

G20



International
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Office

Weak employment recovery with persistent high unemployment and decent work deficits

An update on employment and labour market trends
in G20 countries

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Key developments

1. Globally, the ILO estimates that unemployment reached 210 million mid 2010, or 30 million above the 2007 level.
2. Data available up to the second and third quarter of 2010 point to an overall fragile labour market situation across G20 countries with signs of a weak recovery, stronger in emerging countries than in high income countries. The number of persons available for work, whether actively engaged in job search or not, remains far in excess of available vacancies in most countries. Hours of work and labour force participation rates have declined, whereas time-related underemployment and discouraged workers have increased, pointing to considerable slack in the labour market beyond that reflected in the unemployment rate.
3. Mid 2010, unemployment rates across G20 countries ranged between 25 and 5 per cent with a median of 7.8 per cent. In 2010, compared to the same period in 2009, unemployment has continued to increase in ten of the G20 countries, and declined in another eight. All emerging economies, except South Africa, have experienced an increase in employment and a reduction in unemployment during 2010. However, unemployment in mid 2010 is 70 per cent above its pre-crisis level in high income countries (excluding Europe), and 30 per cent higher in Europe. Across all countries, unemployment for men has risen more than unemployment for women. For the 18 countries with data in the first half of 2010, 70 million persons are registered as unemployed (15.5 in Europe, 22 in other high income economies and 32.5 in emerging economies).
4. Youth unemployment is on average twice the rate of total unemployment, around 16-20 per cent across G20 countries. The rate of increase in unemployment, total and youth, has moderated in the first half of 2010.
5. Positive employment growth is observed in most of the countries in the second quarter of 2010 when compared to the first quarter 2010, once adjusting for seasonality. Employment has regained its level of 2006 in high income countries and is some 8 per cent above that level in emerging countries. Significant declines are registered in manufacturing and construction employment across most countries.
6. Real wages are on average 4 per cent below their pre-crisis level.
7. Unemployment is accompanied by other variables reflecting the number of persons available for work, which amplifies the gap between vacancies and persons wanting to work. The economically active population has stagnated in high income countries whereas it has grown significantly in emerging economies. Labour force participation rates have declined in high income economies, remained flat in Europe, and risen marginally in emerging economies. In several countries with available data the number of persons discouraged from active employment search, and therefore not counted as unemployed, has risen significantly. Time related underemployment has stabilized in 2010 but remains high in several countries.
8. The highly differentiated but overall weak economic growth, volatile capital flows and tensions on currencies observed today, can be traced to the employment and labour market trends prevailing in G20 countries. These trends include rising income inequality and low or no wage growth for a large majority of wage employed, ultimately reflected in macroeconomic imbalances of deficient aggregate demand and current account surpluses and deficits.
9. Under an income-led approach, policies for productive employment and job-intensive growth include higher investments and access to credit, greater attention to small enterprises, gradual expansion of basic social protection in all countries, real wages rising in line with productivity increases and better protection of low-wage earners through minimum wages. Such policies also contribute directly to reducing global imbalances and foster strong, sustainable and balanced growth.
10. Female labour force participation has risen in Europe and in emerging countries between 2007 and 2010, including relative to male participation rates, and have fallen less in high income countries (other than Europe) relative to men.
11. The crisis has accelerated structural change in all economies with a significant decline in manufacturing employment in all high income economies (by over 10 per cent relative to 2006) and in emerging economies (by some 3 per cent relative to 2006). As a result the share of manufacturing employment has declined in all countries between 1.5 and 3 percentage points. Annex 1 provides an overview of recent employment trends in number of sectors.
12. Real wages in manufacturing have on average declined by 4 per cent in the first half of 2010 relative to the pre-crisis situation. Hours of work have declined in the first half of 2009, recovered somewhat

in the second half and have fallen again in early 2010.

