rate	Eastern Asia	73.4	69.9	69.6	69.5	69.3	69.1
	South-Eastern Asia and the Pacific	70.2	70.2	70.1	69.9	69.9	69.9
	Southern Asia	59.3	56.2	54.5	54.4	54.5	54.6
Unemployment rate	Eastern Asia	4.3	4.4	4.5	4.5	4.5	4.6
	South-Eastern Asia and the Pacific	6.1	4.8	4.3	4.4	4.3	4.2
	Southern Asia	4.6	4.3	4.2	4.1	4.1	4.0
Employment growth	Eastern Asia	0.9	0.4	0.4	0.3	0.2	0.1
	South-Eastern Asia and the Pacific	1.8	1.9	1.5	1.4	1.4	1.5
	Southern Asia	2.3	0.9	1.7	2.1	2.0	2.0
Vulnerable employment	Eastern Asia	55.1	46.3	42.6	42.1	41.6	41.3
	South-Eastern Asia and the Pacific	59.6	56.4	54.4	54.1	53.7	53.3
	Southern Asia	79.4	76.1	74.1	73.6	73.3	72.8
Working poverty (less than US\$1.90)	Eastern Asia	20.8	7.7	5.2	4.9	4.6	4.4
	South-Eastern Asia and the Pacific	27.6	13.1	8.9	8.4	8.0	7.6
	Southern Asia	39.0	27.1	19.3	18.1	17.0	16.1
Working poverty (between US\$1.90 and US\$3.10)	Eastern Asia	22.1	11.1	7.0	6.3	5.7	5.2
	South-Eastern Asia and the Pacific	25.5	21.6	18.4	17.3	16.2	15.0
	Southern Asia	32.2	31.5	28.4	27.4	26.3	25.1
Productivity growth	Eastern Asia	5.7	5.7	5.1	4.9	4.8	4.7
	South-Eastern Asia and the Pacific	3.1	2.7	2.7	2.8	3.1	3.4
	Southern Asia	4.1	4.6	4.5	4.3	4.6	4.8

Note: Employment and productivity growth figures present percentage growth rates. Employment figures refer to the total economy. Labour productivity is measured as real output per worker, PPP-adjusted. Vulnerable employment share is defined as the sum of own-account workers and contributing family workers in total employment. Working poverty figures for Eastern Asia do not consider Japan since the incidence of working poverty in the country is negligible.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

### Regional cooperation and protection of migrant workers

### Box 15

With a significant flow of Asia and the Pacific workers to Gulf States, major recipient countries such as Qatar have pledged reforms in 2015. In South-Eastern Asia and the Pacific, the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers (2007) requires the AEC to uphold the rights of migrant workers, although the declaration has yet to be implemented.

In late 2014, some Asian governments included the protection of migrant workers in the agenda for regional cooperation in the South Asian Association for Regional

Cooperation (SAARC). This is particularly relevant for a country such as Nepal: in 2014, more than half a million Nepalese left the country in search of work abroad and, in 2011, one in four households had a member working abroad (compared to one in ten in 2001).<sup>33</sup> To improve management of migration channels and safety for workers, in early October 2015 the ILO (jointly with the EU, the Foreign Employment Promotion Board and the Non-Resident Nepali Association) inaugurated a Foreign Employment Information and Counselling Centre.

### **New regional integration agreements could offer employment gains, but require additional measures to tackle inequality**

The Asia and the Pacific region has been actively working to integrate its economies through a variety of negotiated agreements. Among them are the ASEAN Economic Community (AEC) and the Trans Pacific Partnership (TPP).

The AEC is expected to result in net job creation, facilitated in part by greater labour mobility across the subregion. Projections suggest that 14 million additional jobs could be created by 2025 as a result of the AEC coming into play, if the agreement is implemented in full (ILO and ADB, 2014). Much of the region's migration is fuelled by flows from poorer countries with more youthful populations to richer, often ageing, economies. Between 1990 and 2013, for instance, Malaysia, Singapore and Thailand emerged as major migration hubs and now collectively account for approximately 97 per cent of intra-ASEAN migrants. Increased trade flows within the AEC itself are likely to have an impact on jobs, primarily those in manufacturing and more labour-intensive industries.

While offering potential benefits, current AEC arrangements could also fuel inequalities between countries. At present, Mutual Recognition Arrangements (MRAs) have been made in ASEAN member states for a few, mostly high-skilled professions, namely accountancy, architecture, dentistry, engineering, medicine, nursing, surveying and tourism. These MRAs cover only a small share of total employment in member states (0.3 per cent in Indonesia, 0.8 per cent in Thailand and 1.4 per cent in Viet Nam). As a result, labour migrants in jobs outside of these MRAs will continue to have their qualifications unrecognized while the focus on high-skilled jobs in the MRAs may create a “brain drain” in countries unable to offer competitive salaries.

Agreement on the TPPs is the latest arrangement to facilitate integration in the region as it involves a number of Asia and the Pacific signatories. When the TPP agreement comes into effect over coming years, it offers potential economic and employment opportunities, although, like the AEC, there is a risk that countries compete in “race to the bottom” competitiveness measures. To mitigate this, and at a time of greater global attention to working conditions and standards in global value chains, the TPP includes an agreement among all signatory states to “adopt and maintain in their laws and practices the fundamental labour rights as recognized in the ILO 1998 Declaration.” This requires governments, as well as firms, to take further action to improve working conditions and rights at work, and also among migrants (box 15). For instance, Malaysia is expected to address migrant labour issues in the short term, and in Viet Nam the Government has already announced its commitment to revise labour laws in line with ILO's fundamental principles. For non-signatories that have made clear their intention to join the TPP, such as Indonesia, this may also trigger improved efforts to raise standards for their workers.

### NORTHERN, SOUTHERN AND WESTERN EUROPE

#### **GDP growth is showing modest signs of recovery in European countries, but exposure to emerging markets poses a risk in 2016**

Northern, Southern and Western Europe continues to emerge slowly from the global crisis and the ensuing sovereign debt crisis. The region's economy is expected to have expanded by 1.6 per cent in 2015, up from 1.3 per cent in 2014 and 0.2 per cent in 2013. In fact, many economies that had registered either zero or negative growth rates between 2012 and 2014 are finally expected to post positive GDP growth in 2015. These include Cyprus (1.2 per cent), Italy (0.9 per cent), Portugal (1.6 per cent), Slovenia (2.6 per cent) and Spain (3.1 per cent). The recent positive economic performance is broadly based, stemming from increased consumption growth, increased exports, and macroeconomic adjustments, notably quantitative easing by the European Central Bank (European Commission, 2015a).

Despite the fact that close to 65 per cent of trade in the region is with other countries within the region, Northern, Southern and Western Europe is closely linked to China and other emerging markets, with nearly a quarter of the region's exports going to emerging economies, with China accounting for a substantial portion.<sup>34</sup> In particular, a recent estimate by the IMF suggested that a slowdown in emerging markets could lead to a decline in output in the euro area by 1.5 per cent, with Germany particularly exposed (IMF, 2014). The economic performance of the emerging markets in 2016 and 2017 will therefore undoubtedly shape the economic outlook of the region. However, the strength of the US economy should help dampen some of downside risks arising from emerging markets.

#### **Labour market conditions are slowly improving and may continue to do so in the short term**

Given the modest recovery in economic performance, labour markets across the region have started improving, including in those countries belonging to the euro area (box 16). The regional unemployment rate is expected to have reached 10.1 per cent in 2015, down from 10.7 in 2014 – the lowest rate since 2011 (table 12). Improvements have been most notable in Southern Europe. In Greece, Portugal and Spain, the unemployment rates have fallen from their very high peaks, declining on average by almost 2 percentage points in the past year alone (although in the case of Greece and Spain they remain above 20 per cent). Youth employment is expected to have decreased in the region, but only modestly, from 21.8 per cent in 2014 to 20.6 per cent in 2015 (the highest rates globally after the Arab States and Northern Africa).

The regional unemployment rate is projected to continue to fall steadily over the next couple of years reaching 9.7 per cent by 2017 (table 12). If predicted levels are reached these will be the lowest since 2009. Declining energy prices and depreciation of the Euro have supported faster-than-expected employment creation in export-oriented Southern European countries, such as Spain, Portugal and, more recently, Italy.

Nonetheless, at the end of the forecast horizon virtually all the countries in the region, with the exception of Germany and the United Kingdom, will continue to post unemployment rates higher than the pre-crisis level. In addition, the long-term unemployed continue to comprise a large share of the total number of unemployed in the region. In the second quarter of 2015, around half of all unemployed persons in the region had been without work for one year or longer. Moreover, in many economies, the share of long-term unemployed continues to increase. For instance, between the second quarters of 2013 and 2015, the rate substantially increased in Bulgaria (+7.4 percentage points), Cyprus (+10.1 percentage points) and Greece (+8 percentage points) (Eurostat, 2015). Workers unemployed for long periods risk losing their skills, face reduced employability and are at greater risk of poverty. Nearly half of all unemployed people are at risk of poverty.

In many countries in the region, the employment rebound has come at the expense of job quality, as non-standard employment (e.g. temporary and part-time jobs) have accounted for a relatively larger fraction of jobs created. In addition, almost 10 per cent of all employed people in the region earn less than 60 per cent of median income.

Weak job creation prospects in the region are also reflected in the relatively low labour force participation rate, which is expected to hover at around 57.6 per cent for the next couple of years. This stands as one of the lowest rates globally – the world average participation rate is 62.8 per cent.

## Box 16

## Labour market outlook in the euro area, 2015–17

According to the new ILO regional classification, the group Northern, Western and Southern Europe covers 34 countries, including virtually all the economies in the euro area with the exception of Slovakia (which is considered under the ILO's Eastern Europe region, see Appendix A). Although the countries in the euro area account for only 65 per cent of the labour force in the Northern, Western and Southern Europe region, the following analysis briefly summarizes labour market developments specific to the euro area in light of their relevance in the current policy discussion.

The euro area's economy is projected to have grown by 1.5 per cent in 2015, with growth to accelerate slightly over the next couple of years, up to 1.7 per cent in 2017. This represents a notable improvement considering that GDP had contracted by an average of 0.5 per cent between 2012 and 2013, expanding only

modestly in 2014 (+0.8 per cent). As a result, the unemployment rate should have declined to 10.9 per cent in 2015, down from 11.6 per cent in 2014 (table 11). Yet, joblessness in the euro area will remain significant. The unemployment rate is expected to remain above 10 per cent over the whole forecast horizon, decreasing by only half a percentage point by 2017, compared with the average unemployment rate of 6.6 per cent in 2017 across the main developed countries.

The projected pace of employment creation will remain too slow to make a significant dent in unemployment. The number of employed people is expected to have grown by only 0.6 per cent in 2015, further rising by an average of only 0.2 per cent per year over the period 2016–17. The labour force participation rate is set to marginally decrease in the euro area, partly reflecting growing discouragement among long-term unemployed and youth.

Table 11

## Labour market outlook for the euro area (2000–17)

	2000–07	2008–13	2014	2015	2016	2017
Labour force participation rate	55.8	56.8	56.6	56.5	56.4	56.2
Unemployment rate	8.6	10.0	11.6	10.9	10.7	10.4
Employment growth	1.3	-0.5	0.3	0.6	0.2	0.2
Productivity growth	1.0	0.3	0.4	0.9	1.4	1.5

Note: Employment and productivity growth figures present percentage growth rates. Employment figures refer to the total economy. Labour productivity is measured as real output per worker, PPP-adjusted.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

Table 12

## Labour market outlook for Northern, Western and Southern Europe (2000–17)

	2000–07	2008–13	2014	2015	2016	2017
Labour force participation rate	56.9	57.8	57.7	57.7	57.6	57.5
Unemployment rate	8.2	9.7	10.7	10.1	9.9	9.7
Employment growth	1.1	-0.3	0.7	0.7	0.3	0.2
Productivity growth	1.3	0.1	0.4	0.9	1.4	1.6

Note: Employment and productivity growth figures present percentage growth rates. Employment figures refer to the total economy. Labour productivity is measured as real output per worker, PPP-adjusted.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

**Tackling the refugee crisis**

The recent influx of refugees into the region is creating new challenges for the labour market and social integration (box 17). Integrating refugees into the labour market will be important for helping the newcomers to establish new livelihoods and to ease their social integration into the receiving countries. It will also help to alleviate any short-term pressures on public services. Key to this will be ensuring there are effective active and passive labour market policies. In the long term, the influx of migrants will help to counter skills shortages in certain areas and mitigate the risks associated with low population growth and declining labour force participation rates (OECD 2015).<sup>35</sup>

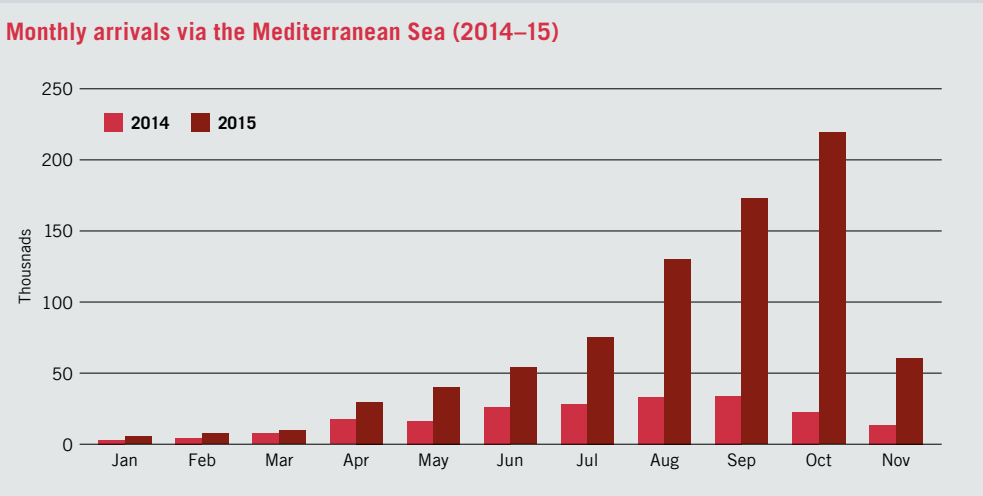
**Box 17**

**Influx of refugees into Europe**

Monthly arrivals of refugees to the region via the Mediterranean Sea in 2015 have far exceeded those experienced in 2014 (figure 14), with arrivals increasing fourfold in 2015 compared to a year earlier – from 216,054 in 2014 to 806,000 in 2015 (as of November only). Moreover, 2014 had already seen a fourfold increase compared to 2013. The recent surge is mainly a result of individuals fleeing war-torn countries. Indeed, close to 80 per cent of the arrivals are from Afghanistan, Iraq and Syria<sup>36</sup>. The number of asylum applications in the EU-28 was close to two-thirds of a million in the first eight months of 2015, compared to roughly half a million in 2014. For example, in Germany alone, a quarter of a million people sought asylum in the first eight months of 2015, accounting for one-third of all applicants for the EU as a whole.

in Europe, from the Balkans to those of Western and Northern Europe. Member states of the EU have agreed upon actions to handle the influx of refugees: (i) *Operational measures*: Migration Management Support Teams have been established in “hot-spots” where migrants tend to land first in Europe (Greece and Italy); (ii) *Budgetary support*: the EC has proposed amendments to its 2015/16 budget in order to boost the resources allocated to the refugee crisis by €1.7 billion; in total, the EC will spend €9.2 billion in 2015 and 2016 on the refugee crisis. Member states are expected to match this spending with their national allocations; and (iii) *Implementation of EU law*: Member states are expected to adhere to the Common European Asylum System, which is geared towards helping people in need of international protection (European Commission. 2015b) Furthermore, there are efforts to find political solutions in the originating countries and to engage regional allies such as Lebanon and Turkey.

The emergence of new migration routes has meant that the influx has affected many countries



**Figure 14**

Source: ILO Research Department based on UNHCR Population Statistics Database: [http://popstats.unhcr.org/en/overview#\\_ga=1.76466773.1982046382.1450473222](http://popstats.unhcr.org/en/overview#_ga=1.76466773.1982046382.1450473222) [accessed 17 December 2015].



Despite its relative prosperity, Europe faces several of the key challenges addressed in the SDGs, in particular SDG 8: *Promoting inclusive and sustainable economic growth, employment and decent work for all*. Seven years after the global crisis in 2008–09, Europe has not fully recovered its economic potential, although there have been some improvements in economic and labour market performance in the past few years. Questions remain as to its capacity to achieve *sustained economic growth* (target 8.1), especially in times of low inflation and deceleration in emerging market export partners.

