



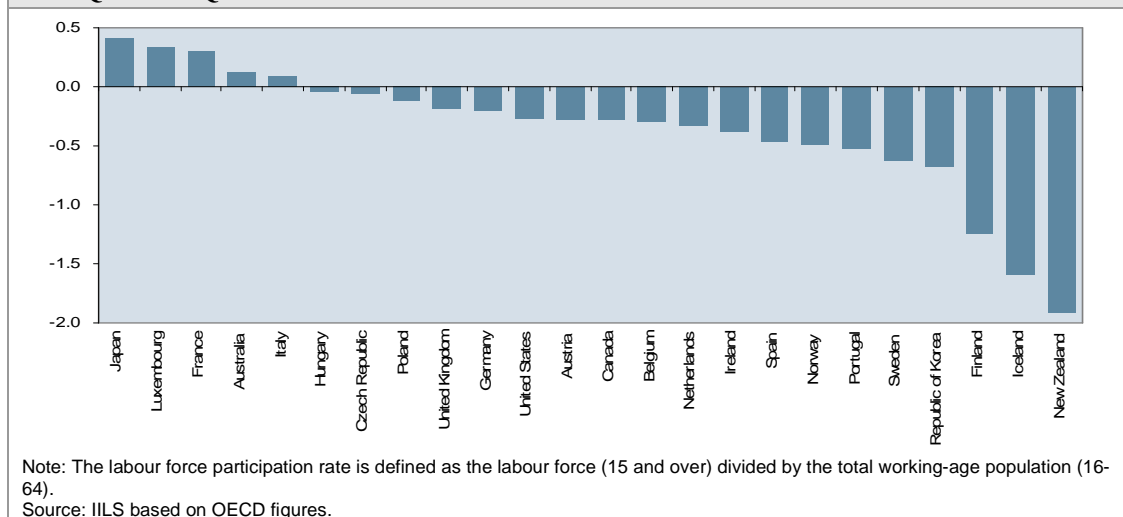
World of Work 2009

Snapshot of the European Union

What has happened in the world of work?

- *Mounting job losses:* 6.1 million jobs have been lost in the European Union since March 2008.
- *Increased unemployment rate:* in Oct. 2009, the Euro Area (EA 16) unemployment rate stood at 9.8 per cent, 2 percentage points higher than in Oct. 2008. Likewise, in EU 27, it stood at 9.3 per cent, 2 percentage points higher than in Oct. 2008.
- *Reduced work hours:* in the year up to the second quarter of 2009, the average number of actual hours worked per week by persons in full-time employment in the EU fell by 0.7 hours (from 41.0 hours per week to 40.3).

Figure 1. Percentage point change in labour force participation rates, selected OECD countries, 2008 Q4 - 2009 Q3



What are the near-term implications for employment?

- *Sluggish labour market recovery:* among advanced economies, employment is not expected to recover to pre-crisis levels until the middle of 2013.
- *Risk of long-term unemployment:* long-term unemployment (LTU) usually continues to rise even after the unemployment rate starts to decline. Currently the European Union faces the risk of increased LTU, which is of concern because it could result in skills deterioration and labour market detachment, particularly in groups such as older workers and youth. Moreover, some workers may drop out of the labour force entirely; there are already indications that this is happening in many EU countries (see figure 1).

Employment-oriented measures could mitigate the impacts of the global jobs crisis and support a broader recovery

- *Global Jobs Pact for a sustainable recovery:* elements of the Global Jobs Pact could prove beneficial in aiding a quicker and more sustainable recovery process –

through such avenues as public infrastructure development, social protection, support for vulnerable groups, labour market skills and training programmes, and initiatives for ‘greening’ the economy.

- *Continued support through stimulus spending*: if stimulus efforts are scaled back prematurely, there is a risk of joblessness, inactivity, and more precarious forms of work.
 - Premature exit could also be more costly at a later stage as it is more expensive to bring unemployed back into labour market.
 - But, it is also important to formulate credible exit strategies for a sustainable medium to long term public finance.

Going forward, what structural issues need to be addressed?