13. The crisis has set back countries' ability to address labour market imbalances that pre-date the crisis, including high shares of informal and casual employment, rising inequality, low or flat real wage growth and low social protection coverage. The continued growth in the working age population during the crisis years in most of the countries has amplified the challenge and urgency of addressing these imbalances in the future.
14. Employment in emerging economies is projected to grow such that in 2015, employment levels will be 8 per cent above pre-crisis levels; whereas in high income economies employment is unlikely to recover its 2008 level within the next five years. Over the next 10 years the world will need to generate 440 million jobs, just to absorb new entrants into the labour force of which 210 million are in G20 countries.

Section 1: Recent labour market trends in G20 countries¹

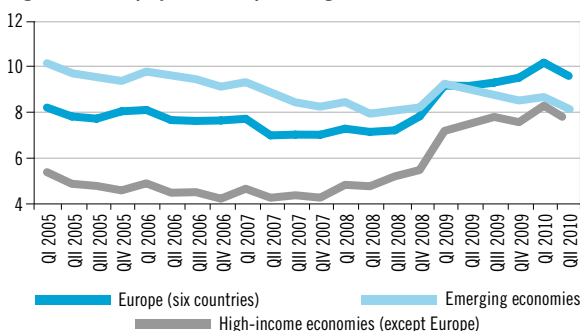
Despite clear signs of output recovery, half of G20 countries still experience an increase in unemployment rates in 2010.

In the following analysis, data are aggregated into three groups: Europe includes France, Germany, Italy, Netherlands, Spain, and United Kingdom. High-income Economies (except Europe) include Australia, Canada, Japan, Korea, and the United States. Emerging economies include Argentina, Brazil, Indonesia, Mexico, Russia, South Africa, and Turkey.

In the second quarter of 2010 aggregate unemployment rates across these three G20 country grouping lie between 8 and 10 per cent. Figure 1 shows that there is a strong correlation between economic growth and reduction in unemployment, although other factors influence the dynamics of unemployment across countries.

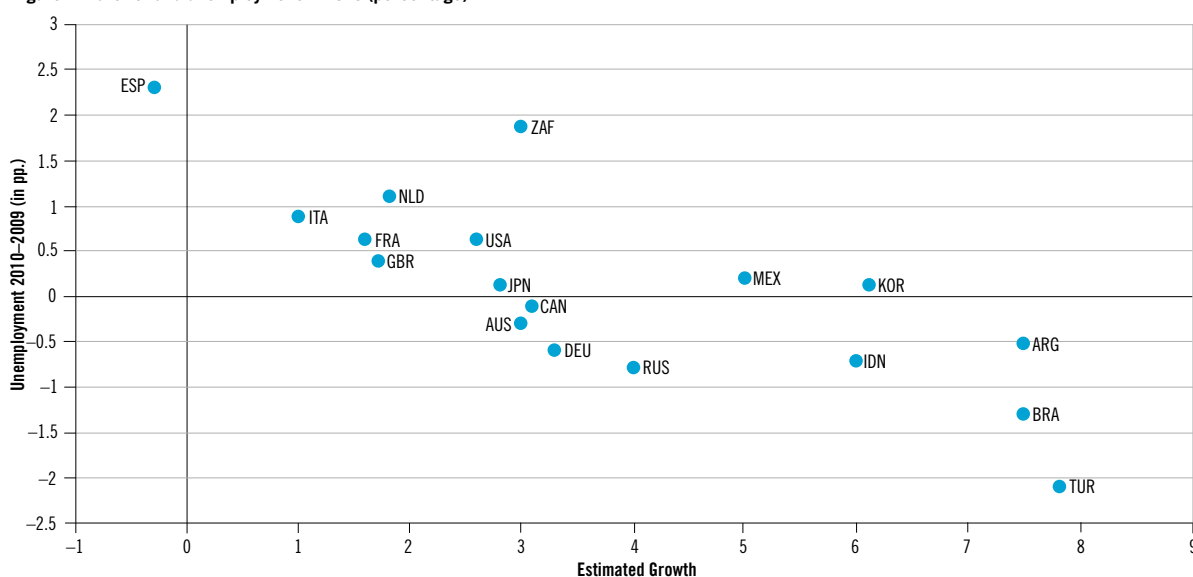
In emerging countries unemployment peaked in mid 2009 and has been declining moderately since. Unemployment has reached historically high values in high income economies. In many countries unemployment is still rising, yet the rate of increase has decelerated since the third quarter of 2009. Mid 2010, unemployment rates are on average 30 per cent above pre-crisis levels in Europe and 70 per cent above in other high income economies (Figures 2-4).