- *Decent work*: The very high levels of long-term unemployment in the region raise serious concerns about the deficit of adequate quality employment creation. To achieve target 8.5 on full and productive employment and decent work for all by 2030, European countries will need a comprehensive approach to restore growth and address deficits in job quality.
- *Youth unemployment*: Since the beginning of the global recession, youth unemployment has risen rapidly and the share of NEETs remains high (ILO, 2015c). European countries should substantially improve access to education and training schemes, including technical and vocational schemes, to ensure that youth are endowed with the relevant skills (targets 8.6 and 4.4).
- *Investment*: Strengthened investment is needed to increase productivity (target 8.2) and a sustainable

industrial sector (target 9.2). The recent Investment Plan proposed by the European Commission, which aims to counteract the current weak trend in investment, is a step in this direction. If the programme is carefully designed and the funds are allocated to places of greatest need, over 2.1 million net new jobs could be created by mid-2018 (ILO, 2015a).

- *Inequality and relative poverty* (SDG 10): The trend of rising inequality and relative poverty (targets 10.1 and 10.4) and the declining labour share raise serious challenges. These require consideration of how to make income distribution more equitable, including through strengthened wage setting mechanisms. Special attention should be paid to social dialogue and collective bargaining at all levels, to help restore the link between the evolution of wages and productivity.

Monitoring of the SDGs should be integrated into the current framework adopted by the European countries in the context of the EU2020 Strategy and recently re-designed with the implementation of the European semester. European countries and authorities must ensure that SDGs are correctly included in the EU's objectives and guidelines and monitored by existing bodies, such as the EU Employment Committee and the EU Social Protection Committee. Moreover, SDGs should be taken into account in the process of definition and monitoring (multilateral surveillance) of the country-specific recommendations endorsed by the European Council.

### Over the medium term, ensuring job quality remains a challenge

Full-time employment in the Northern, Southern and Western Europe region has declined in recent years, while part-time and temporary employment has grown. The share of full-time work arrangements, which represented over 80 per cent of total employment in 2007, fell by over 3 percentage points by 2015. Conversely, in recent years, part-time employment has been accounting for a disproportionate share of employment creation, increasing its share in total employment to over 22 per cent in 2015. Moreover, part-time employment is often involuntary, as workers who cannot find full-time employment are forced to take up part-time work. This issue is particularly acute in some Southern European countries. For instance, in 2014, 71.2 per cent of part-time workers in Greece were on an involuntary basis, while the share was above 64 per cent in Italy and Spain and over 50 per cent in Portugal.

Likewise, temporary work contracts continue to represent a significant share of total employment in the region, at around 15 per cent in 2015. Although the incidence of temporary employment seems to have stabilized since 2014, a number of countries, including the Netherlands, Portugal and Spain, continue to post shares of temporary employment of around 20 per cent or higher. But, while in the Netherlands only 44 per cent of temporary employees cite the lack of permanent job opportunities as their main reason for being in temporary work, the figure rises to over 83 per cent in Portugal and peaks at 91 per cent in Spain.

The current patterns of employment creation risk exacerbating the already high level of income inequality in the region. Temporary employees are usually found to earn lower wages than their peers with open-ended contracts, while part-time workers face on average a 20–40 per cent higher probability of being in poverty than their counterparts with higher work intensity. This couples with the fact that workers in these forms of employment typically experience reduced levels of social security, lower participation in training schemes and limited career prospects. High and rising levels of income inequality have also been shown to chip away long-term growth and job creation (ILO, 2015c). Going forward, it will be important for the region to tackle these issues as part of the regional strategy to reduce inequality and achieve the SDGs by 2030 (see [box 18](#)).

## EASTERN EUROPE AND CENTRAL AND WESTERN ASIA

### **Lower oil prices and a slowdown in the Russian Federation, the region's largest economy, have had a detrimental impact**

Given the reliance of Eastern Europe and Central and Western Asia on oil, several countries in the region have been severely affected by the decline in oil prices. The economy of the Russian Federation is expected to have contracted by 3.8 per cent in 2015. Similarly, GDP growth in Azerbaijan has slowed down sharply, following the fall in oil prices (the oil sector accounts for 50 per cent of GDP). Oil production and export volumes contracted in the second half of 2015 and are likely to continue this trend in 2016.<sup>37</sup> In contrast, oil importers in the region – Armenia, Belarus, Georgia, the Kyrgyz Republic, Moldova and Tajikistan – have benefited from the lower oil prices. But this has not been enough to offset the fallout from the recession in the Russian Federation, given that many of these countries rely heavily on exports to and remittances from that country. Meanwhile, geopolitical tensions in the region have had negative repercussions on countries in the subregion (IMF's 2014 and 2015c).<sup>38</sup> For instance, in Ukraine the economy contracted by 6.8 per cent in 2014 and by an estimated 10 per cent in 2015, which has also affected several other economies in the region.

Given the high number of migrants working in the Russian Federation (estimated at close to 4 million), the significant decline in GDP in the country has inevitably affected remittances to other countries in the region. Remittances to Eastern Europe and Central Asia fell by 6.3 per cent in 2014 and an estimated 12.7 per cent in 2015, with Central Asian economies particularly hard hit (World Bank 2015b). In 2014, for example, remittances to Armenia declined by 11 per cent, Tajikistan by 8 per cent, Ukraine by 27 per cent and Uzbekistan by 16 per cent. In several countries in the region remittances account for a substantial share of GDP. Indeed, Armenia and Tajikistan are some of the most remittance-dependent countries in the world: for Armenia they represent 21 per cent of GDP and Tajikistan, 49 per cent of GDP.

### **In Eastern Europe, labour market conditions have improved but the outlook is less positive**

After falling for seven consecutive years, the unemployment rate in Eastern Europe reached a low of 6.8 per cent in 2014. However, this positive trend is projected to come to a halt over the next couple of years as GDP growth is expected to slow down considerably compared to the past decade. As a result, the regional unemployment rate is projected to have increased slightly to 6.9 per cent in 2015, remaining essentially stable afterwards (table 13).

Aggregate figures mask significant heterogeneity across countries. In particular, unemployment will continue to fall in virtually all the Eastern European countries belonging to the European Union, and especially so in Czech Republic, Poland and Slovakia. Conversely, joblessness is projected to increase until 2017 in the Russian Federation, as well as in neighbouring economies such as Belarus, which are negatively affected by the economic contraction in the Russian Federation. Employment in the region is estimated to have contracted by 0.5 per cent in 2015, and is projected to drop further by 0.7 per cent and 0.6 per cent in 2016 and 2017, respectively. On the upside, the share of vulnerable employment – at 11.2 per cent of total employment in 2015 – is constantly decreasing and slowly approaching to values typically observed in advanced European countries.

Table 13

		2000–07	2008–13	2014	2015	2016	2017
Labour force participation rate	Eastern Europe	58.6	59.6	60.0	60.2	60.2	60.0
	Central and Western Asia	56.2	56.7	57.8	58.2	58.3	58.3
Unemployment rate	Eastern Europe	9.2	7.3	6.8	6.9	7.0	6.9
	Central and Western Asia	9.8	9.3	9.1	9.2	9.4	9.4
Employment growth	Eastern Europe	0.9	–0.1	0.1	–0.5	–0.7	–0.6
	Central and Western Asia	1.5	2.5	1.8	1.5	1.2	1.3
Vulnerable employment	Eastern Europe	12.3	11.4	11.3	11.2	11.5	11.4
	Central and Western Asia	41.9	34.7	33.0	32.6	32.3	31.9
Working poverty (less than US\$3.10)	Eastern Europe	4.6	3.3	3.3	3.2	3.1	3.1
	Central and Western Asia	23.6	10.9	7.9	7.4	7.0	6.6
Productivity growth	Eastern Europe	5.3	1.7	0.8	–1.0	1.6	2.6
	Central and Western Asia	4.7	1.5	1.8	1.7	2.1	2.7

Note: Employment and productivity growth figures present percentage growth rates. Employment figures refer to the total economy. Labour productivity is measured as real output per worker, PPP-adjusted. Vulnerable employment share is defined as the sum of own-account workers and contributing family workers in total employment.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

### Central and Western Asia continues to grow, but face the twin challenge of lacklustre job creation and high levels of vulnerable employment

Despite the negative headwinds, economic growth in Central and Western Asia is projected to continue in the near future.<sup>39</sup> On the back of this growth, employment is projected to have increased by 1.5 per cent in 2015 and to increase again by 1.2 per cent in 2016 (table 13). However, despite GDP growth remaining close to 4 per cent in the coming years, employment growth is far from commensurate. This is in part because the region has low employment rates; at 52.9 per cent in 2015, the regional rate is considerably below the global average of 59.2 per cent. The regional unemployment rate is expected to have remained stable at 9.2 per cent in 2015 and to increase to 9.4 per cent in 2016. At the same time, youth unemployment with a rate close to 17 per cent remains a major challenge in the region, especially in countries such as Armenia and Georgia, where more than three out of ten young people are jobless.

Meanwhile, the region has made significant progress in reducing the incidence of working poverty (defined as less than US\$3.10 per day, PPP), particularly due to reduction in Central and Western Asia – it declined from 23.6 per cent in 2000–07 to 10.9 per cent in 2008–13 (table 13). By 2017, working poverty is projected to fall below 7 per cent, which is a considerable improvement for this region. In case of Eastern Europe, incidence of working poverty is much lower – at 3.3 per cent in 2014 and is projected to edge slightly downwards by 2017 (to 3.1 per cent). However, the incidence of vulnerable employment remains relatively high in the region – at 32.6 per cent of total employment in 2015 – which continues to be a concern. Although the share of vulnerable employment has been constantly declining since 2001, the pace of improvement has slowed down considerably compared to the first half of the past decade. Further progress in this regard remains paramount, especially in countries such as Azerbaijan and Georgia, where vulnerable employment accounts for over 50 per cent of total employment. These labour market and socio-economic challenges will need to be addressed if the newly adopted SDGs are to be achieved (see box 19).

**The SDGs in Eastern Europe and Central and Western Asia**

**Box 19**

Among the 17 SDGs, SDG 8 calls for sustained economic growth rates that enable growth of productive employment and decent work. Countries in Eastern Europe and Central and Western Asia seem to be well placed to maintain growth rates above those of higher income countries in Europe. In the lead-up to the global crisis in 2008, many countries in the region, including Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Russian Federation and Ukraine, posted average annual GDP per capita growth rates above 7 per cent. Since the onset of the crisis, most countries have not done nearly as well, but there are some notable exceptions, such as Turkmenistan and Uzbekistan. Labour market targets within SDG 8 that are pertinent to the region include the following:

- *Informal employment as a share of total non-agricultural employment* (target 8.3): Informal employment remains high in countries such as Armenia (19.8 per cent of all employment), Moldova (15.9 per cent) and Turkey (30.6 per cent). Labour market and macroeconomic policies to encourage formalization will be vital for creating productive employment in the region.
- *High youth unemployment rate* (target 8.6): Youth unemployment in the region remains a major issue, albeit with considerable heterogeneity across countries. Moreover, countries in Central

and Western Asia have not been able to translate their growth into sustained job creation. Here the role of policy is important in achieving better employment outcomes for young and increasingly well-educated workers.

- *Forced labour* (target 8.7): The region has a high share of forced labour victims per thousand inhabitants – at 4.2, compared to 1.5 in the advanced economies and the EU. Addressing the causes of forced labour is an important issue, as is reducing the prevalence of vulnerable employment.
- *Income inequality and relative poverty* (SDGs 1 and 10): Since 2007, income inequality in the region has declined in countries such as Belarus, Georgia (although in absolute terms it is still high in Georgia), Kazakhstan, Kyrgyzstan and Ukraine, but has increased in the case of Armenia, the Russian Federation and Turkey (table 14). Meanwhile the high share of people living below the respective national poverty line remains of concern in Armenia and Kyrgyzstan. This calls for renewed policy interventions to address inequality and poverty, including efforts to ensure stronger linkages between productivity and wage growth, sound minimum wage policies, broader coverage of social protection schemes and stronger dialogue between employers and workers.

**Income inequality and poverty developments in Eastern Europe and Central and Western Asia**

**Table 14**

Country	Gini index		Poverty rate (per cent)	
	2007	2013 or latest	2007	2013
Armenia	29.8	31.5	27.6	32.0
Belarus	28.7	26.0	7.7	5.5
Georgia	40.6	40.0	20.1	14.8
Kazakhstan	29.6	26.4	12.7	2.9
Kyrgyzstan	33.4	27.4	35.0	37.0
Russian Federation	39.2	41.6	13.3	10.8
Turkey	38.4	40.2	8.4	2.3
Ukraine	29.6	24.6	7.1	8.4

*Note: Figures for the Gini index in Armenia, Belarus, Georgia, Kazakhstan and Ukraine refer to 2013, while for others they refer to 2012. Poverty rates are based on country-specific national poverty thresholds.*

*Source: ILO calculations based on World Bank, World Development Indicators.*



NOTES

1. Import values were cut by 19 per cent in October 2015 compared to the previous year.
2. See Appendix B for a detailed explanation of unemployment estimations over time.
3. This is mainly because the relationship between imports and services output is not strong.
4. The US economy is relatively shielded from these effects; in fact, a 1 per cent drop in China's growth rate would translate into a mere 0.06 per cent drop in GDP in the United States.
5. Throughout this report the terms Developed, Emerging and Developing economies correspond to World Bank income classifications, where Developed denotes high-income, Emerging denotes upper and lower middle-income and Developing denotes low-income status.
6. Between 2000 and 2015, the share of vulnerable employment in total employment declined from 52.7 per cent in 2000 to 46.1 per cent.
7. Global estimates exclude "Developed Economies and EU" countries, as per regional groupings of Annex 5 in ILO, 2015c.
8. The sharpest decline took place during the crisis years, between 2007 and 2010 (see table 3).
9. The ILO and other UN agencies are currently involved in identifying specific indicators within each target, which would help in monitoring progress made by countries in achieving the SDGs. The final list of indicators should be finalized by the end of 2016. Indicators under discussion include the growth rate of GDP per employed person, share of informal employment in non-agriculture employment, earnings, unemployment, percentage of youth not in education, employment or training, child labour and forced labour, occupational injuries, government spending on social protection and employment programmes and collective bargaining rates.
10. Note that these figures are estimates by the ILO. Statistics on forced labour are rarely collected by National Statistics Offices.
11. The ILO Minimum Age Convention, 1973 (No. 138) sets the general minimum age for admission to employment or work at 15 (13 for light work) and the minimum age for hazardous work at 18 (16 under certain strict conditions). Therefore all children working under the age of 15 (or 13 for light work), as well as children under 18 working in hazardous labour, are considered to be child labourers.
12. In Libya, the political transition has been marred by political instability and the lack of a functioning and recognized transitional government.
13. Labour underutilization is a measure that attempts to provide a more comprehensive view of underutilized labour in the labour force. This indicator captures mismatches between the demand and supply of labour due to insufficient labour absorption. It signals situations of unmet need for employment within the population.
14. Zimbabwe Labour Force and Child Labour Survey, 2014.
15. Mali Enquête sur la main-d'œuvre 2004; Tanzania Integrated Labour Force Survey 2005–6; Madagascar Enquête Périodique auprès des Ménages 2005; Mauritius Continuous Multipurpose Household Survey 2009; Ethiopia Labour Force Survey 2004 (urban areas).
16. SWTS countries include Benin, Liberia, Madagascar, Malawi, the United Republic of Tanzania, Togo, Uganda and Zambia.
17. World Bank Poverty data, <http://data.worldbank.org/topic/poverty> [accessed 5 November 2015].
18. The Federal Reserve did not explicitly mention slowdown in emerging markets but noted that it is "monitoring global economic and financial developments" (Board of Governors, Press Release, 28 October 2015).
19. In the third quarter of 2015, the US economy showed some modest signs of slowing to 2.1 per cent annual growth – albeit revised upwards from preliminary estimates of 1.5 per cent – mainly due to slower export growth that was partially offset by strong consumer spending.
20. According to the Bank of Canada, GDP growth in 2016 and 2017 will be 2 and 2.5 per cent respectively.
21. The appreciation of the US\$ against the CAD and other currencies is also a result of quantitative easing by the Federal Reserve and the overall strength of the US economy.
22. Manufacturing is typically located in central Canada whereas mining and extraction are in western Canada.
23. Note that, in terms of its share of total employment, there has been a trend decline in manufacturing employment in both Canada and the United States
24. Final prices are considered as those of October 2015. Source: IMF Primary Commodity Prices Database.
25. Underlying this weak performance is low total factor productivity growth rather than capital or labour input growth. This reflects the limited capacity of economies in the region to innovate, for example by promoting technological change.
26. The data represent the weighted average from a sub-sample of 17 countries.
27. The Arab States region comprises 12 countries, of which six are GCC countries – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.

