



International
Labour
Organization

▶ ILO Flagship Report



▶ **World
Employment
and Social
Outlook**

Trends 2020

EXECUTIVE SUMMARY

The enormous challenges in the world of work – including persistent inequalities and exclusion – make it more vital than ever to establish a clear picture of global employment and social trends. This requires critical reflection on the adequacy of our methods and concepts, with innovations where needed, to address today's policy challenges. We need to question, for example, whether the unemployment rate provides the most reliable measure of labour market underperformance. We need to understand whether or not people of working age can realize their full potential in work. Measurement also becomes crucial to evaluate the growing perception that labour markets are not adequately distributing the fruits of economic growth. While evidence shows that countries are not experiencing an upward convergence of employment opportunities and income gains, we need to understand with greater precision which groups of workers are winning and which ones are losing. Robust answers to these questions can feed directly into the design of economic and social policies that will navigate a sustainable and inclusive path of development.

This report seeks to rise to this challenge by offering novel evidence and insights that enhance our understanding of labour market performance around the world, as well as by presenting the most recent data characterizing long-standing labour market challenges. It offers four key messages.

- ▶ First, projected lower economic growth and the lack of inclusiveness are very likely to *impair the ability of lower-income countries to reduce poverty and improve working conditions*.
- ▶ Second, a more comprehensive measure of the underutilization of people of working age reveals *major gaps in access to work*; the rate of “total labour underutilization” is pronounced and greatly exceeds that of unemployment.
- ▶ Third, even when people have a job, there remain *significant deficiencies in work quality*. Decent work concerns the adequacy of wages or self-employment earnings, the right to job security and a safe and healthy workplace, access to social protection, the opportunity to voice one's views and concerns through a trade union, employers' organization or other representative body, and other fundamental rights such as non-discrimination. Decent work deficits are especially pronounced in the informal economy, which registers the highest rates of in-work poverty and high shares of people who are own-account self-employed or contributing family workers who lack adequate protection.
- ▶ Fourth, *substantial inequalities prevail in the access to work and work quality*. These include key lines of segmentation among workers, according to geographical location (between countries and between workers in urban and rural areas), sex and age. Moreover, new ILO data on labour income (for all workers, including the self-employed) demonstrate that, at the global level, income inequality is far greater than previously thought.

Inequalities and widespread decent work deficits not only lead to economic inefficiency, they can also undermine social cohesion within countries. Significantly, seven out of the 11 subregions of the world experienced an increase in the incidence of protests in 2019, which suggests that discontent with the social, economic or political situation is on the rise. The overall message of this report is that today, the objectives of full employment and raising the standard of living around the world are as essential as ever. Governments, workers and employers must continue to prioritize labour market policies that achieve these goals.

The pace and type of economic growth in low-income countries endangers efforts to reduce poverty and improve working conditions

Across low-income countries, the average GDP per capita in 2018 was around US\$1,700 (using PPP exchange rates from 2011), which translates into a daily per capita income of less than US\$5. Over the past 18 years, average per capita growth has been only 1.8 per cent in low-income countries and the gap with lower-middle-income and upper-middle-income countries has widened. In terms of the type of growth, structural transformation, technological upgrading and diversification would be needed to shift employment from activities with low value added to those with higher value added. Yet progress in this dimension remains far too limited in low-income countries. For example, between 2000 and 2018, the employment share of agricultural and elementary occupations declined by only 6 percentage points in low-income countries (to 69 per cent), whereas it declined by 10 percentage points (to 49 per cent) in lower-middle-income countries and by 15 percentage points (to 32 per cent) in upper-middle-income countries. A first key message is therefore that the pace and type of growth not only make it more difficult to reduce poverty in low-income countries, but also hinder potential improvements in decent work.

Total labour underutilization is more than twice as high as unemployment, affecting over 470 million people worldwide ...

The second key message of this report is that the mismatch between labour supply and demand extends far beyond the 188 million unemployed across the world in 2019. An additional 165 million people are in employment but wish to work more paid hours. Furthermore, around 120 million people are not classified as unemployed but are marginally attached to the labour market and could potentially enter employment in the near future. These people report that they are not looking for a job while being available for work, or that they are looking but are currently unavailable to take a job. In other words, more than 470 million people worldwide lack adequate access to paid work as such or are being denied the opportunity to work the desired number of hours. These findings show the value of a more comprehensive understanding and measurement of labour market underutilization in addition to the traditional unemployment rate measure.