Figure 2. Unemployment rate (percentage)



¹ Data for employment and unemployment are available in the ILO short term indicators of the labour market database, compiled from national labour force and establishment surveys and available at: <http://laborsta.ilo.org/sti/>. Data are not seasonally adjusted.

Figure 1. Growth and unemployment in 2010 (percentage)



Source: ILO labour statistics database.

Table 1 provides the latest official unemployment data available for the G20 countries.

Table 1. Unemployment rate 2009 and 2010 in G20 countries

Country	Latest Period with Data	Unemployment Rate (January–Latest Period with Data) 2009	Unemployment Rate (January–Latest Period with Data) 2010	Variation of Unemployment Rate (P.P)
Argentina*	2nd Quarter	8.6	8.1	–0.5
Australia	3rd Quarter	5.7	5.4	–0.3
Brazil*	Aug.	8.5	7.2	–1.3
Canada	3rd Quarter	8.4	8.3	–0.1
China [±]	2009	4.3		–
France	Aug.	9.2	9.8	0.5
Germany	Aug.	7.7	7.1	–0.5
India ⁺	2009	2.7		–
Indonesia	1st Semester	8.1	7.4	–0.7
Italy	Aug.	7.5	8.4	0.9
Japan	Aug.	5.0	5.1	0.1
Korea, Republic of	Aug.	3.8	3.9	0.1
Mexico	2nd Quarter	5.1	5.3	0.2
Netherlands	Aug.	3.5	4.6	1.0
Russian Federation	Aug.	8.6	7.8	–0.8
Saudi Arabia	2009	5.7		–
South Africa	2nd Quarter	23.4	25.3	1.8
Spain	Aug.	17.7	20.0	2.3
Turkey	2nd Quarter	14.5	12.4	–2.1
United Kingdom	Jul.	7.4	7.8	0.4
United States	3rd Quarter	9.2	9.8	0.6

Notes: * Urban unemployment rate; [±]Registered unemployment rate in urban areas; ⁺Projections from Ministry of labour and employment.

Source: National labour force surveys (except where indicated) as compiled by the ILO.

Data not seasonally adjusted.

Figure 3. Variation in the unemployment rate over the last 12 months (percentage points)