28. Kuwait has already announced an 18 per cent cut in spending for its 2015/16 budget, for example. One notable exception is Saudi Arabia, which announced a fiscal spending package worth 4 per cent of GDP in February 2015.
29. Libya is included in the statistics here, but in the ILO classification of countries and regions it is part of the Northern Africa region. Source: UNHCR Population Statistics Database: [http://popstats.unhcr.org/en/overview#\\_ga=1.76466773.1982046382.1450473222](http://popstats.unhcr.org/en/overview#_ga=1.76466773.1982046382.1450473222) [accessed 17 December 2015].
30. <https://www.imf.org/external/np/g20/pdf/2015/111515background.pdf> [accessed 19 December 2015].
31. Note that there are some exceptions in the region, namely Qatar and United Arab Emirates, where the unemployment rate is around 10 per cent or less, considerably lower than the average.
32. ILO. 2013. *Domestic workers across the world: Global and regional statistics and the extent of legal protection*.
33. Migration Policy Institute. *Redefining Nepal: Internal migration in a post-conflict, post-disaster society*, <http://www.migrationpolicy.org/article/redefining-nepal-internal-migration-post-conflict-post-disaster-society>.
34. IMF, Direction of Trade Statistics.
35. The risk here is of secular stagnation, as described by Hansen (1938) and Summers (2014). This is characterized by low long-term growth stemming from both demand- and supply-side factors, which create a vicious cycle of low rate of interest, low investment, low aggregate demand, low productivity gains, low population growth and declining labour force participation. To break out of this vicious cycle of low long-term growth will entail policies that go beyond immigration and require, in addition, innovative policies aimed at raising participation rates and working-age population growth (Baldwin and Teulings, 2014).
36. UNHCR Population Statistics Database: [http://popstats.unhcr.org/en/overview#\\_ga=1.76466773.1982046382.1450473222](http://popstats.unhcr.org/en/overview#_ga=1.76466773.1982046382.1450473222) [accessed 17 December 2015].
37. EIU October 2015 country reports.
38. See the IMF's 2014 and 2015 Spillover Reports for more information.
39. Note that Russian Federation and Ukraine are part of the Eastern Europe subregion.

The image features a solid red background. In the upper-left quadrant, there is a white geometric design consisting of several thin lines forming a grid-like structure. A small, solid white square is positioned at the intersection of one of these lines. The word "APPENDICES" is centered in the lower half of the page in a white, uppercase, sans-serif font.

# APPENDICES



## Appendix A. Country, regional and income groupings

### Africa

#### Northern Africa

Algeria  
Egypt  
Libya  
Morocco  
Sudan  
Tunisia  
Western Sahara

#### Sub-Saharan Africa

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

### Americas

#### Latin America and the Caribbean

Antigua and Barbuda  
Argentina  
Bahamas  
Barbados  
Belize  
Bolivia, Plurinational State of  
Brazil  
Chile  
Colombia  
Costa Rica  
Cuba  
Dominican Republic  
Ecuador  
El Salvador  
French Guiana  
Grenada  
Guadeloupe  
Guatemala  
Guyana  
Haiti  
Honduras  
Jamaica  
Martinique  
Mexico  
Nicaragua  
Panama  
Paraguay  
Peru  
Puerto Rico  
Saint Lucia  
Saint Vincent and the Grenadines  
Suriname  
Trinidad and Tobago  
United States Virgin Islands  
Uruguay  
Venezuela, Bolivarian Republic of

#### Northern America

Canada  
United States

#### Arab States

Bahrain  
Iraq  
Jordan  
Kuwait  
Lebanon  
Oman  
Qatar  
Saudi Arabia  
Syrian Arab Republic  
United Arab Emirates  
West Bank and Gaza Strip  
Yemen

### Asia and the Pacific

#### Eastern Asia

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

#### South-Eastern Asia and the Pacific

Australia  
Brunei Darussalam  
Cambodia  
Fiji  
French Polynesia  
Guam  
Indonesia  
Lao People's Democratic Republic  
Malaysia  
Myanmar  
New Caledonia  
New Zealand  
Palau  
Papua New Guinea  
Philippines  
Samoa  
Singapore  
Solomon Islands  
Thailand  
Timor-Leste  
Tonga  
Vanuatu  
Viet Nam

#### Southern Asia

Afghanistan  
Bangladesh  
Bhutan  
India  
Iran, Islamic Republic of  
Maldives  
Nepal  
Pakistan  
Sri Lanka

### Europe and Central Asia

#### Northern, Southern and Western Europe

Albania  
Austria  
Belgium  
Bosnia and Herzegovina  
Channel Islands  
Croatia  
Denmark  
Estonia  
Finland  
France  
Germany  
Greece  
Iceland  
Ireland  
Italy  
Latvia  
Lithuania  
Luxembourg  
Macedonia, the former Yugoslav Republic of  
Malta  
Montenegro  
Netherlands  
Norway  
Portugal  
Serbia  
Slovenia  
Spain  
Sweden  
Switzerland  
United Kingdom

#### Eastern Europe

Belarus  
Bulgaria  
Czech Republic  
Hungary  
Moldova, Republic of  
Poland  
Romania  
Russian Federation  
Slovakia  
Ukraine

#### Central and Western Asia

Armenia  
Azerbaijan  
Cyprus  
Georgia  
Israel  
Kazakhstan  
Kyrgyzstan  
Tajikistan  
Turkey  
Turkmenistan  
Uzbekistan

**Developed economies**

Argentina  
Australia  
Austria  
Bahamas  
Bahrain  
Barbados  
Belgium  
Brunei Darussalam  
Canada  
Channel Islands  
Chile  
Croatia  
Cyprus  
Czech Republic  
Denmark  
Equatorial Guinea  
Estonia  
Finland  
France  
French Guiana  
French Polynesia  
Germany  
Greece  
Guam  
Hong Kong, China  
Hungary  
Iceland  
Ireland  
Israel  
Italy  
Japan  
Korea, Republic of  
Kuwait  
Latvia  
Lithuania  
Luxembourg  
Macau, China  
Malta  
Martinique  
Netherlands  
New Caledonia  
New Zealand  
Norway  
Oman  
Poland  
Portugal  
Puerto Rico  
Qatar  
Russian Federation  
Réunion  
Saudi Arabia  
Singapore  
Slovakia  
Slovenia  
Spain  
Sweden  
Switzerland  
Taiwan, China  
Trinidad and Tobago  
United Arab Emirates  
United Kingdom  
United States  
United States Virgin Islands  
Uruguay  
Venezuela, Bolivarian  
Republic of

**Emerging market economies**

Armenia  
Bangladesh  
Bhutan  
Bolivia, Plurinational State  
of  
Cameroon  
Cape Verde  
Congo  
Côte d'Ivoire  
Djibouti  
Egypt  
El Salvador  
Georgia  
Ghana  
Guatemala  
Guyana  
Honduras  
India  
Indonesia  
Kenya  
Kyrgyzstan  
Lao People's Democratic  
Republic  
Lesotho  
Mauritania  
Moldova, Republic of  
Morocco  
Myanmar  
Nicaragua  
Nigeria  
Pakistan  
Papua New Guinea  
Philippines  
Samoa  
Sao Tome and Principe  
Senegal  
Solomon Islands  
Sri Lanka  
Sudan  
Swaziland  
Syrian Arab Republic  
Tajikistan  
Timor-Leste  
Ukraine  
Uzbekistan  
Vanuatu  
Viet Nam  
West Bank and Gaza Strip  
Western Sahara  
Yemen  
Zambia

Albania  
Algeria  
Angola  
Azerbaijan  
Belarus  
Belize  
Bosnia and Herzegovina  
Botswana  
Brazil  
Bulgaria  
China  
Colombia  
Costa Rica  
Cuba  
Dominican Republic  
Ecuador  
Fiji  
Gabon  
Guadeloupe  
Iran, Islamic Republic of  
Iraq  
Jamaica  
Jordan  
Kazakhstan  
Lebanon  
Libya  
Macedonia, the former  
Yugoslav Republic of  
Malaysia  
Maldives  
Mauritius  
Mexico  
Mongolia  
Montenegro  
Namibia  
Panama  
Paraguay  
Peru  
Romania  
Saint Lucia  
Saint Vincent and the  
Grenadines  
Serbia  
South Africa  
Suriname  
Thailand  
Tonga  
Tunisia  
Turkey  
Turkmenistan

**Developing economies**

Afghanistan  
Benin  
Burkina Faso  
Burundi  
Cambodia  
Central African Republic  
Chad  
Comoros  
Congo, Democratic  
Republic of the  
Eritrea  
Ethiopia  
Gambia  
Guinea  
Guinea-Bissau  
Haiti  
Korea, Democratic People's  
Republic of  
Liberia  
Madagascar  
Malawi  
Mali  
Mozambique  
Nepal  
Niger  
Rwanda  
Sierra Leone  
Somalia  
Tanzania, United  
Republic of  
Togo  
Uganda  
Zimbabwe

**G20 economies****G20 advanced economies**

Australia  
Canada  
EU-28  
France  
Germany  
Italy  
Japan  
Korea, Republic of  
Russian Federation  
Saudi Arabia  
United Kingdom  
United States

**G20 emerging economies**

Argentina  
Brazil  
China  
India  
Indonesia  
Mexico  
South Africa  
Turkey

The source of all global and regional labour market estimates in this *World Employment and Social Outlook* report is ILO, *Trends Econometric Models* (TEM), November 2015. The ILO Research Department 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 allow the ILO to produce and analyse global and regional estimates of key labour market indicators and related trends.

The Global Employment Trends (GET) Model is used to produce estimates and projections – disaggregated by age and sex as appropriate – of unemployment, employment and status in employment. 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, status in employment shares and vulnerable employment rate.

Prior to running the GET Model, labour market information specialists in the Research Department, in cooperation with ILOSTAT and specialists in ILO field offices, evaluate existing country-reported data and select only those observations deemed sufficiently comparable across countries using 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 a population census. National labour force surveys are generally similar across countries, and the data derived from these surveys are more readily comparable than data obtained from other sources. A strict preference is therefore given to labour force survey-based data in the selection process. However, many developing countries which lack the 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 data 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, 2015 revision for population estimates and projections;
- ILO Economically Active Population, Estimates and Projections (EAPEP) for labour force estimates and projections;
- 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 2014 database;
- World Bank poverty estimates from the PovcalNet database.

### Estimates of labour market indicators

The GET Model produces estimates of unemployment rates to fill in missing values in the countries and years for which country-reported data are unavailable. 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 which report unemployment rates tend to differ (in statistically important respects) from countries that do not report unemployment rates.<sup>1</sup> For 2015, a preliminary estimate is produced, using quarterly and monthly information available up to the time of production of this *World Employment and Social Outlook* report (November 2015).

The model also estimates employment by status using similar techniques to impute missing values at the country level. In addition to GDP growth rate, the variables used as explanatory variables 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 (Kapsos and Bourmpoula, 2013).

### Projections of labour market indicators

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.<sup>2</sup> This was done through the inclusion of interaction terms of crisis and recovery dummy variables with GDP growth in fixed effects panel regressions.<sup>3</sup> 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 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;<sup>4</sup>
- (3) level of export dependence (measured as exports as a percentage of GDP).<sup>5</sup>

The rationale behind these groupings is as follows. 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 impact of the crisis on their labour markets. Furthermore, because countries within given geographic areas often have strong World Trade Organization (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 with similar income levels are also likely to have 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) involved, 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.

To take into account the uncertainty surrounding GDP prospects, as well as the complexity of capturing the relationship between GDP and unemployment rate for all the countries, a variety of ten (similar) multilevel mixed-effects linear regressions (varying-intercept and varying-coefficient models) are utilized. The main component that changes across these ten 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 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 combinations was made according to judgemental examination in order to represent more realistically the recent trends observed in each country's economic forecast.

### Short-term projection model

For G7 countries, the preliminary unemployment estimate for 2014 and the projection for 2015 are based on results from a country-specific short-term projection model. The ILO maintains a database on monthly and quarterly unemployment flows that contains information on inflow and outflow rates into and out of unemployment, estimated on the basis of unemployment by duration, following the methodologies proposed by Shimer (2012) and Elsby et al. (2013). Seven different models are specified that either project the unemployment rate directly or determine both inflow and outflow rates, using ARIMA, VAR, VARX and combined forecast techniques. The short-term projection model relies on several explanatory variables, including hiring uncertainty (Ernst and Viegelahn, 2014), policy uncertainty (Baker et al., 2013) and GDP growth. For the final forecast, projections of one of the seven models are chosen for each country, based on results from a pseudo-out-of-sample analysis.

### Social unrest indicator

The social unrest index is an indicator that provides a reflection of social health at the national level. The index uses data from the GDELT project on events around the world classified as “protests” (code 14 in the database). Many different types of protest behaviours are recorded, such as street protest, riots, rallies, boycotts, road blockages and hunger strikes.

The index ranges from 0 to 100 and is normalized for each country, so that the value in each year represents its value relative to its historic maximum (100) and minimum (0). For instance, while in 1996 Egypt had a value of 0 for this indicator, the country reached its maximum of 100 in 2011 during the Arab Spring. The index is computed from a log-transformation of the share of protest events in the total number of events in a year and country, as reported by the GDELT project.

Social unrest is a relative concept across countries. An equal value of the underlying absolute metric in two countries does not imply identical conditions of social unrest in these countries due to inherent differences in countries’ culture, history and reporting. The social unrest index allows a cross-country comparison in terms of identifying which countries or regions are currently experiencing periods of heightened unrest. However, it is neither conceptually nor mathematically possible to state that one country experiences, say, 10 per cent more unrest than another.

### Changes to the estimates and projections: *Trends Econometric Models 2015 vs. 2014*

As for previous editions of TEM, global and regional unemployment levels and rates have been revised to take into account new information on unemployment rates as well as revisions to labour force and economic growth historical data and projections. Sources of discrepancy between the TEM November 2015 and the TEM November 2014 unemployment figures may be summarised as follows:

**New unemployment rate data entries reported in national labour force surveys:** Overall, the TEM November 2015 shows 115 new reported observations as compared with the TEM November 2014. Of these new data points, 91 were projected unemployment rates in the TEM November 2014, whereas 24 concern nine small economies that were not included in the previous edition because of the lack of official unemployment estimates (e.g. French Guiana, Guam and Saint Lucia). Some 40 per cent of these new data refer to 2014, while another 38 per cent concern the period 2011–13. Among the most influential new data entries for global unemployment figures are: Nigeria (2012–14), Mongolia (2011–12), Iran (2011–14) and Pakistan (2009–14).

**Backward revisions to historical unemployment rates:** Some 52.7 per cent (705 observations) of the unemployment rates observed in the TEM November 2015 between 2008 and 2014 have been subject to backward revisions. Yet, the magnitude of these changes is negligible in the large majority of cases. In only 3.2 per cent of cases (44 observations in total) were revisions larger than 0.1 percentage points, and in only six cases were they larger than 1 percentage point. Notably, these include: Tunisia in 2012 (+3.6 ppt) and 2013 (+2.6 ppt); Ghana in 2013 (+3.4 ppt); and Namibia in 2012 (+10.7 ppt) and 2013 (+10.7 ppt).

**Revisions to past and projected labour force data:** The TEM November 2015 uses a new labour force series which takes into account the *2015 Revision of World Population Prospects* by the United Nations, Department of Economic and Social Affairs, Population Division. The world population revision has in turn affected the *ILO Estimates and Projections of the Economically Active Population* for the whole estimation period 1991–2017. Differences in the labour force data between the TEM November 2015 and the TEM November 2014 are, however, more marked over the forecast horizon. In particular, the total labour force has been revised downward by over 20.7 million in 2015 and by over 22 million in 2016 and 2017.