... and the shortage of jobs is expected to continue in the near future

The global unemployment rate stood at 5.4 per cent in 2019 and is projected to remain essentially the same over the next two years. This means that the gradual decline of the unemployment rate observed between 2009 and 2018 appears to have come to a halt. Similarly, the combined rate of labour underutilization is projected to stabilize at just above 13 per cent. The underlying reduction in employment growth is related to a slowdown in global economic activity, especially in the manufacturing sector. Given the high level of uncertainty over how trade and geopolitical tensions in the coming years will affect business and consumer confidence, and thereby job creation, it is difficult to predict how the various measures of labour underutilization will evolve.

The recent decline in the global rate of unemployment has been driven mostly by high-income countries. Employment growth in these countries has been surprisingly strong, bearing in mind the low average level of economic growth over the past decade. This may serve as a rebuttal of claims that technological

change is leading to mass job losses. However, the employment growth in high-income countries came at the cost of declining labour productivity growth, with jobs being created mainly in the service sector where the average value added per worker is relatively low. In contrast, a number of middle-income countries that have undergone economic crises in recent years still have high unemployment rates; they are unlikely to achieve strong employment growth again in the near future in view of the dampened prospects for the global economy.

Access to paid work is no guarantee of decent work ...

The third key message of the report reinforces what we already know, namely, that having a paid job was not a guarantee of decent working conditions or of an adequate income for many of the 3.3 billion employed worldwide in 2019. All too often, the lack of income or other means of financial support compels workers to engage in jobs that are informal, offer low pay and provide little or no access to social protection and rights at work. This is especially the case with the 1.4 billion own-account and contributing family workers in low- and middle-income countries, who are typically employed informally, work in vulnerable conditions and earn a much lower income than people in wage and salaried employment. Even in high-income countries, a growing number of self-employed workers are having to contend with poor working conditions – a situation that is reflected partly in the declining labour income premium of the self-employed vis-à-vis wage and salaried workers. Nevertheless, employees are themselves frequently subject to insecure contracts, low earnings and informality. Altogether, around 2 billion workers worldwide are informally employed, accounting for 61 per cent of the global workforce.

... and over 630 million workers worldwide still live in extreme or moderate poverty

Poor working conditions also manifest themselves in low incomes. In 2019, more than 630 million workers worldwide – that is, almost one in five, or 19 per cent, of all those employed – did not earn enough to lift themselves and their families out of extreme or moderate poverty; which is defined as them earning less than US\$3.20 per day in purchasing power parity terms. While the rate of working poverty has been declining at the global level, very limited progress has been achieved in low-income countries. The projected high employment growth in these countries, driven mainly by the creation of jobs of poor quality, means that the number of working poor is expected to edge up during 2020–21. As a result, the objective of eradicating extreme poverty everywhere by 2030 – Goal 1 of the Sustainable Development Goals – will become even harder to attain. Insufficient economic growth per capita is one of the reasons why it has not yet been possible to improve tangibly the livelihoods of so many workers in low-income countries, which are falling behind middle-income countries in that respect.

The world's labour markets are characterized by substantial inequalities, including stark geographical disparities in access to decent work ...

The fourth key message of this report is that substantial inequalities in the labour market prevail. To begin with, a person's geographical location strongly determines his or her likelihood of finding paid work that is of good quality. Low-income countries have the highest employment-to-population

ratio (68 per cent), as many vulnerable workers are forced to take up any job, regardless of its quality. Indeed, workers in these countries are also the most likely to experience bad working conditions and to live in poverty (the combined rate of extreme and moderate poverty being as high as 66 per cent). Among the 11 subregions of the world, the unemployment rate is highest in North Africa (12 per cent) and Central and Western Asia (9 per cent), while the lowest rates are observed in South-East Asia and the Pacific (3 per cent) and North America (4 per cent). Time-related underemployment affects only around 1 per cent of all workers both in North America and in Eastern Europe, but it affects 8 per cent of the employed in Latin America and the Caribbean and up to 13 per cent in low-income countries worldwide.