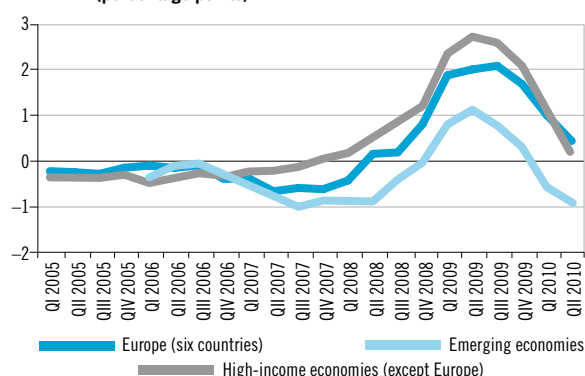
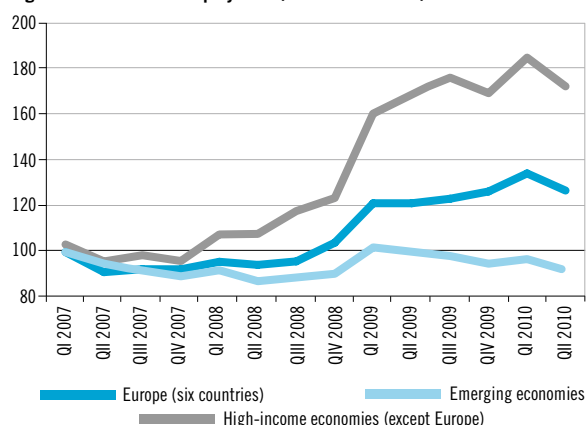
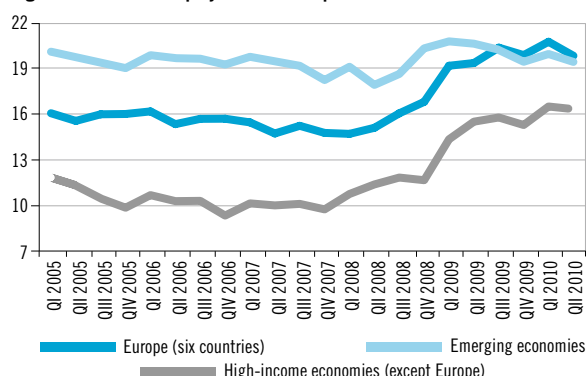
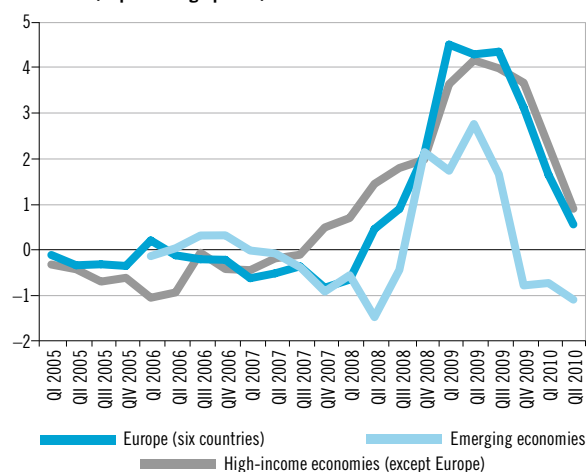


Figure 4. Trend in unemployment (index 100 = 2006)

The employment prospects of young women and men are dramatic. Unemployment rates for persons less than 25 years average 16-20 per cent across G20 countries (Figures 5-6). These rates practically duplicate those for the total population. However, as for the aggregate, the rate of increase in youth unemployment is decreasing.

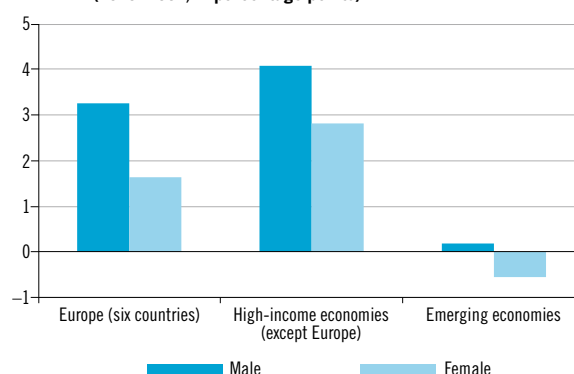
Figure 5. Youth unemployment rate (in per cent)

Note: Emerging economies do not include Argentina.

Figure 6. Youth unemployment rate, variation over the last 12 months (in percentage points)

Note: Emerging economies do not include Argentina.

When disaggregating data by sex, it is observed that unemployment rates have risen more for the male than the female population (Figure 7). In high income economies during 2010, unemployment has been lower for women than for men. In emerging economies female unemployment has declined whereas male unemployment has risen.

Figure 7. Variation of male and female unemployment rates, (2010-2007, in percentage points)

Employment has decreased in all high income economies since the third quarter 2008 and is now close to the 2006 level. In emerging economies, employment growth recovered in the second quarter of 2009 and has been growing since (Figures 8-9). Trends in paid employment are similar to those for total employment.