**Revisions to past and projected GDP growth rates:** Between the IMF *World Economic Outlook* (WEO) October 2014 and the WEO October 2015 updates, the forecast for global real GDP growth rate in 2015 was revised downwards by 0.7 percentage points, while it was revised downwards by 0.4 and 0.3 percentage points for 2016 and 2017 respectively. Regarding the historical series, real GDP growth was revised upward by 0.1 percentage points for 2014. These changes to GDP growth past data and projections have led to small revisions in the estimated relationship between unemployment rate and GDP growth rate.

As a result of the changes described above, the baseline projection for the global unemployment rate was revised downwards by 0.1 percentage points for the years 2015 and 2016 and by 0.2 percentage points for 2017 (see [table A1](#)).

Global unemployment projections: Differences between TEM 2015 and TEM 2014										
Unemployed (millions)										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nov-14	178.6	199.0	196.6	195.4	197.4	200.1	201.3	204.4	206.7	208.8
Nov-15	177.0	197.7	195.1	193.8	196.2	198.6	196.4	197.1	199.4	200.5
Unemployment rate (per cent)										
Nov-14	5.7	6.3	6.1	6.0	6.0	6.0	5.9	5.9	5.9	5.9
Nov-15	5.6	6.2	6.1	6.0	6.0	6.0	5.8	5.8	5.8	5.7

Table A1

Source: ILO calculations based on Research Department’s Trends Econometric Models, November 2015 and November 2014.

## Endnotes

- 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 should happen to differ from reporting countries with respect to unemployment rates, without such a correction mechanism the resulting estimated regional unemployment rate would be biased. The “weighted least squares” approach adopted in the GET Model corrects for this potential problem.
- 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.
- 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 to be “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.
- The income groups correspond to the World Bank income group classification of four income categories, based on countries’ 2008 gross national income (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.
- 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).

## Appendix C. Sustainable Development Goals (SDGs)

Table A2

SDG targets and suggested indicators for Goal 8	
Target	Suggested indicator
<b>Target 8.1</b> Sustain per capita economic growth	<ul style="list-style-type: none"> <li>• GDP per capita, PPP</li> </ul>
<b>Target 8.2</b> Achieve higher levels of economic productivity through diversification, technological upgrading and innovation	<ul style="list-style-type: none"> <li>• Growth rate of GDP per employed person</li> </ul>
<b>Target 8.3</b> Support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises (MSMEs)	<ul style="list-style-type: none"> <li>• Share of informal employment in non-agricultural employment by sex</li> </ul>
<b>Target 8.4</b> Improve progressively, through to 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation	<ul style="list-style-type: none"> <li>• Resource productivity</li> </ul>
<b>Target 8.5</b> By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	<ul style="list-style-type: none"> <li>• Average hourly earnings of female and male employees by occupation (wages/gender wage gap)</li> <li>• Unemployment rate by sex, age group and disability</li> </ul>
<b>Target 8.6</b> By 2020, substantially reduce the proportion of youth not in employment, education or training	<ul style="list-style-type: none"> <li>• Percentage of youth (aged 15–24) not in education, employment or training (NEET)</li> </ul>
<b>Target 8.7</b> Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and eliminate child labour	<ul style="list-style-type: none"> <li>• Percentage and number of children aged 5–17 years engaged in child labour</li> </ul>
<b>Target 8.8</b> Protect labour rights and promote safe and secure working environments for all workers, including migrant workers	<ul style="list-style-type: none"> <li>• Frequency rates of fatal and non-fatal occupational injuries and time lost due to injuries</li> <li>• Number of ILO Conventions ratified by type of Convention</li> </ul>
<b>Target 8.9</b> By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products	<ul style="list-style-type: none"> <li>• Tourism direct GDP</li> <li>• Number of jobs in tourism industries</li> </ul>
<b>Target 8.10</b> Promote and strengthen access finance	<ul style="list-style-type: none"> <li>• Number of commercial bank branches and ATMs</li> <li>• Percentage of adults with a formal account</li> </ul>
<b>Target 8.a</b> Increase Aid for Trade support for developing countries, in particular least developed countries (LDCs)	<ul style="list-style-type: none"> <li>• Aid for Trade commitments and disbursements</li> </ul>
<b>Target 8.b</b> By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact	<ul style="list-style-type: none"> <li>• Total government spending in social protection, employment programmes and collective bargaining rates</li> </ul>

Note: The suggested indicators are preliminary proposals and are pending ongoing discussions.

Source: UN Statistics.

## Appendix D. Methodological approach to spending cut scenario

This appendix describes the methodology used to estimate the expected spending cuts by commodity exporters as well as the resulting job losses. Table A3 presents government spending cuts for countries that are under severe fiscal strain due to low commodity prices. Commodity exporters were identified using data from *Economist* (2015). Among these, countries under fiscal strain were identified by comparing the projected budget deficit for 2015 in the IMF *World Economic Outlook* (WEO) October 2014 database, which was based on high commodity prices, with the projected budget deficit for 2015 in the IMF WEO October 2015 database, which was based on low commodity prices. Additionally, the commodity exporter needed to have an estimated government budget deficit of more than 2 per cent in 2015.

The deficit deterioration in the IMF projections for 2015 represents the fiscal impact of lower commodity prices. The scenario assumes spending cuts to be half the size of the deterioration between the 2014 and 2015 estimates for 2015, as measured by GDP percentage points. These cuts would probably be implemented over the course of two years to avoid disrupting the domestic economy.

Some of these countries have enough financial resources to avoid applying these cuts in the medium term or can resort to international financial markets to compensate for the shortfall in commodity income. In contrast, other countries might face difficulties in accessing foreign financing. The course of action for commodity exporters will ultimately depend on the duration of this market slump. Consequently, the proposed scenario is fairly realistic on aggregate.

Estimated government spending cuts					
Country	Main Export	Size of spending cuts due to commodity prices	Country	Main Export	Size of spending cuts due to commodity prices
Algeria	Oil	-3.88	Niger	Metals	-0.60
Armenia	Metals	-0.88	Nigeria	Oil	-0.61
Belize	Foods	-1.02	Norway	Oil	-1.45
Benin	Metals	-1.26	Oman	Oil	-9.09
Bolivia	Metals	-2.59	Panama	Foods	-1.07
Botswana	Metals	-0.74	Paraguay	Foods	-0.64
Brazil	Foods	-2.09	Peru	Metals	-0.84
Chad	Oil	-0.61	Qatar	Oil	-4.08
Chile	Metals	-0.69	Russia	Oil	-1.63
Colombia	Oil	-1.02	Rwanda	Metals	-0.83
Congo Br.	Oil	-4.62	Saudi	Oil	-9.84
Eq. Guinea	Oil	-0.95	Sierra Leone	Metals	-0.82
Iran	Oil	-7.62	Suriname	Metals	-1.05
Kazakhstan	Oil	-2.14	Togo	Metals	-1.28
Kenya	Foods	-1.01	Turkmenistan	Oil	-0.80
Kuwait	Oil	-12.02	Uganda	Oil	-0.78
Lao P.D.R.	Metals	-0.81	Ukraine	Foods	-0.51
Liberia	Metals	-3.45	UAE	Oil	-6.90
Lybia	Foods	-24.06	Venezuela	Oil	-4.94
Malawi	Foods	-1.10	Vietnam	Foods	-3.33
Mauritania	Metals	-2.69	Yemen	Oil	-2.22
Mongolia	Metals	-0.74	Zambia	Metals	-1.47
Montenegro	Metals	-1.86	Zimbabwe	Metals	-0.79
Namibia	Metals	-1.57			

Table A3

Notes: The table compiles the projected spending cuts to be implemented by commodity exporters.

Source: ILO calculations based on the IMF's World Economic Outlook 2014 and 2015 estimates.



## Impact of spending cuts

The implementation of spending cuts around the world due to low commodity prices is set to have an effect not only on commodity exporters, but also on the world economy as a whole. The scenario has been simulated in the World Economic Forecasting Model by UN DESA, a global model that takes international demand spillovers into account. Table A4 presents the effect of this shock in spending on the GDP growth rate for key regions around the world.

The results show that the impact of this shock on the world's economy is somewhat mild. However, the effect is very strong in the Arab States region, which is heavily dependent on oil exports. Conversely, regions such as Eastern Asia and Northern America (net commodity importers) are also negatively affected by these spending cuts, but the size of the effect is negligible.

Table A4

Impact of spending cuts on economic growth		
	Impact of shock on the growth rate of GDP (percentage points)	
	2016	2017
<b>World</b>	<b>-0.32</b>	<b>-0.34</b>
<b>Major Regions</b>		
Arab States	-2.28	-2.27
Eastern Asia	-0.09	-0.13
Eastern Europe	-0.66	-0.59
Central and Western Asia	-0.20	-0.26
Latin America and the Caribbean	-0.50	-0.56
Northern Africa	-0.63	-0.65
Northern America	-0.04	-0.07
Northern, Southern and Western Europe	-0.09	-0.14
South-Eastern Asia and the Pacific	-0.17	-0.17
Southern Asia	-0.73	-0.73
Sub-Saharan Africa	-0.39	-0.40

*Note: The table shows the effect of spending cuts implemented by commodity exporters on economic growth around the world.*

*Source: World Economic Forecasting Model, UN DESA.*

## The “missing” unemployment effect

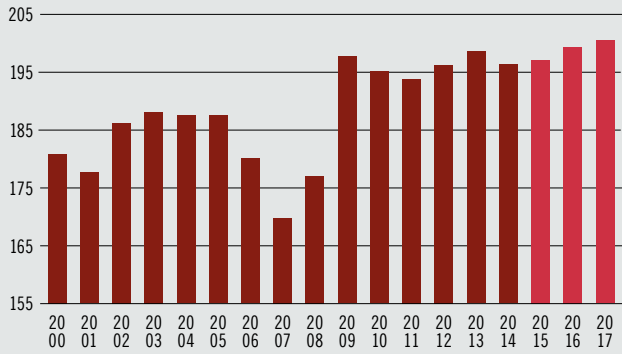
A large reduction in employment in the Arab States region should be expected given the relatively large negative effect of spending cuts on GDP growth for this region. However, according to ILO estimates, the unemployment rate will remain essentially unchanged for 2016 and 2017.

Migrant workers from Southern Asia represent a sizeable share of the population and working force in many Arab States countries. For example, the Gulf Labour Markets and Migration programme estimates that foreign workers made up 32 per cent of Saudi Arabia's population and about 56.5 per cent of the employed population, as of mid-2013. Therefore, any mass layoffs can be expected mostly to affect these foreign workers, who will be forced to go back to their countries of origin if fired. In other words, the unemployment rate might not change much, but the number of employed people in the region will certainly decrease by a large margin.

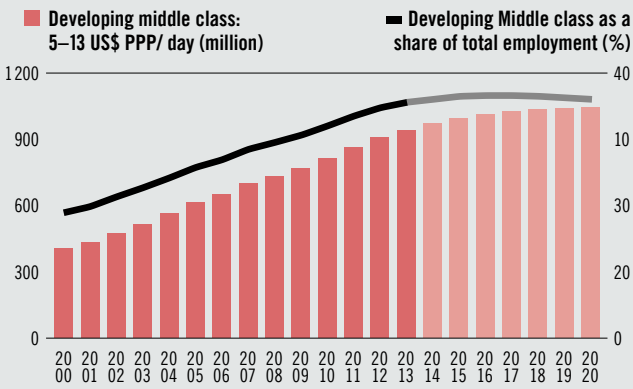
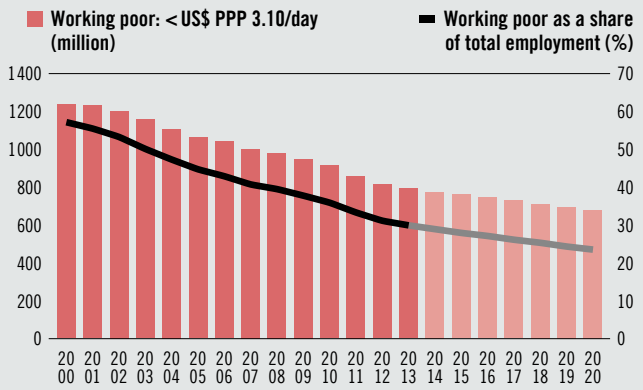
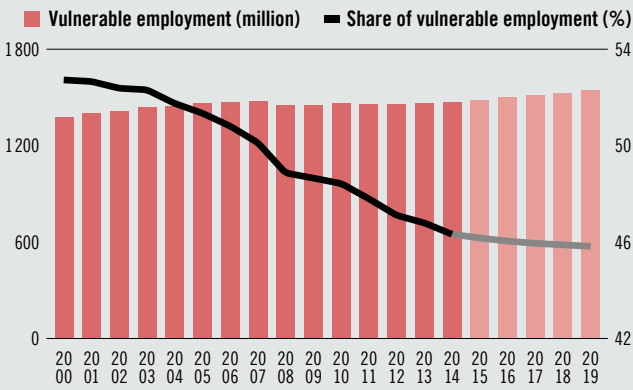
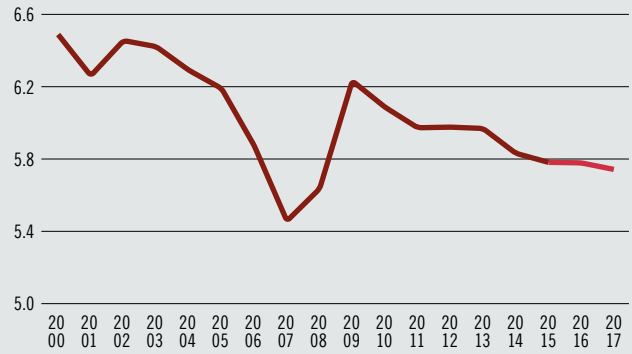
## Appendix E. Labour market and social statistics by ILO Region

### World

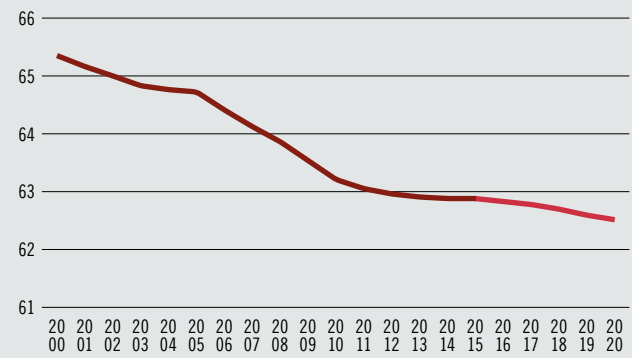
Total unemployment (million)



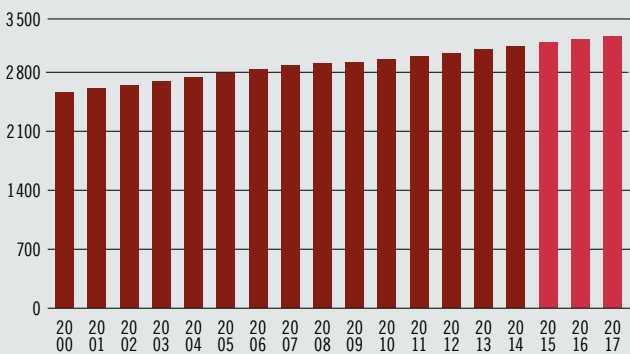
Total unemployment rate (%)



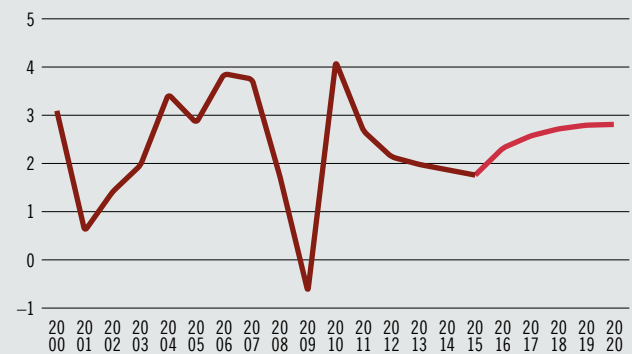
Labour force participation rate (%)



Total employment (million)

