

SUMMARY



International
Labour
Organization

WORLD EMPLOYMENT SOCIAL OUTLOOK



TRENDS
2016

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WORLD EMPLOYMENT AND SOCIAL OUTLOOK Trends 2016

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 developed 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 developed 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 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 developed 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 developed 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 US\$5 and US\$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 developed 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 US\$1.90 a day in PPP terms) and 967 million in moderate or near poverty (between US\$1.90 and US\$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.