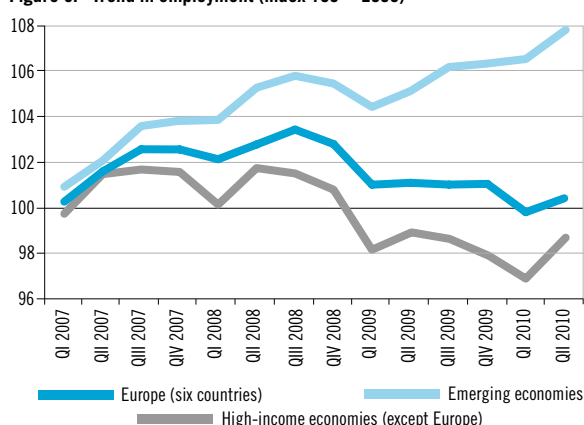
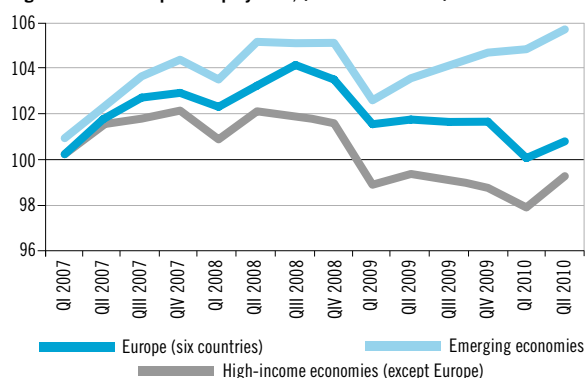
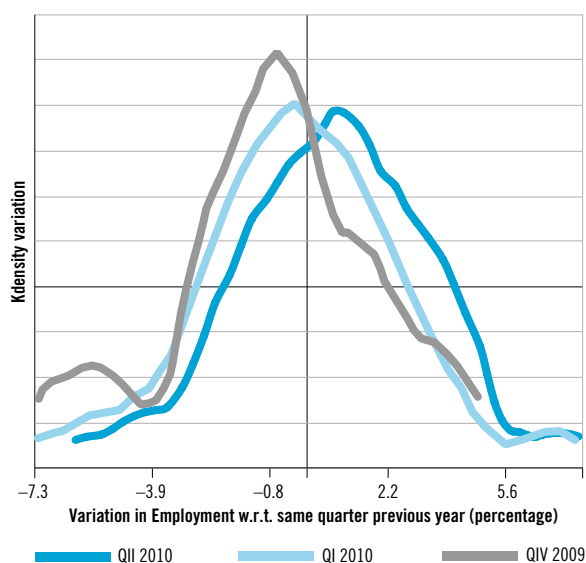
Figure 8. Trend in employment (index 100 = 2006)

Figure 9. Trend in paid employment, (index 100 = 2006)



A slight upturn in the employment situation can be observed since the second quarter of 2010. When compared with the same quarter in the previous year, one can observe that the distribution of variations has moved to the right (Figure 10). In the second quarter of 2010 a majority of countries (ten against eight) experienced employment growth. In last quarter of 2009 the number of countries with employment growth was only six.

Figure 10. Distribution (Kernel densities) of variation in employment: various quarters



Growth in the economically active population has been modest, especially in high income economies. Consequently labour force participation has declined, more significantly in high income countries other than Europe. This decline is a consequence of the depressed labour market leading persons to withdraw from active employment search. In Europe, with low population growth, labour force participation rates are almost unal-

tered on average (although there could exist higher variations by country and by age group). In emerging economies the economically active population has grown, but population growth has been strong as well, leading to only small increases in labour force participation rates (Figures 11-12).