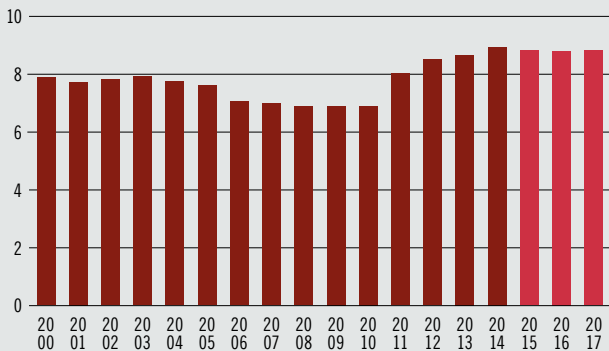


Productivity growth (%)

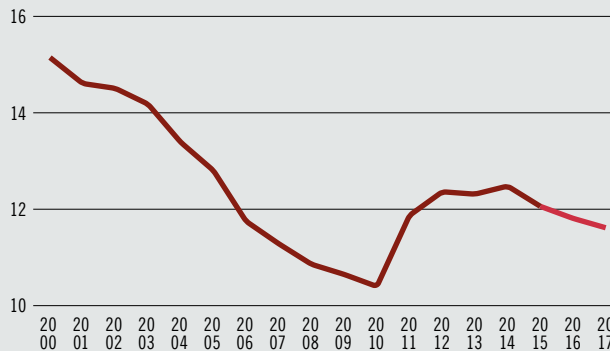


## Northern Africa

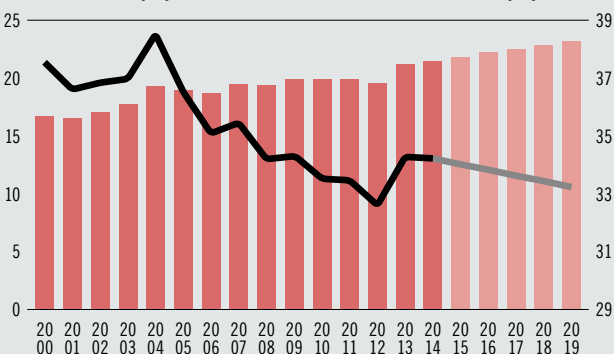
Total unemployment (million)



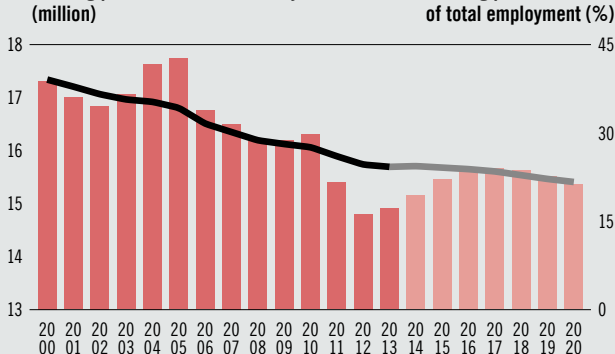
Total unemployment rate (%)



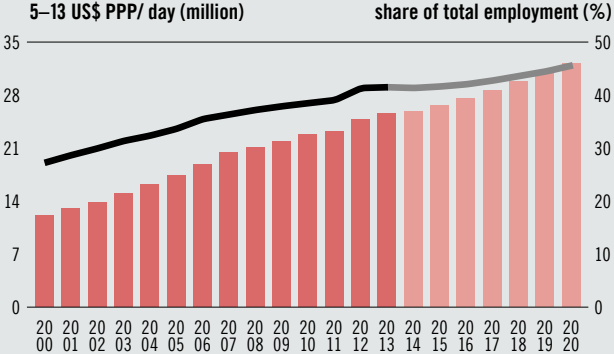
Vulnerable employment (million) ■ Share of vulnerable employment (%)



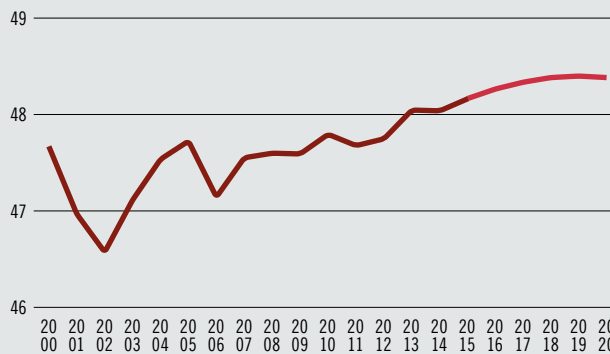
Working poor: < US\$ PPP 3.10/day (million) ■ Working poor as a share of total employment (%)



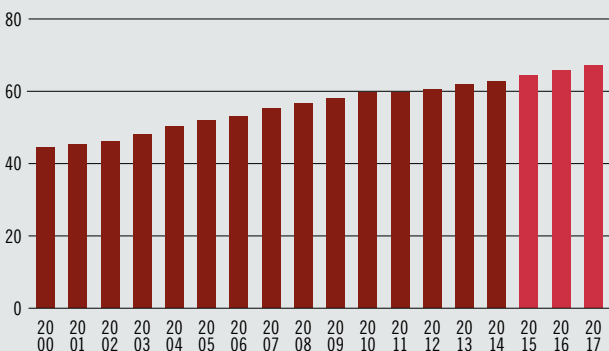
Developing middle class: 5-13 US\$ PPP/day (million) ■ Developing Middle class as a share of total employment (%)



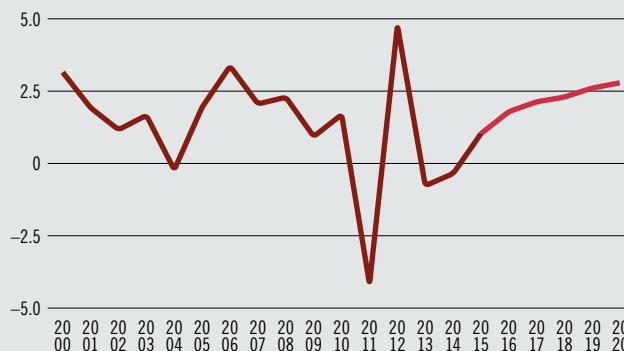
Labour force participation rate (%)



Total employment (million)

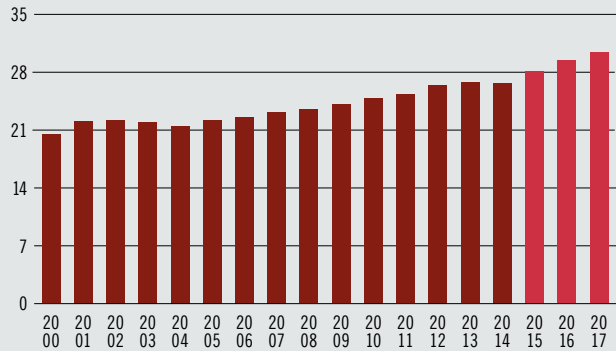


Productivity growth (%)

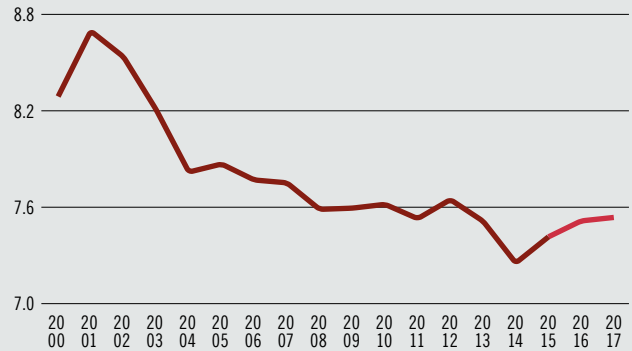


### Sub-Saharan Africa

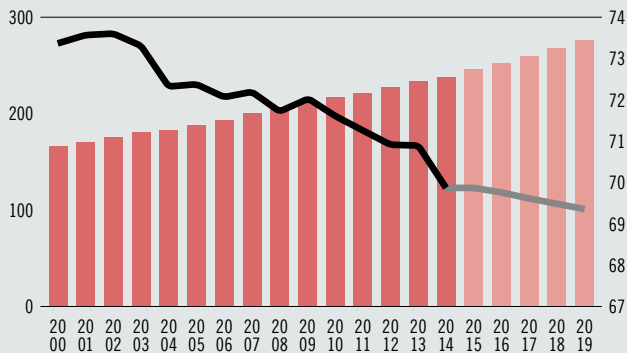
Total unemployment (million)



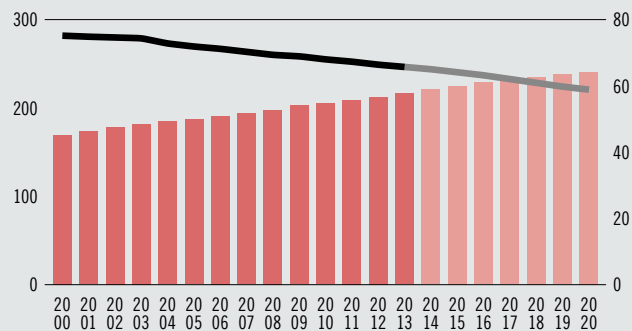
Total unemployment rate (%)



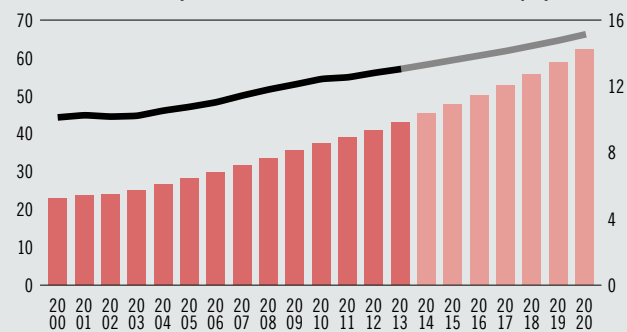
Vulnerable employment (million) and Share of vulnerable employment (%)



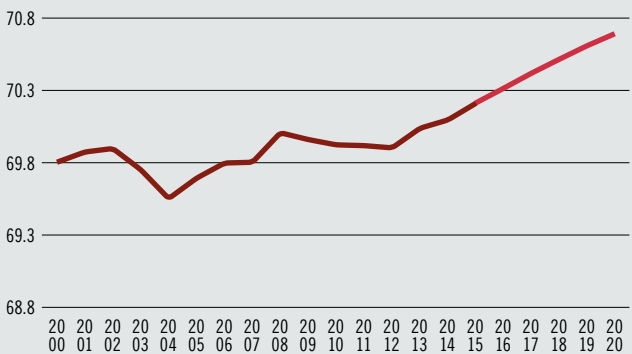
Working poor: < US\$ PPP 3.10/day (million) and Working poor as a share of total employment (%)



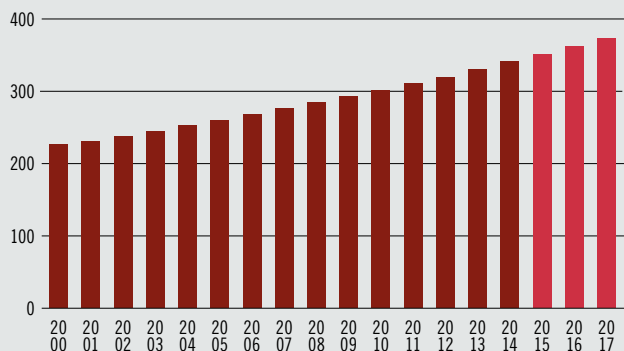
Developing middle class: 5-13 US\$ PPP/day (million) and Developing Middle class as a share of total employment (%)



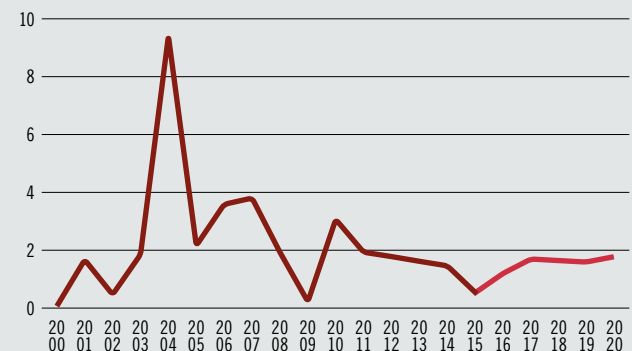
Labour force participation rate (%)



Total employment (million)

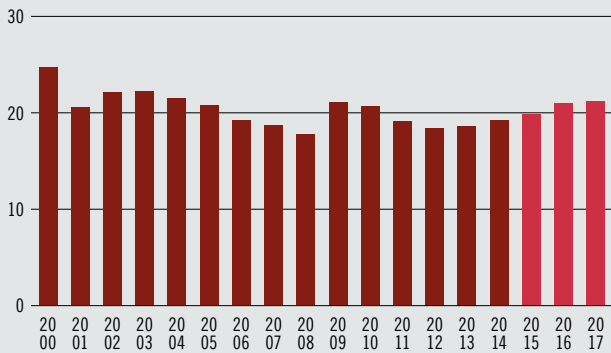


Productivity growth (%)

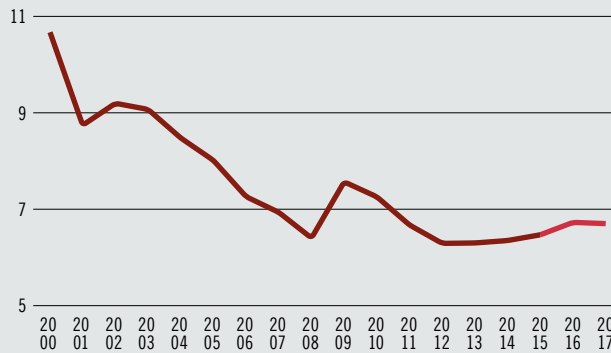


### Latin America and the Caribbean

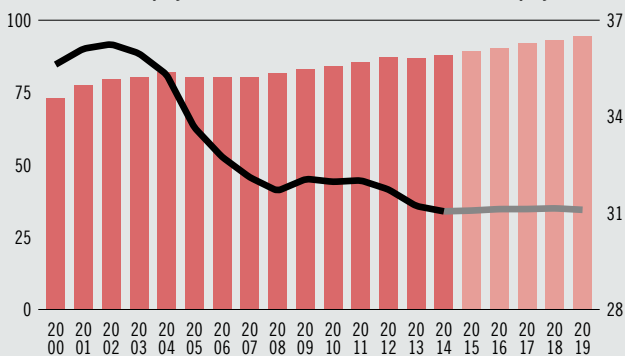
Total unemployment (million)



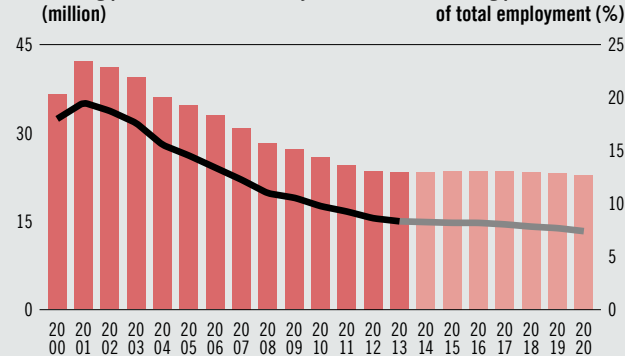
Total unemployment rate (%)



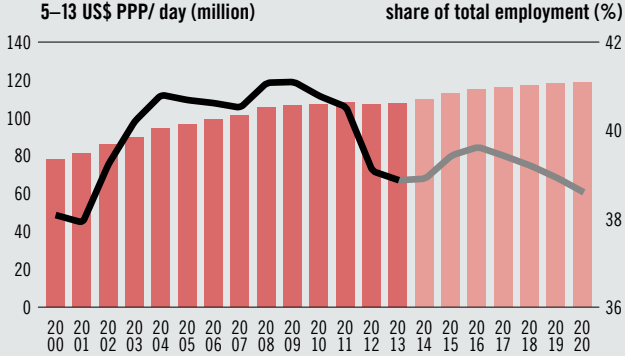
Vulnerable employment (million) ■ Share of vulnerable employment (%)



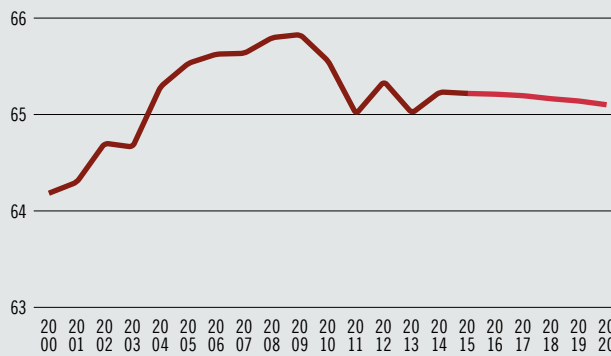
Working poor: < US\$ PPP 3.10/day (million) ■ Working poor as a share of total employment (%)



