

SUMMARY



International
Labour
Organization

WORLD EMPLOYMENT SOCIAL OUTLOOK

The changing
nature of jobs

2015

WORLD EMPLOYMENT AND SOCIAL OUTLOOK

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Executive Summary

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The world of work is changing profoundly, at a time when the global economy is not creating a sufficient number of jobs. The ILO estimates that global unemployment figures reached 201 million in 2014, over 30 million higher than before the start of the global crisis in 2008.¹ Moreover, providing jobs to more than 40 million additional people who enter the global labour market every year is proving to be a daunting challenge. In addition to widespread joblessness, the employment relationship itself is facing a major transformation that is bringing further challenges.

The employment relationship is becoming less secure ...

This report reveals a shift away from the standard employment model, in which workers earn wages and salaries in a dependent employment relationship vis-à-vis their employers, have stable jobs and work full time. In advanced economies, the standard employment model is less and less dominant. In emerging and developing economies, there has been some strengthening of employment contracts and relationships but informal employment continues to be common in many countries and, at the bottom of global supply chains, very short-term contracts and irregular hours are becoming more widespread (see Chapters 1 and 5 of this volume).

Today, wage and salaried employment accounts for only about half of global employment and covers as few as 20 per cent of workers in regions such as sub-Saharan Africa and South Asia. In a number of advanced economies, the incidence of wage and salaried employment has been on a downward trend, thus departing from historical patterns. Conversely, own-account work and other forms of employment outside the scope of the traditional employer–employee arrangement are on the rise. In emerging and developing economies, the historical trend towards more wage and salaried employment is slowing down. The incidence of jobs in the informal economy and unpaid family work remain stubbornly high in most developing countries.

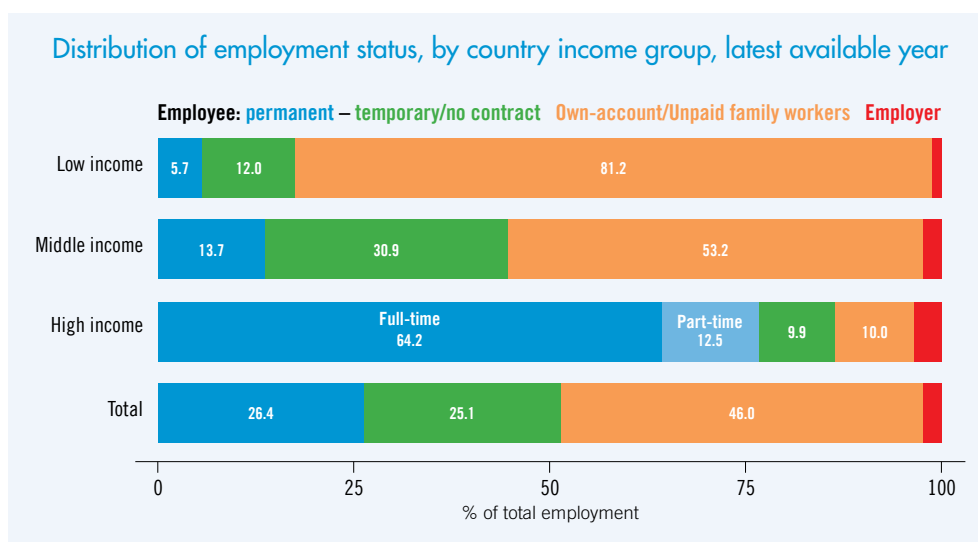
In addition, within the pool of wage and salaried workers, new dynamics are emerging (figure 1). Fewer than 45 per cent of wage and salaried workers are employed on a full-time, permanent basis and even that share appears to be declining. This means that nearly six out of ten wage and salaried workers worldwide are in either part-time or temporary forms of wage and salaried employment. Women are disproportionately represented among those in temporary and part-time forms of wage and salaried employment.

In short, the standard employment model is less and less representative of today's world of work since fewer than one in four workers is employed in conditions corresponding to that model.

¹ As detailed in the Trends edition of the *World Employment and Social Outlook* published in January 2015.