Figure 11. Trend in economically active population (index 100 = 2006)

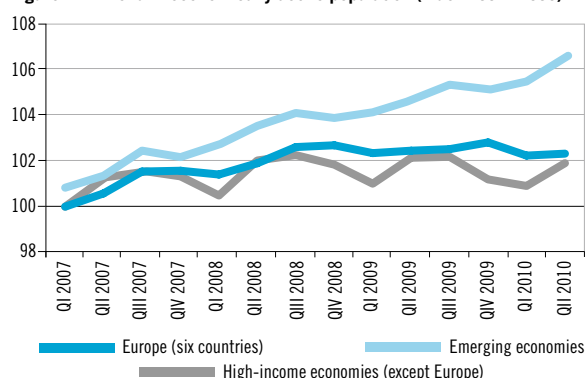
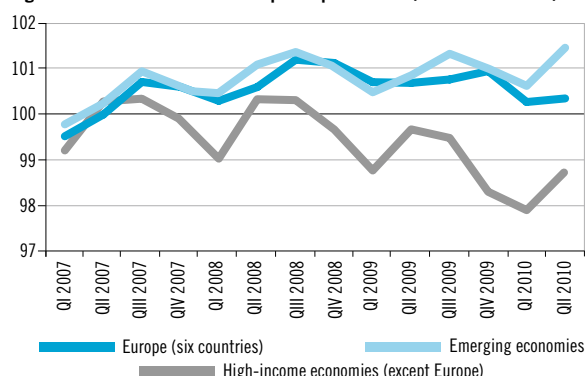


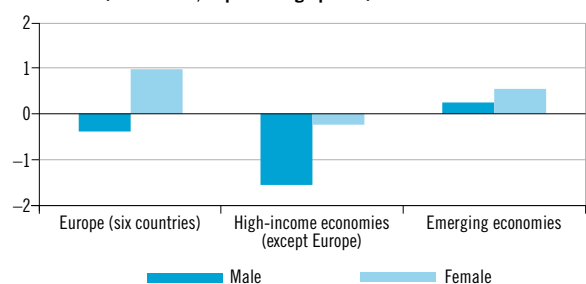
Figure 12. Trend in labour force participation rate (index 100 = 2006)



Note: Emerging Economies do not include Argentina.

The crisis has led to a reduction in male labour force participation in all the regions, whereas female labour force participation has increased in Europe and in emerging economies (Figure 13).

Figure 13. Change in male and female labour force participation rates (2010-2007, in percentage points)



Note: Emerging economies do not include Argentina.

Employment has declined significantly (by over 4 per cent) in high income economies in agriculture and industry (including construction). Employment in services has risen in emerging economies, possibly including lower quality informal employment. Noteworthy, the share of employment in manufacturing in total employment has fallen significantly across the three country groups (Figures 14-16). See also Annex 1.

Figure 14. Change in employment by sector, 2010 and 2009, (in per cent)

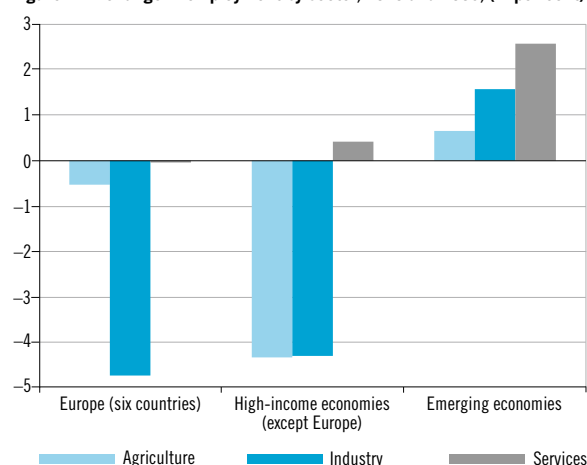


Figure 15. Trend in manufacturing employment (index 100 = 2006)