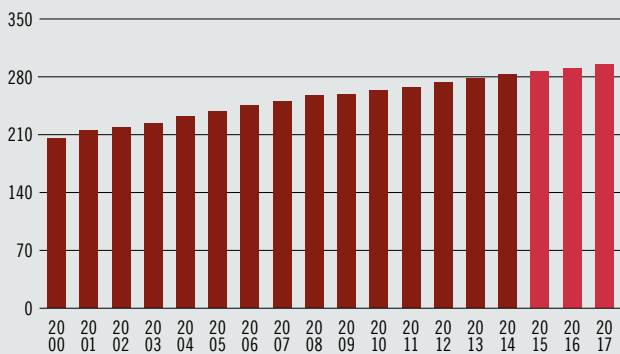
Developing middle class: 5-13 US\$ PPP/day (million) ■ Developing Middle class as a share of total employment (%)



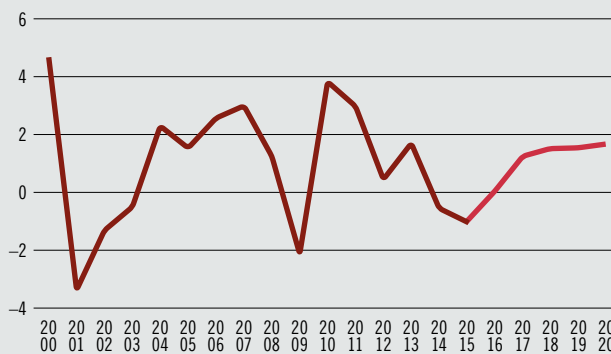
Labour force participation rate (%)



Total employment (million)

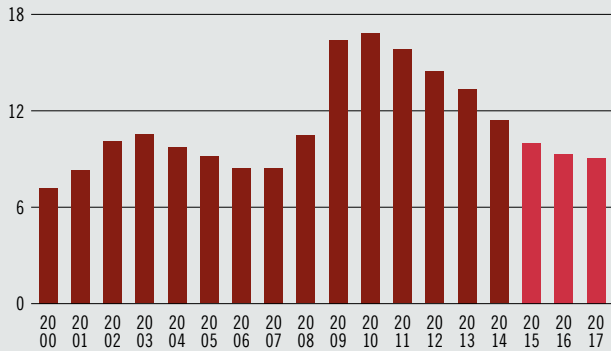


Productivity growth (%)

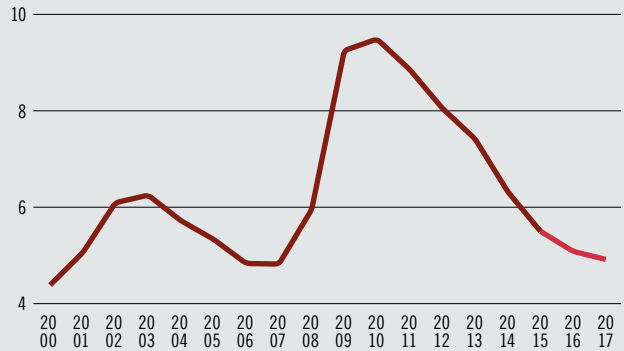


### Northern America

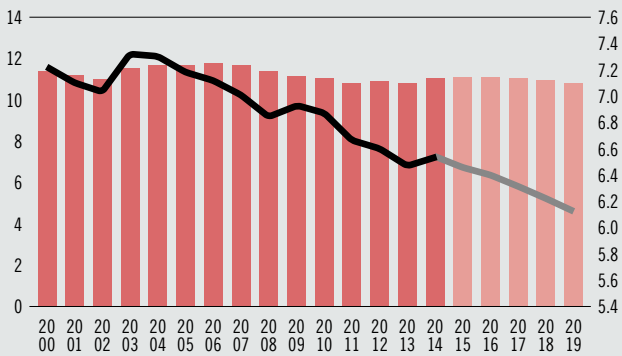
Total unemployment (million)



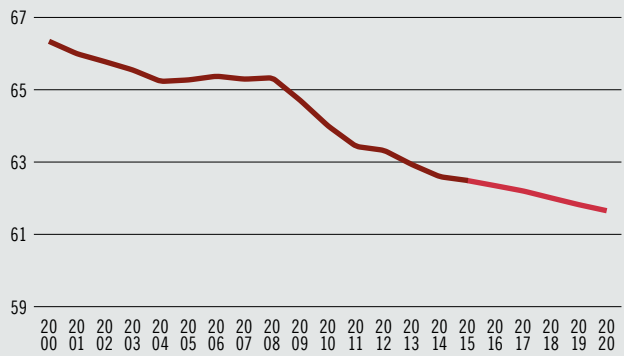
Total unemployment rate (%)



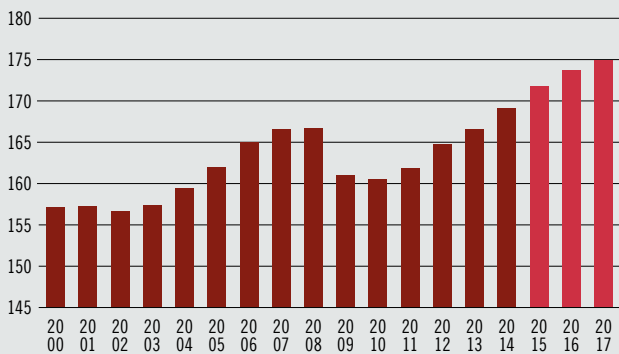
Vulnerable employment (million) — Share of vulnerable employment (%)



Labour force participation rate (%)



Total employment (million)

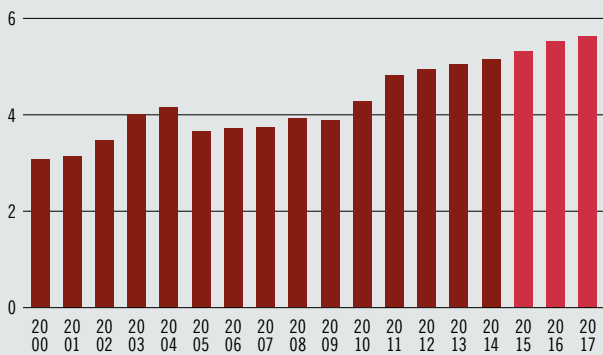


Productivity growth (%)

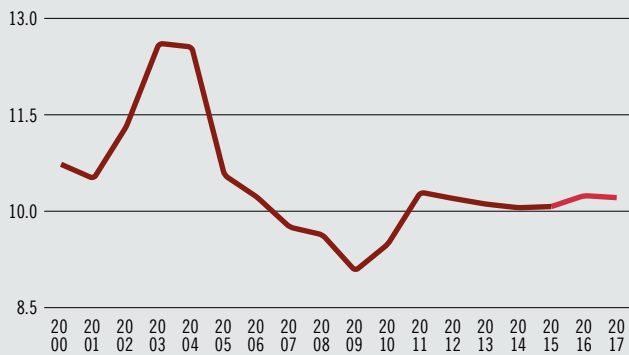


### Arab States

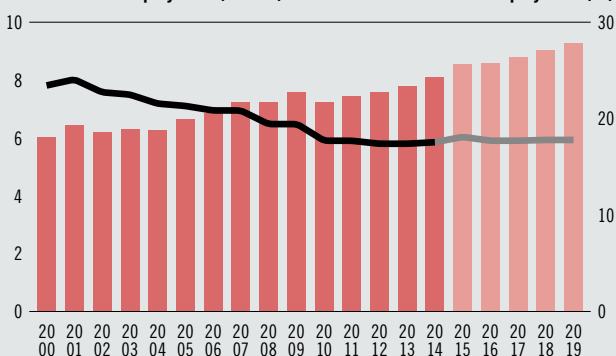
Total unemployment (million)



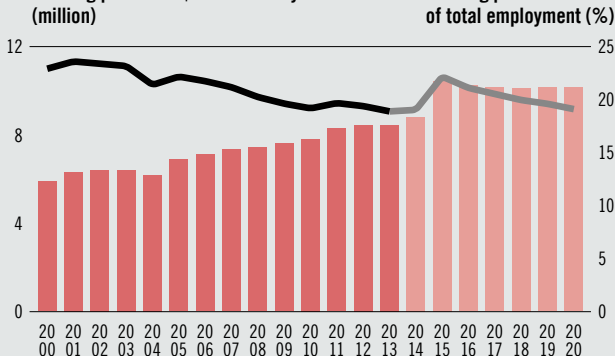
Total unemployment rate (%)



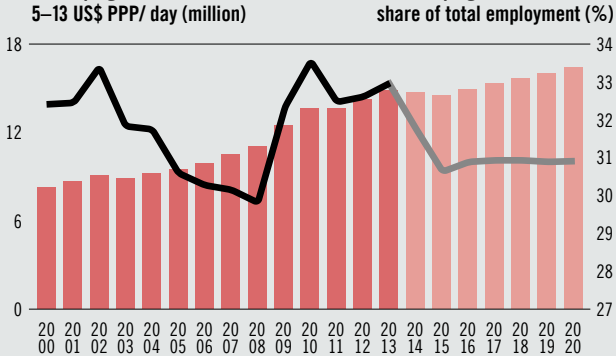
Vulnerable employment (million) ■ Share of vulnerable employment (%)



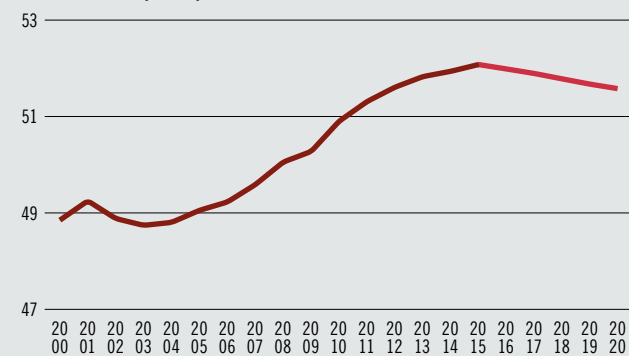
Working poor: < US\$ PPP 3.10/day (million) ■ Working poor as a share of total employment (%)



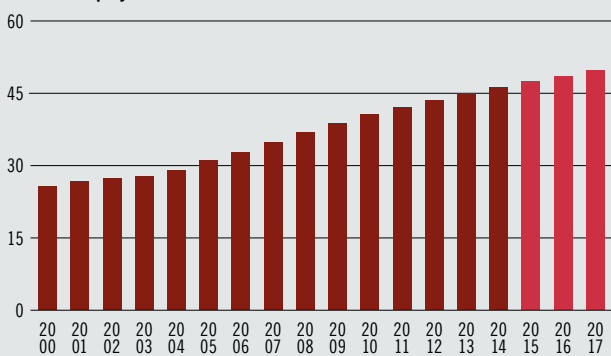
Developing middle class: 5-13 US\$ PPP/day (million) ■ Developing Middle class as a share of total employment (%)



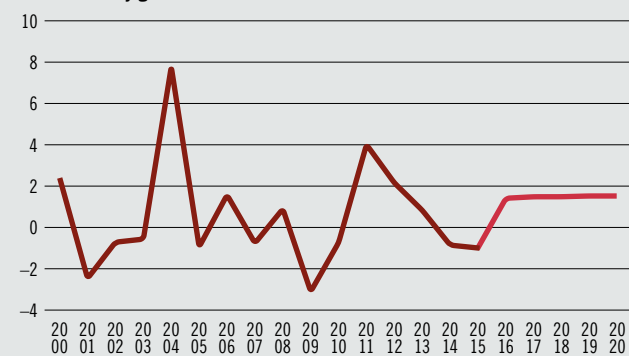
Labour force participation rate (%)



Total employment (million)

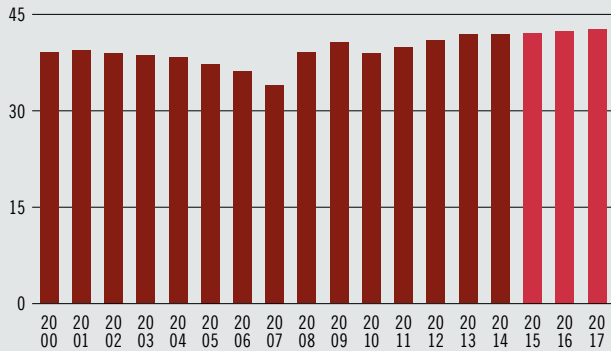


Productivity growth (%)

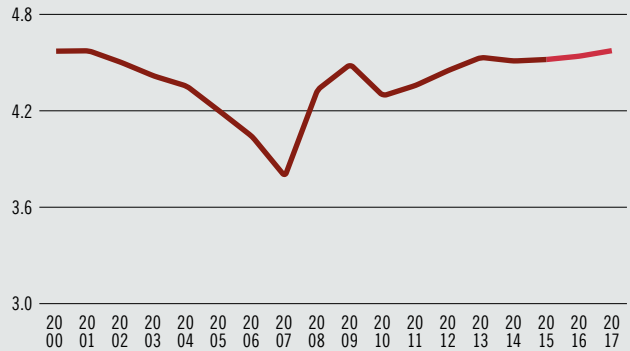


### Eastern Asia

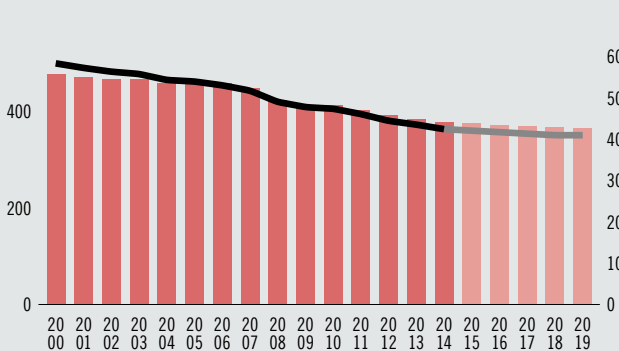
Total unemployment (million)



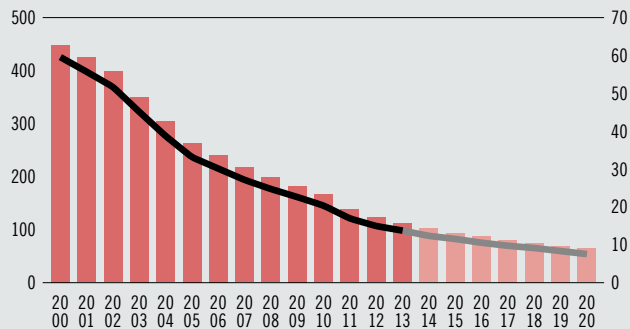
Total unemployment rate (%)



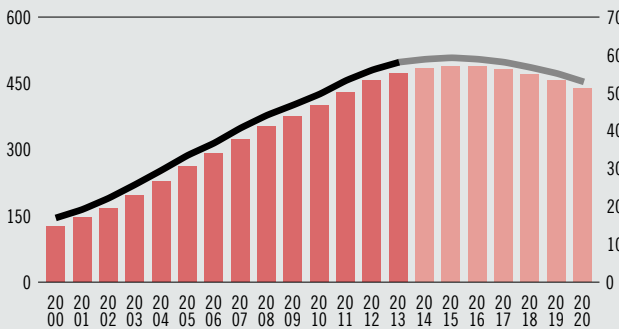
Vulnerable employment (million) and Share of vulnerable employment (%)



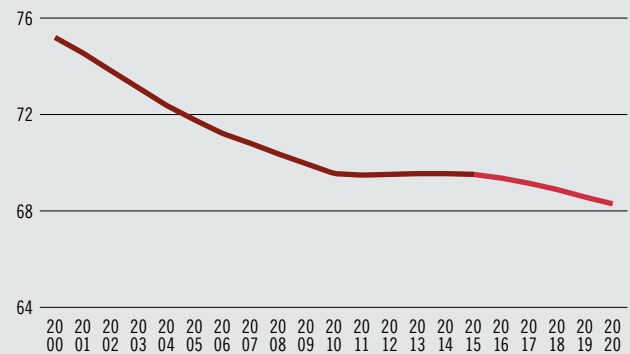
Working poor: < US\$ PPP 3.10/day (million) and Working poor as a share of total employment (%)



