

Executive summary



International
Labour
Organization

WORLD EMPLOYMENT SOCIAL OUTLOOK

TRENDS
2017



Economic growth continues to disappoint and deficits in decent work remain widespread

Global GDP growth hit a six-year low in 2016, at 3.1 per cent, well below the rate projected in the previous year. Looking ahead, global economic growth is expected to pick up modestly in 2017 (3.4 per cent) and 2018 (3.6 per cent). However, as this report highlights, the forecasts for growth for 2017 have continually been revised downwards over recent years (from over 4.6 per cent forecast in 2012 to 3.4 per cent forecast in 2016) and there is persistent elevated uncertainty about the global economy.

The rather disappointing economic performance in 2016 and the below-trend outlook for 2017 raise concerns about the ability of the economy to (i) generate a sufficient number of jobs, (ii) improve the quality of employment for those with a job, and (iii) ensure that the gains of growth are shared in an inclusive manner. Countries around the globe are facing the twin challenges of repairing the damage caused by the crisis and creating quality employment opportunities for new labour market entrants.

First, global unemployment is expected to rise by 3.4 million in 2017

Global unemployment levels and rates are expected to remain high in the short term, as the global labour force continues to grow. In particular, the global unemployment rate is expected to rise modestly in 2017, to 5.8 per cent (from 5.7 per cent in 2016) – representing 3.4 million more unemployed people globally (bringing total unemployment to just over 201 million in 2017). And while the global unemployment rate is expected to hold relatively steady in 2018, the pace of labour force growth (i.e. those in search of employment) will outstrip job creation, resulting in an additional 2.7 million unemployed people globally.

The increase in unemployment levels and rates in 2017 will be driven by deteriorating labour market conditions in emerging countries (as the impacts of several deep recessions in 2016 continue to affect labour markets in 2017). In fact, the number of unemployed people in emerging countries is expected to increase by approximately 3.6 million between 2016 and 2017 (during which time the unemployment rate in emerging countries is expected to climb to 5.7 per cent, compared with 5.6 per cent in 2016). Of notable concern are developments in Latin America and the Caribbean, where the unemployment rate is expected to rise by 0.3 percentage points in 2017, to reach 8.4 per cent – largely driven by rising unemployment in Brazil.

In contrast, unemployment is expected to fall in 2017 in developed countries (by 670,000), bringing the rate down to 6.2 per cent (from 6.3 per cent in 2016). In Europe, notably Northern, Southern and Western Europe, unemployment levels and rates are both expected to continue to fall, but the pace of improvement will slow, and there are signs that structural unemployment is worsening. The same applies to Canada and the United States. For example, in both Europe and Northern America, long-term unemployment remains elevated in comparison to pre-crisis levels and, in the case of Europe, it increased recently, despite the reductions in the unemployment rate. In fact, in the EU-28, the share of unemployed people who had been looking for a job for 12 months or longer reached 47.8 per cent in the second quarter of 2016, up from 44.5 per cent for the same quarter of 2012. Furthermore, in the second quarter of 2016, more than two-thirds of this group – a total of 6 million people – had been unemployed for over two years.

Unemployment levels in developing countries are also expected to increase in 2017 (by 450,000), with unemployment rates hovering at around 5.5 per cent in 2017 and 2018. For many developing and emerging countries, however, chronic poor-quality employment – as represented by high shares of own-account workers and contributing family workers (collectively classified as workers in vulnerable forms of employment) and working poverty – takes centre stage.

Second, vulnerable employment – at 1.4 billion worldwide – remains pervasive

Workers in vulnerable forms of employment are typically subject to high levels of precariousness, e.g. they often have limited access to contributory social protection schemes, which tend to be more common among wage and salaried workers. However, only marginal improvements in the share of workers in vulnerable employment are expected for the coming years: the rate of vulnerable employment is expected to fall by less than 0.2 percentage points per year over the next two years, compared with an average annual decline of 0.5 percentage points between 2000 and 2010. As such, vulnerable forms of employment are expected to remain above 42 per cent of total employment in 2017, accounting for 1.4 billion people worldwide. In fact, almost one in two workers in emerging countries are in vulnerable forms of employment, rising to almost four in five workers in developing countries. As a result, the number of workers in vulnerable forms of employment is projected to grow globally by 11 million per year. The two regions most affected by vulnerable employment are Southern Asia and sub-Saharan Africa.