Figure

1



Note: Estimates based on 90 countries representing 84 per cent of total employment (13 low-income countries, 42 middle-income countries and 35 high-income countries). The breakdown of permanent into full and part time is only available for high-income countries. For detailed notes, see Chapter 1 of *World Employment and Social Outlook 2015: The Changing Nature of Jobs*.

Source: ILO Research Department based on household survey data.

... contributing to a shortage of demand, lower output and growing inequalities ...

The ongoing transformation in the employment relationship is having important economic and social repercussions. It contributes to the growing divergence between labour incomes and productivity, with the latter growing faster than wages in much of the world. This, in turn, has resulted in a shortage of aggregate demand that has stubbornly persisted throughout the years since the crisis. This report estimates the loss in global demand at \$3.7 trillion as a result of unemployment, lagging labour incomes and their effects on consumption, investment and government revenue.

In addition, the change in the employment relationship may be fuelling income inequalities (Chapter 2). Although the evidence is mixed across countries, on average the standard form of employment is better remunerated than other types of work – and the gap has tended to widen over the past decade. Temporary and informal workers, part-time workers and unpaid family workers, many of whom are women, are also disproportionately affected by poverty and social exclusion.

... and entailing major challenges for policies and institutions built around the standard employment model.

New technology and changes in the way enterprises organize production are key factors behind the shift in employment relationships and the spread of new forms of work. Achieving the standard employment model for the majority of workers is becoming more difficult.

As a consequence, public policies should not focus solely on promoting transitions from non-standard arrangements to permanent, full-time, dependent employment. Consideration should also be given to ensure that adequate protection is in place for workers in all types of employment. The report examines the role of social protection and employment regulations in this regard (Chapters 3 and 4).

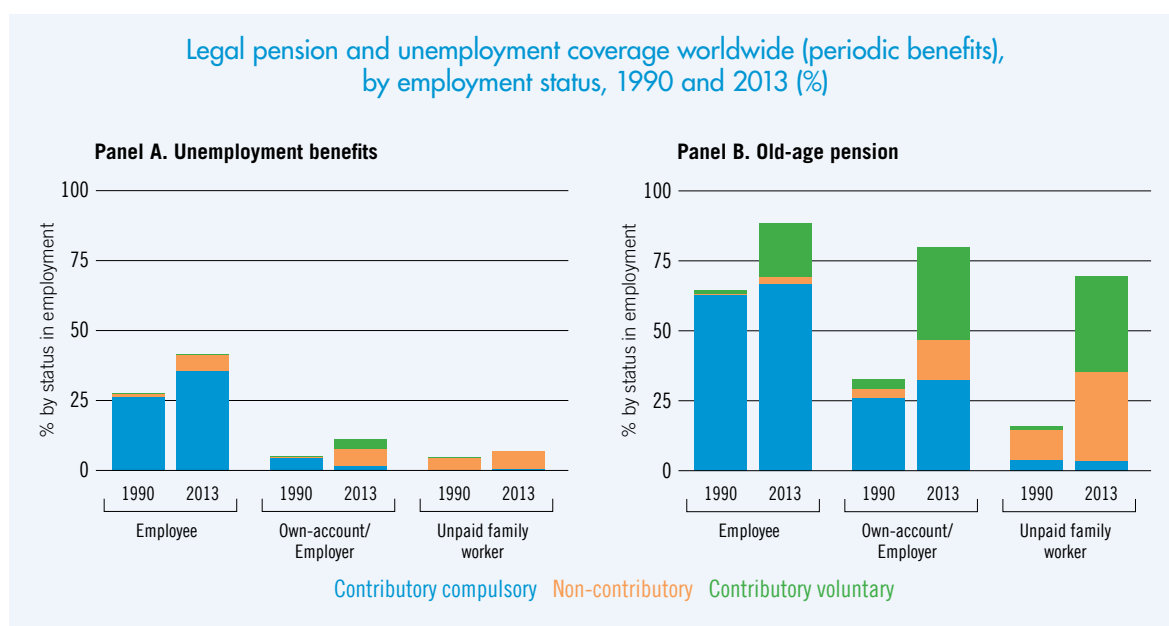
Policies to broaden and develop social protection coverage are needed in light of the changing nature of work ...