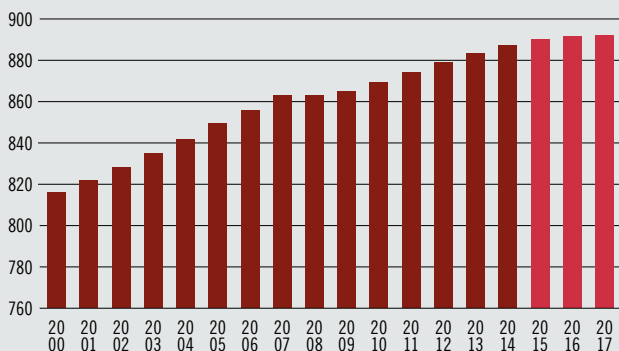
Developing middle class: 5-13 US\$ PPP/day (million) and Developing Middle class as a share of total employment (%)



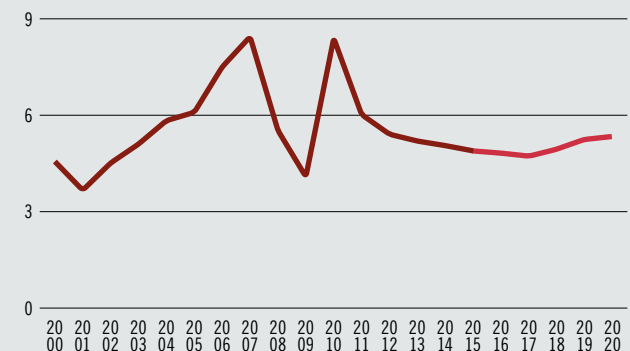
Labour force participation rate (%)



Total employment (million)



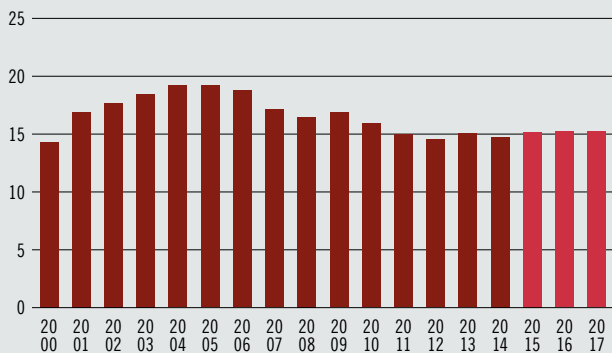
Productivity growth (%)



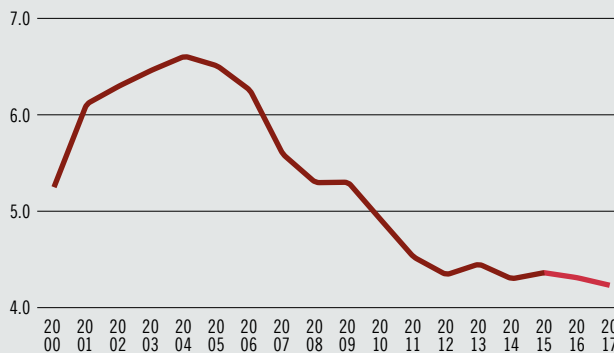


### South-Eastern Asia and the Pacific

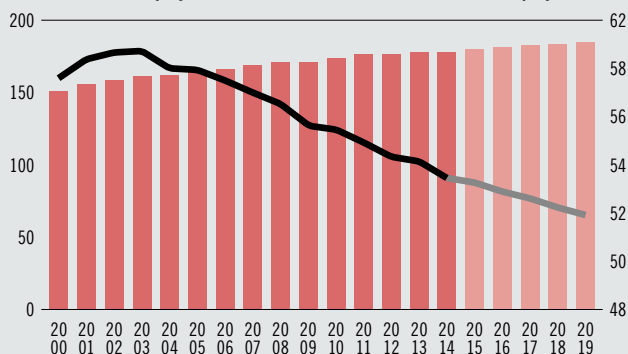
Total unemployment (million)



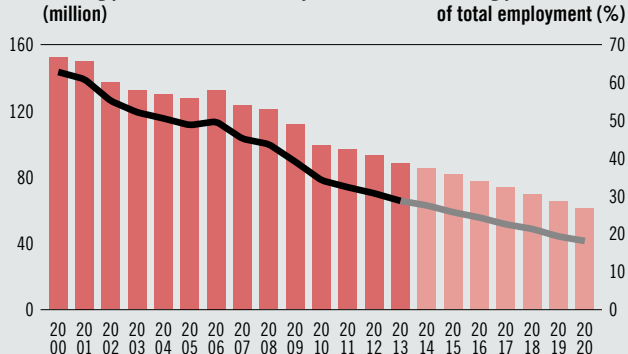
Total unemployment rate (%)



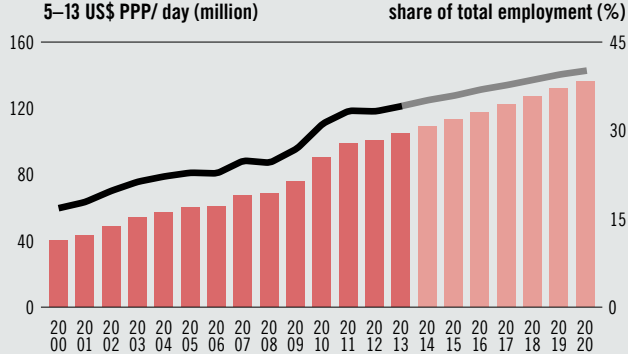
Vulnerable employment (million) and Share of vulnerable employment (%)



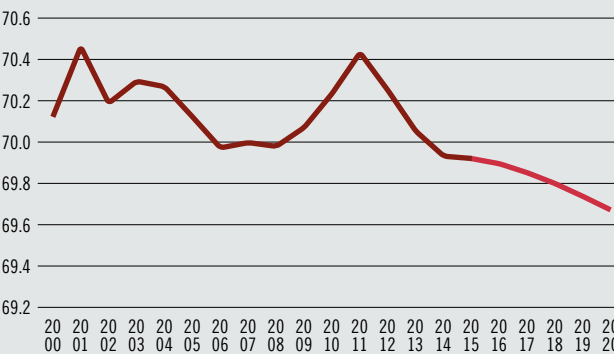
Working poor: < US\$ PPP 3.10/day (million) and Working poor as a share of total employment (%)



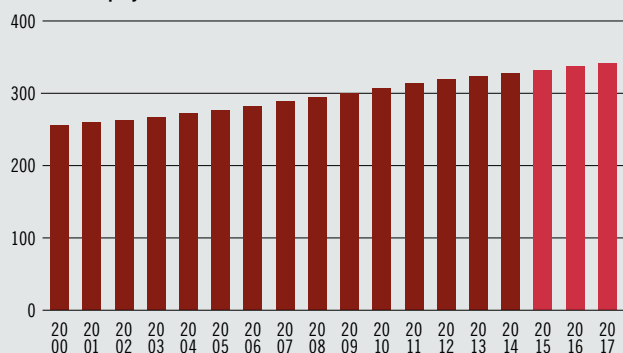
Developing middle class: 5-13 US\$ PPP/day (million) and Developing Middle class as a share of total employment (%)



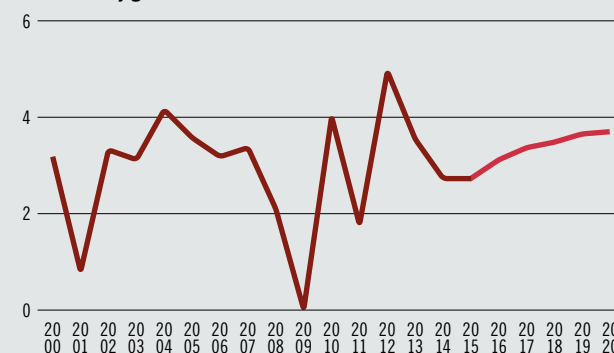
Labour force participation rate (%)



Total employment (million)

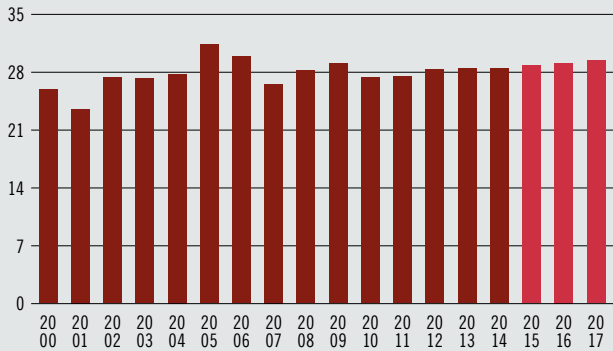


Productivity growth (%)

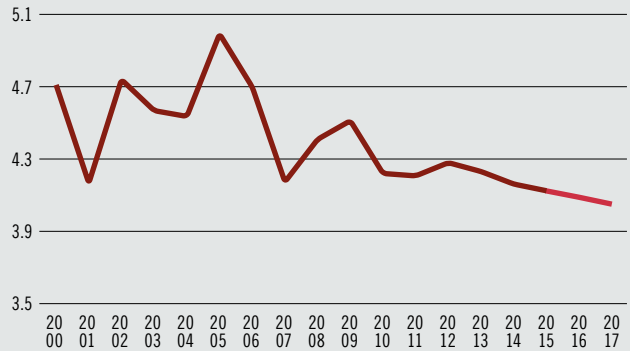


### Southern Asia

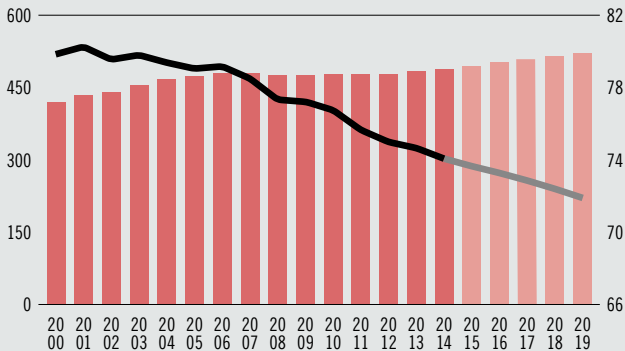
Total unemployment (million)



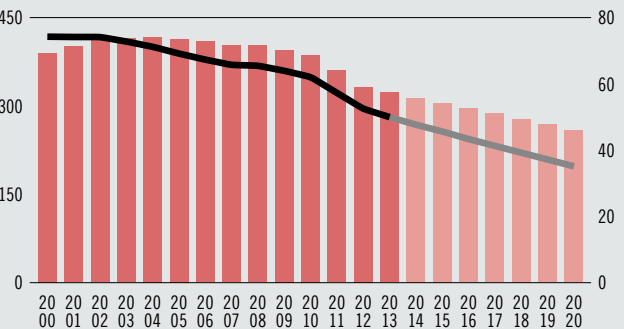
Total unemployment rate (%)



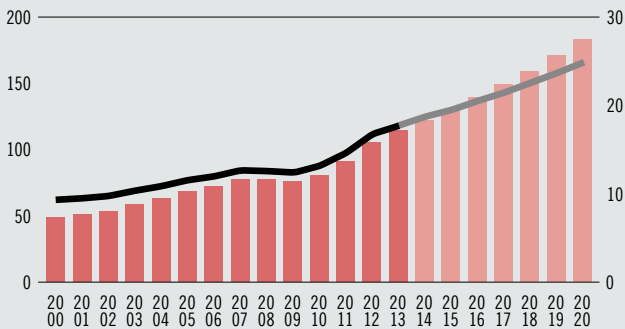
Vulnerable employment (million) and Share of vulnerable employment (%)



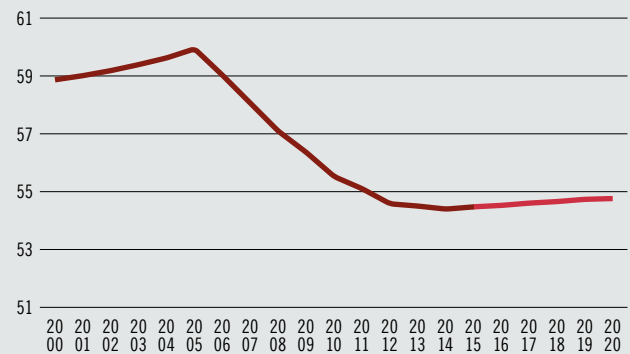
Working poor: <US\$ PPP 3.10/day (million) and Working poor as a share of total employment (%)



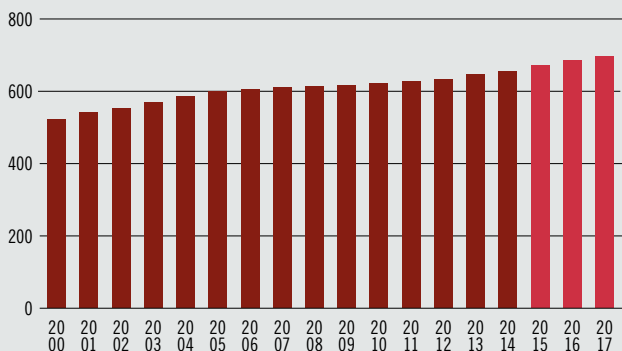
Developing middle class: 5–13 US\$ PPP/day (million) and Developing Middle class as a share of total employment (%)



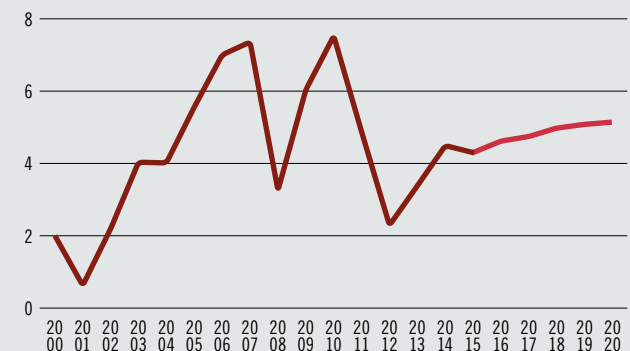
Labour force participation rate (%)