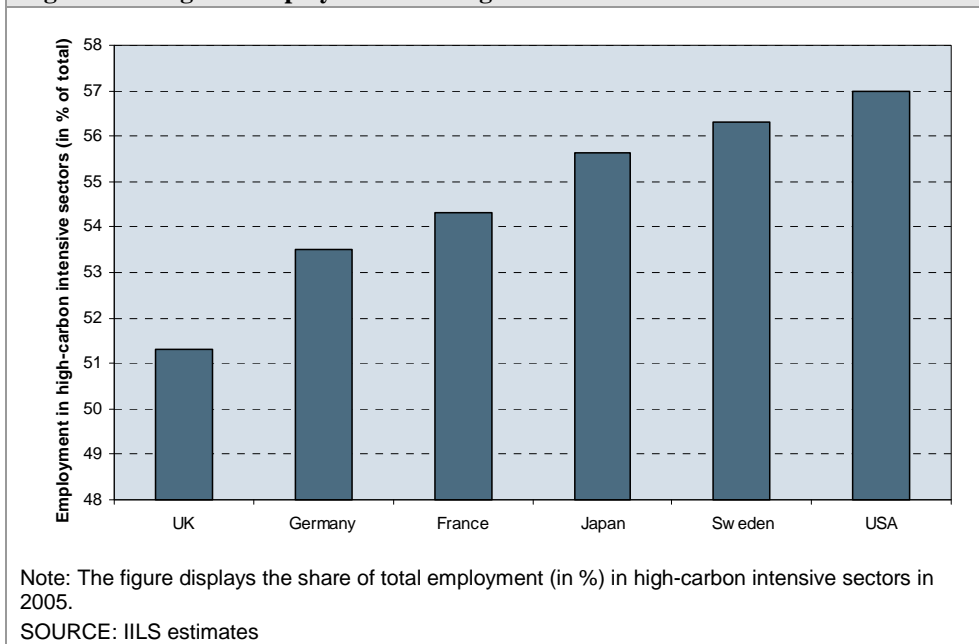
1. Financialization of the real economy

- The crisis has highlighted the perverse effects of “financialization”:
 - *Finance’s growing size and share of corporate profits*: in the European Union, finance’s share of GDP doubled from 15 percent in 1970 to 30 percent in 2007. Similarly, financial sector’s share of total corporate profits doubled from 21 per cent in 1970 to 42 per cent in 2005.
 - *Increased wage gap between financial and non-financial workers*: the real wage gap between financial and non-financial firms in the EU doubled between 1985 and 2005; such trends have continued in 2008 and 2009.
 - *Adverse impact on non-financial firms*: an important indicator of finance’s growing influence over the real economy is the evolution of dividend practices. Dividend payouts between 1995 and 2000 were above 50 per cent in Germany, Italy and the United Kingdom, and above 40 per cent in Austria and France. The share of investment as a percentage of operating surplus declined in the European Union, from 47 per cent in the 1970s to 40 per cent in 2000s.
- *Making finance work for the real economy*: finance’s growing size and influence over the real economy comes with benefits and costs, but the crisis of 2008–09 shows that the costs are enormous. So far, governments have done little to tackle the growing dominance of finance and the pace of reform has been excruciatingly slow. Going forward, it is imperative to align the incentives of the financial sector with that of the real economy.

2. Green policies, not only for a sustainable future, but also for jobs.

- *Green initiatives for better jobs*: The employment challenge associated with the goal of cutting CO₂ emissions is significant, as there is a high share of workers in high carbon intensive industries in EU countries (figure 2). However, the move to a low-carbon economy also presents major employment opportunities, by opening new markets, and stimulating eco-innovation and investment in more efficient production techniques.
 - The *World of Work Report 2009* shows that if a price on CO₂ emissions was imposed, and if the resulting revenues were used to subsidize industry labour costs, then employment would rise by 0.5 per cent world wide by 2014.

Figure 2. The green employment challenge



3. Integrating social concerns into the mechanisms of global economic governance

- *Rebalancing globalization:* The global crisis also underlines the need to make globalisation fairer and more sustainable. In this regard, a number of actors have sought to mainstream social concerns into instruments of economic global governance. To better understand these developments, the *World of Work Report 2009* provides an overview of the potential contribution that trade arrangements and instruments of development finance can make to the promotion of Decent Work.

World of Work 2009: Global Jobs Crisis and Beyond is available at (www.ilo.org/INST). For further comment, journalists are invited to contact Sameer Khatiwada (tel +41 22 799 6308; email: khatiwada@ilo.org) or Raymond Torres (tel: +41 22 799 7908; email: torres@ilo.org), Director of the ILO's International Institute for Labour Studies.