Weak social protection coverage and restriction of eligibility for many benefits to those with regular employment contracts undermines the reach and potential contribution of social protection systems to large portions of the workforce. Accordingly, existing regulations should be revisited to take into account the changing patterns of work. As shown in the report, a number of countries have made substantial progress in this regard and offer possible blueprints for that progress. Where social protection systems are in the process of being established, there is an opportunity to cover various forms of work from the outset. Where systems are already well established, there is a need to update existing eligibility and coverage to more accurately reflect the composition of the workforce (figure 2).

Such policy innovations have helped extend the reach of legal, and in some cases effective, social protection to those in non-standard forms of work, through measures such as creating new contributory categories, simplifying registration and tax collection processes and subsidizing contributions to social protection systems. For instance, in Argentina, Brazil, China and South Africa, innovative forms of social protection have helped to improve income security for workers in vulnerable employment situations. In a wide range of advanced and developing economies, governments have pursued combinations of social protection and labour market policies that have resulted in an increase in formal employment.

These positive trends aside, there remain significant gaps in the social protection of workers in different types of employment. For example, contributory social insurance programmes for the self-employed, and pension entitlements for workers in non-standard forms of employment – the majority of whom are women – are still underdeveloped.

Figure
2



Notes: Regional estimates based on 191 countries for 1990 and 2000 and 192 countries in 2012–13 (unemployment); 172 countries in 1990; 180 countries in 2013 (pensions). For detailed notes, see Chapter 3 of *World Employment and Social Outlook 2015: The Changing Nature of Jobs*.

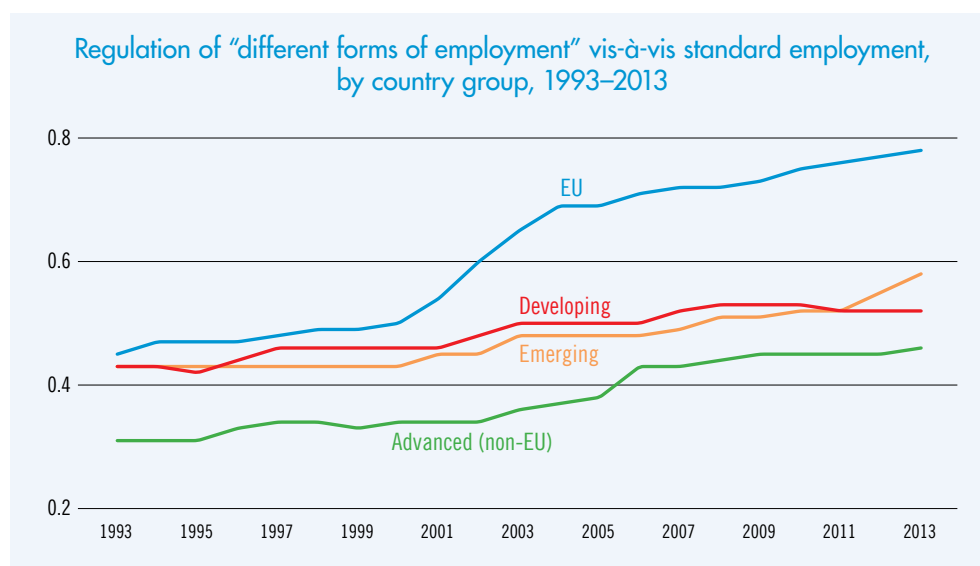
Source: ILO Research Department legal social protection coverage database, 2015.

... and labour regulation must be adapted to these diverse forms of employment.

The report finds that many governments have responded to the changing patterns of work by adapting and extending the reach of employment regulations. There have been significant improvements in areas of legislation relating to self-employment, part-time work, fixed-term employment and agency work (figure 3). The report finds that the protective strength of this area of labour regulation has grown steadily over time for most of the countries analysed, thanks in part to the introduction of “equal treatment” legislation, which requires equivalent protection of workers in non-standard and standard employment. Nonetheless, where out-of-date or insufficient legal frameworks do not reflect sufficiently the changing nature of jobs, large numbers of workers are still not covered by employment protection legislation. Moreover, in recent years some countries, notably in Europe, have made changes that have reduced the level of protection for workers in both standard and non-standard employment, with a view to stimulating employment growth.