Geographical disparities within countries are also relevant. New ILO data make it possible to study differences in access to employment depending on whether people live in rural or urban areas. At the global level, the employment rate of the working-age population living in rural areas (59 per cent) is greater than that in urban areas (56 per cent). On the other hand, time-related underemployment in rural areas (at 6 per cent) is higher than in urban areas (4 per cent). These divisions are most pronounced in low-income countries. Rural-urban disparities may be exacerbated in the future by the transformations accompanying technological change. In Asia and the Pacific, for example, technological progress and policies designed to foster innovation seem to be creating jobs and incomes at a disproportionately higher level in urban areas.

Geographical disparities in labour market outcomes often prompt workers to migrate in search of better opportunities. The share of the global working-age population living in urban areas is estimated to have risen from 50 per cent in 2005 to 55 per cent in 2019, indicating that substantial migration has occurred from the countryside to urban centres. Such migration has been strongest in upper-middle-income countries, where two-thirds of the working-age population in 2019 were estimated to be living in urban areas, an increase of more than 10 percentage points since 2005. Meanwhile, international migration leads to additional challenges for the migrant workers concerned, who very often do not enjoy the same rights as the national population of the destination country.

... and women and young people face additional obstacles to their participation in the labour market

Contemporary labour markets also continue to be characterized by gender inequality. In 2019, the female labour force participation rate was just 47 per cent, 27 percentage points below the male rate (at 74 per cent). There is strong regional variation in gender disparities in access to employment. Gender stereotypes that emphasize the role of women as the main caregivers and that of men as the main breadwinners remain deeply ingrained in some regions. Female labour underutilization is very pronounced in North Africa and in the Arab States, affecting around 40 per cent of women in the extended labour force in both subregions (compared with 20 and 12 per cent of men, respectively). Apart from access to employment, there are also persisting gender disparities in relation to job quality. This is true even in regions where women have made significant inroads in the labour market. In Latin America and the Caribbean, for example, the average level of educational attainment of women now surpasses that of men, yet women in the region still earn 17 per cent less per hour worked than men.

Age constitutes another feature of labour market inequalities. A staggering 267 million young people aged 15 to 24 worldwide (or 22 per cent of that age group) are not in employment, education or training. Moreover, many of the young people who are in paid jobs face barriers to decent work. In Africa, for example, informality affects 95 per cent of young workers. Given that the absolute population size of the 15–24 age group is projected to grow strongly in Africa, the creation of a sufficient number of decent work opportunities is one of the most pressing challenges in that region. Young workers face considerable labour market challenges in Europe and Central Asia as well: the quality of the jobs available to young workers has been impaired by the growing incidence of temporary employment in the region.

New ILO data show that the global labour income share is declining ...

Finally, unequal access to decent work translates into high and persistent income inequalities. A key dimension of income inequality is labour income, which is fundamental to the livelihoods of some 3.3 billion workers around the world. However, reliable and internationally comparable estimates of labour income were not available for the vast majority of countries until recently because of a lack of reliable data on the labour income of the self-employed, who make up almost half of the global workforce. Thanks to intensive data collection and modelling, the ILO has been able to fill this gap and shed new light on major trends in income inequality.

The labour income share – as opposed to the share of national income going to the holders of capital – declined at the global level from 54 per cent in 2004 to 51 per cent in 2017. The decline has been most pronounced in Europe and Central Asia and in the Americas. In high-income countries, the decreasing labour income of the self-employed, compared with that of employees, is a key driver of the aggregate decline. Taking that factor into account, the ILO concludes that the labour income share has fallen by more than suggested by the previously available estimates. This finding is consistent with a scenario in which new forms of work are eroding the earning power of the self-employed.

... and global income inequality is greater than suggested by previous estimates

The newly available data set shows that the distribution of global labour income is highly unequal. In 2017, a worker belonging to the upper decile of the global labour income distribution earned on average US\$7,400 per month, whereas a worker in the bottom decile earned just US\$22 per month (both figures in purchasing power parity terms). While labour income inequality at the global level has declined over the past 15 years – as a result of economic convergence driven by countries such as India and China, which have enjoyed a rise in average labour income – inequality within countries has stagnated over the same period.

The new labour income data also indicate that earlier studies have significantly underestimated the true extent of inequality in low-income countries, owing to their reliance on household expenditure as a proxy of total income. For instance, the combined share of income accruing to the middle and upper-middle classes, which was previously thought to be similar across countries, is in fact much smaller in low-income countries, while the share accruing to the upper class is larger. Altogether, global income inequality is therefore more pronounced than previously thought.