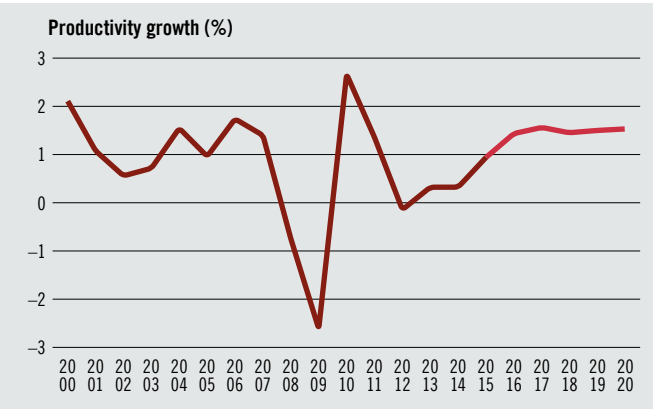
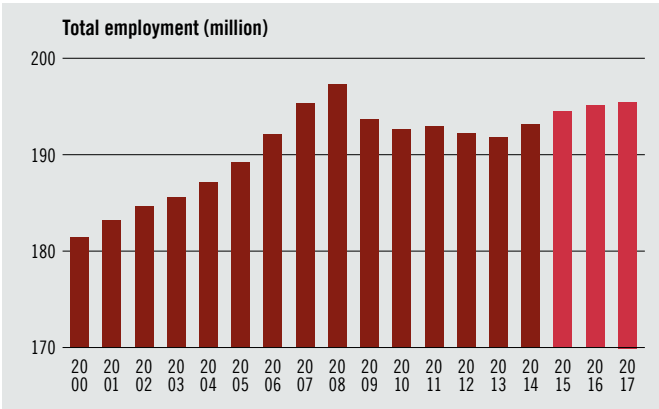
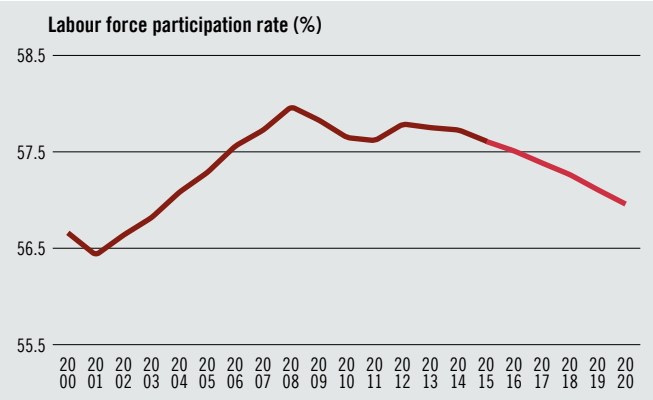
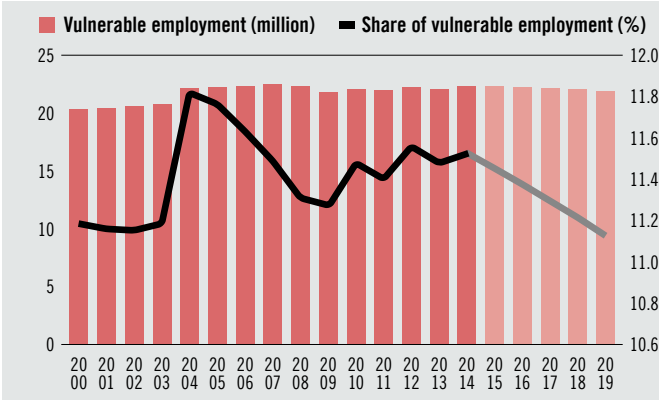
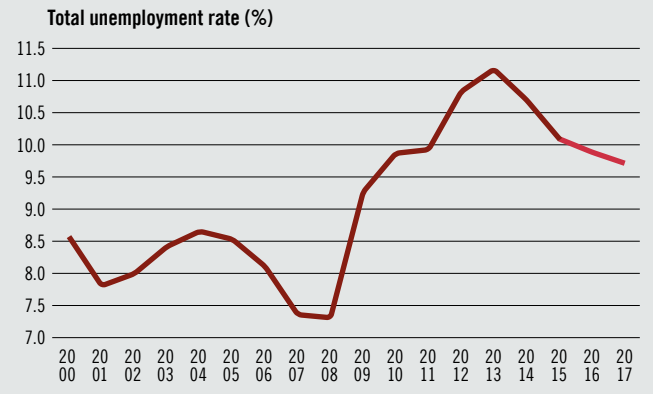
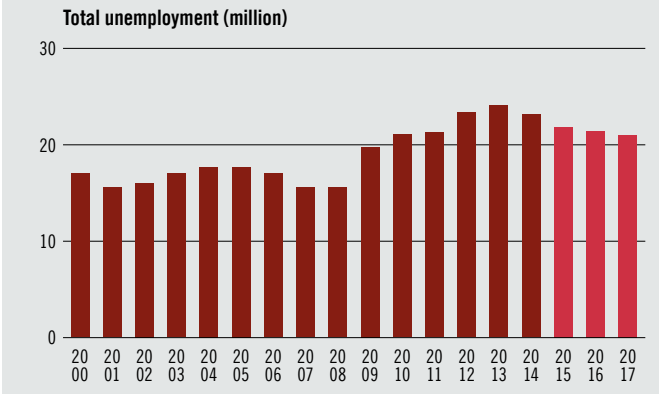
Total employment (million)



Productivity growth (%)

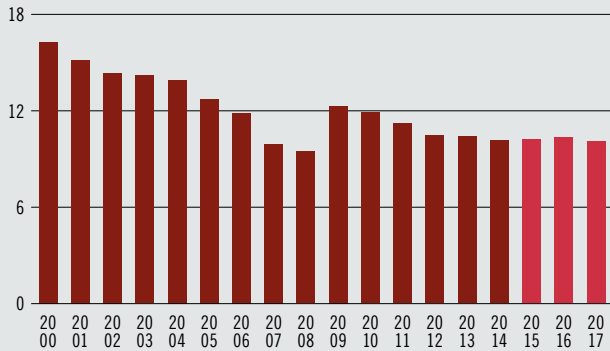


### Northern, Southern and Western Europe

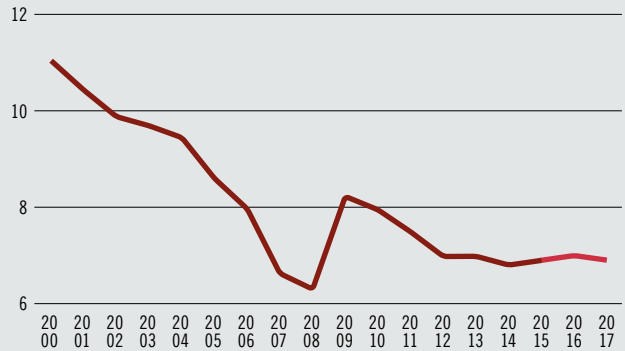


### Eastern Europe

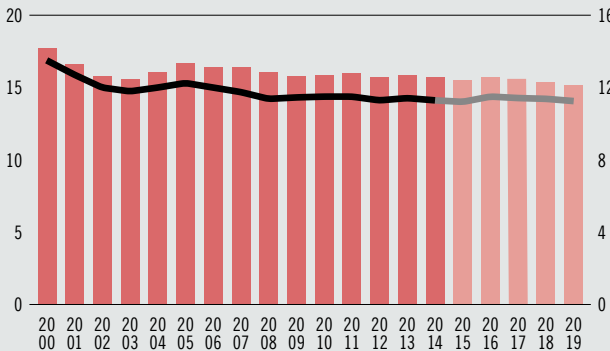
Total unemployment (million)



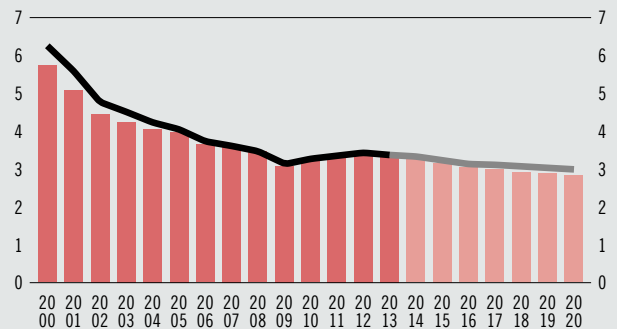
Total unemployment rate (%)



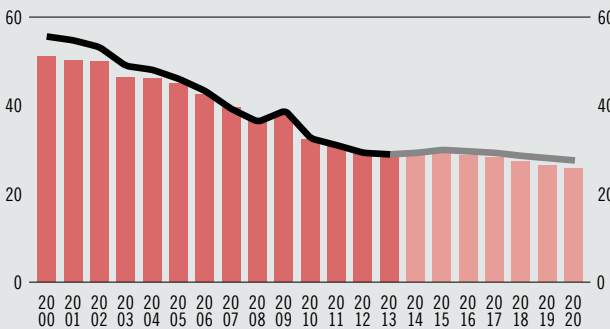
Vulnerable employment (million) — Share of vulnerable employment (%)



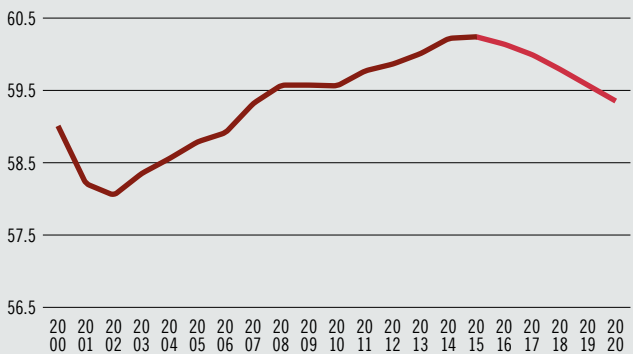
Working poor: < US\$ PPP 3.10/day (million) — Working poor as a share of total employment (%)



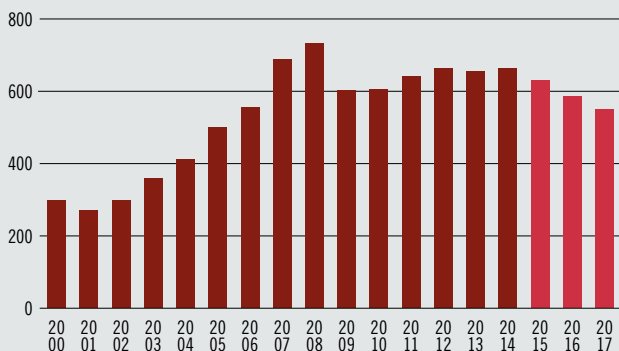
Developing middle class: 5–13 US\$ PPP/day (million) — Developing Middle class as a share of total employment (%)



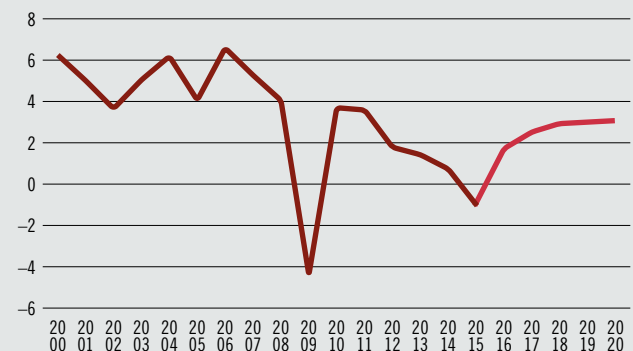
Labour force participation rate (%)



Total employment (million)

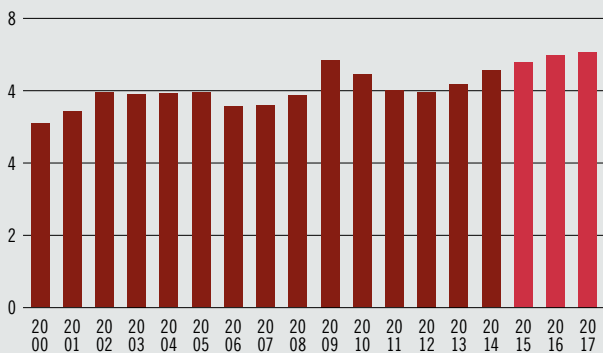


Productivity growth (%)

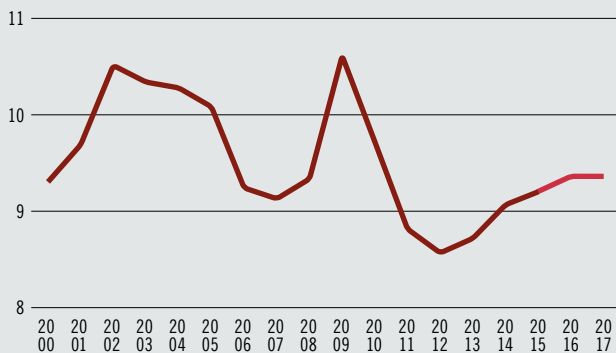


### Central and Western Asia

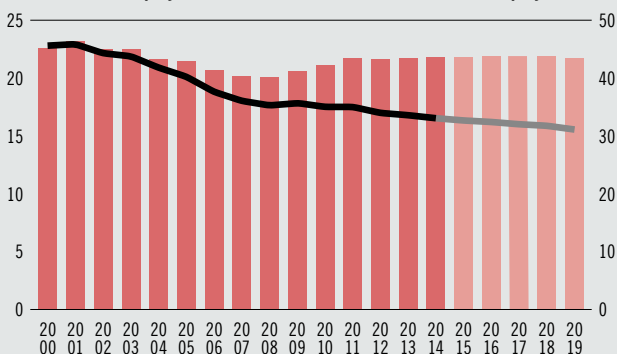
Total unemployment (million)



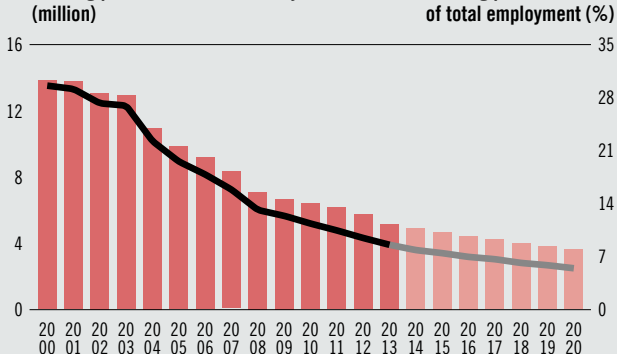
Total unemployment rate (%)



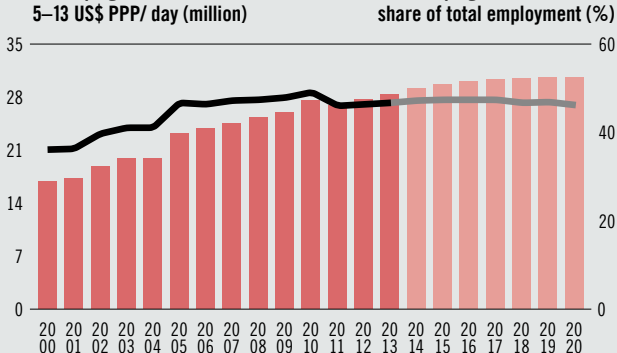
Vulnerable employment (million) ■ Share of vulnerable employment (%)



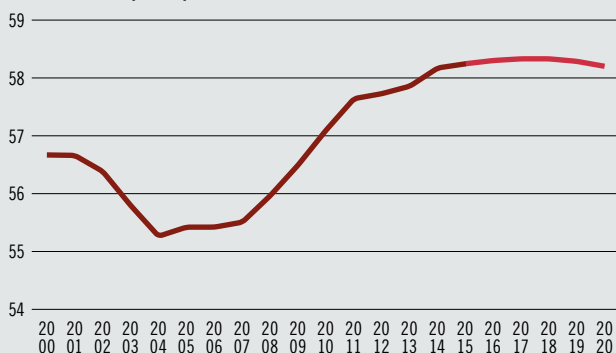
Working poor: < US\$ PPP 3.10/day (million) ■ Working poor as a share of total employment (%)



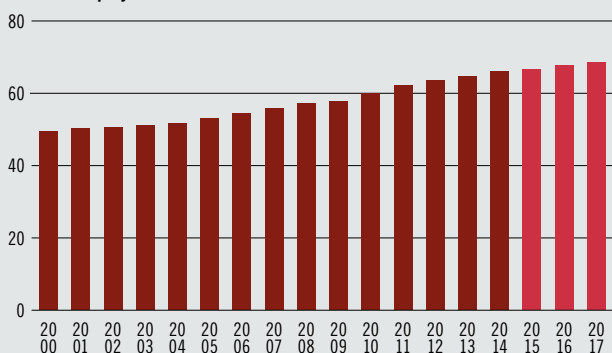
Developing middle class: 5-13 US\$ PPP/day (million) ■ Developing Middle class as a share of total employment (%)



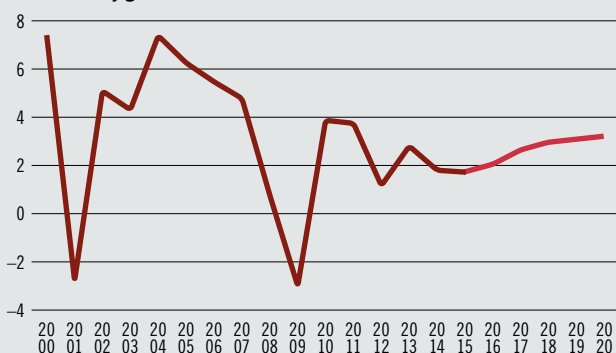
Labour force participation rate (%)



Total employment (million)



Productivity growth (%)



The image features a solid red background. In the upper-left quadrant, there is a white geometric design consisting of several thin lines forming a grid-like structure. A small, solid white square is positioned at the intersection of one of these lines. The word "BIBLIOGRAPHY" is printed in white, uppercase, sans-serif font, centered horizontally in the lower half of the page.

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The world economy continues to grow at a disappointing pace, and over 2016 and 2017 it is projected to continue growing well below the levels achieved prior to the onset of the crisis. As a result, global unemployment is expected to increase by nearly 2.7 million in 2016, and by a further 1 million in 2017. Like 2015, most of this increase will take place in emerging markets.

Job quality is also deteriorating. While there has been a decrease in vulnerable employment and working poverty rates, vulnerable employment still accounts for over 46 per cent of total employment globally, affecting nearly 1.5 billion people.

The **World Employment and Social Outlook (WESO) – Trends 2016** provides a global overview of these worrying trends, and presents unemployment projections until 2017 by income and regional groups, as well as projections on several dimensions of job quality until 2020. It also examines the major challenges these trends pose in achieving the newly adopted Sustainable Development Agenda.

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