The report’s analysis of the relationship between labour regulation and key labour market indicators such as unemployment suggests, however, that reducing protection for workers does not lower unemployment. Indeed, the findings in this report suggest that poorly-designed changes that weaken employment protection legislation are likely to be counterproductive for employment and labour market participation, in both the short and the long run. Clearly, there is no “one size fits all” approach in this policy space. Rather, there is a clear need for carefully designed approaches based on specific labour market conditions and on evidence of outcomes rather than ideology. This is more likely to be achieved where social dialogue helps to find the way forward.

Figure
3



Note: Y-axis refers to a score that ranges from 0 (little or no protection) to 1 (high protection). For detailed notes, including list of countries, see Chapter 4 of *World Employment and Social Outlook: The Changing Nature of Jobs*.

Source: ILO Research Department based CBR-LRI dataset.

Global supply chains can contribute to economic growth but the quality of employment and social upgrading require additional effort.

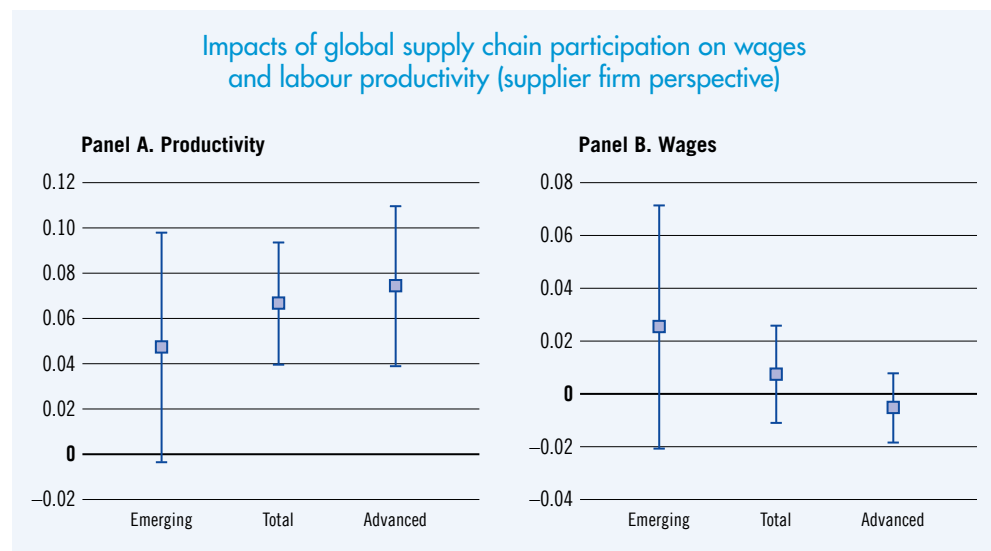
The report also examines the role of global supply chains with respect to changing employment patterns (Chapter 5). Approximately one in five workers are estimated to work in global supply chains. Sectoral analysis suggests that participation in global supply chains is associated with higher productivity – albeit with a less significant effect in emerging economies. The sectoral analysis further suggests that, on average, workers employed in sectors that participate in global supply chains earn similar wages to workers who are less engaged in global supply chains. Taken together, this divergence in productivity and wages suggests that the proportion of value added going to wages declines over time, leading to lower wage shares and higher income inequality (figure 4).

The intense competitiveness and short product cycles in some global supply chains also feed down to workers' contractual arrangements and working hours.

These patterns bring social dialogue and the question of labour market governance to the fore. While corporate social responsibility initiatives are spreading, there is still a need for bolder steps. Collaboration and cooperation by ILO constituents are thus imperative in this regard. Active labour market policies, including up-skilling, training and education, are necessary to ensure that job losses deriving from technological advances and globalization of supply chains are offset by other employment opportunities. Both labour regulations and enforcement are needed at the bottom of supply chains. More generally, the implementation of international labour standards, starting with fundamental standards, is crucial to ensuring parallel development of economic and social benefits throughout the supply chain. This is the path to upward, rather than downward, convergence.

Figure

4



Notes: For detailed notes, see Chapter 5 of *World Employment and Social Outlook: The Changing Nature of Jobs*.
Source: ILO Research Department estimates based on OECD Trade in Value-Added (TiVA) database and WIOD.