Third, reductions in working poverty are slowing, endangering the prospects for eradicating poverty as set out in the Sustainable Development Goals

Working poverty remained a problem in 2016, with nearly half of workers in Southern Asia and nearly two-thirds of workers in sub-Saharan Africa living in extreme or moderate working poverty (i.e. living on less than US\$3.10 per day in purchasing power terms). Working poverty rates have been declining over the long term and this trend is expected to continue in 2017. In emerging and developing countries, the share of workers living in moderate or extreme poverty is expected to fall from 29.4 per cent in 2016 to 28.7 per cent in 2017. However, progress in reducing working poverty rates is slowing.

The absolute number of working poor has also been declining over recent years, but the rate of that reduction is now also slowing, and in developing countries the number is on the rise. While both the rates and numbers of working poor have been falling rapidly in emerging countries, progress in developing countries has been too slow to keep up with employment growth. Consequently, the number of workers earning less than US\$3.10 per day over the next two years is expected to increase by around 3 million per year in developing countries.

Finally, inequalities in opportunities and social discontent persist

Underlying these aggregate labour market and social trends are disparities, often wide, across a number of demographic groups. Of notable concern are gender disparities in labour market opportunities, which cut across and persist in a number of areas. For instance, in Northern Africa, women in the labour force will be twice as likely as men to be unemployed in 2017. The gap is even starker for women in the Arab States, who were more than twice as likely to be unemployed than men, with a gap of more than 12 percentage points. Vulnerable forms of employment are consistently higher for women across Africa, Asia and the Pacific and the Arab States. For example, in Southern Asia, close to 82 per cent of women were in vulnerable employment in 2016, compared with just over 72 per cent of men.

The gender gaps in the labour market also extend to differences in remuneration. As the recent ILO *Global Wage Report 2016/17* highlighted, the gap in hourly wages, which reaches as high as 40 per cent (e.g. in Azerbaijan and Benin), continues to persist despite improvements in equal pay legislation in a number of countries.

At the same time, in light of exacerbating global uncertainty, the risk of social unrest or discontent has heightened across almost all regions. The ILO's social unrest index, which seeks to proxy the expressed discontent with the socio-economic situation in countries, indicates that average global social unrest increased between 2015 and 2016. In fact, between 2015 and 2016, eight out of 11 regions experienced increases in the measure of social discontent, most notably in the Arab States.

Discontent with the social situation and lack of decent job opportunities are both factors (among others) that play a role in a person's decision to migrate. In fact, between 2009 and 2016, the share of the working-age population willing to migrate abroad permanently increased in every region of the world except for Southern Asia and South-Eastern Asia and the Pacific. The largest increases over this period took place in Latin America and the Caribbean and the Arab States. Overall, the share of people willing to move abroad remained the highest in sub-Saharan Africa, at 32 per cent, followed closely by Latin America and the Caribbean and Northern Africa, at above 30 per cent and 27 per cent, respectively.

Policy efforts must focus on how to overcome structural impediments to growth, including inequality

Many of the recent labour market dynamics reflect both cyclical factors and structural factors – e.g. low productivity growth and widening income inequality – which may lead to secular stagnation. Under a scenario where secular stagnation intensifies, the ILO estimates that global unemployment could rise by an additional 1 million over the next two years. Developed economies would be most affected, while emerging and developing countries would benefit initially from higher capital inflows before also suffering from the negative spillover effects caused by lower trade and investment.

Achieving the right policy mix is essential. Accordingly, policies that address both the root causes of secular stagnation and structural impediments to growth need to be incorporated into macroeconomic policies and placed at the forefront of the policy agenda. The ILO estimates that a coordinated effort to provide fiscal stimulus – an increase in public investment – that takes into account each country's fiscal space would provide an immediate jump-start to the global economy. This could lower global unemployment, relative to the baseline, by 0.7 million in 2017 and 1.9 million by 2018. In the medium term, such efforts might also remove fears of low growth and, thereby, raise investment demand.

Looking ahead, long-term trends related to technological development and the accompanying structural changes are also likely to affect the nature of economic growth. In the context of its Future of Work initiative, the ILO will be examining in greater detail the implications of these developments on the world of work, including the impact of these structural factors on the quantity and quality of jobs.