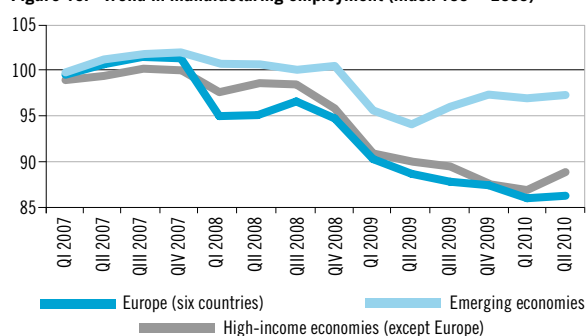
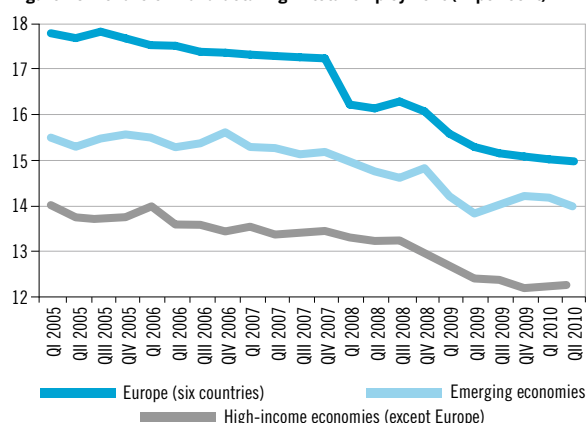
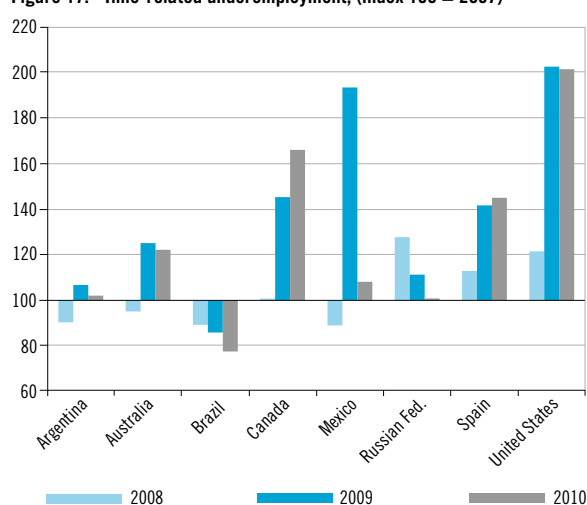


Figure 16. Share of manufacturing in total employment (in per cent)



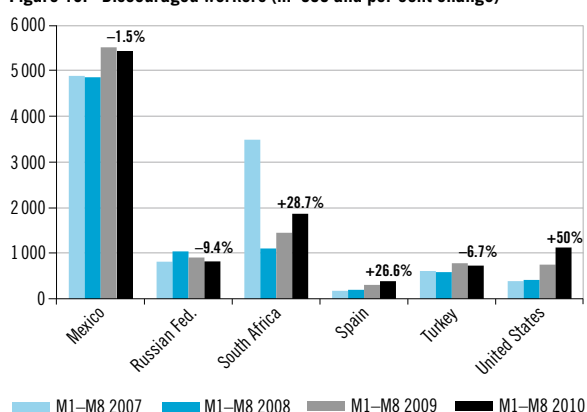
In a sample of 8 countries with available data, time related underemployment has increased significantly between 2008 and 2009, but has stabilized in 2010 (Figure 17). Three countries with available data show a strong increase in the number of discouraged workers (Spain, South Africa and the United States) in a context of high unemployment. This suggests again that the unemployment rate does not reflect the full downturn in the labour market (Figure 18).

Figure 17. Time-related underemployment, (index 100 = 2007)



Definition: Persons in **time-related underemployment** are those who, during the reference period, were willing to work additional hours, were available to do so, and had worked fewer hours than a selected number of hours.

Figure 18. Discouraged workers (in '000 and per cent change)



Definition: **Discouraged workers** constitute one group of inactive work-seekers. These are persons who, while willing and able to engage in a job, are not seeking work or have ceased to seek work because they believe no suitable are available jobs.

Figures 19 and 20 display aggregate indexes of average nominal and real wages and hours worked for manufacturing employees. The index is based on a reduced sample of countries with published up to date data. Real wages have decreased on average by 4 per cent mid 2010 relative to the pre-crisis situation (Figure 20). As of the second quarter 2010 no recovery in real wages is observed. Hours worked declined sharply from mid 2008 to mid 2009, then rebounded and declined again in the second quarter of 2010.

Figure 19. Average nominal wages and hours worked, manufacturing employees (index 100 = 2007)

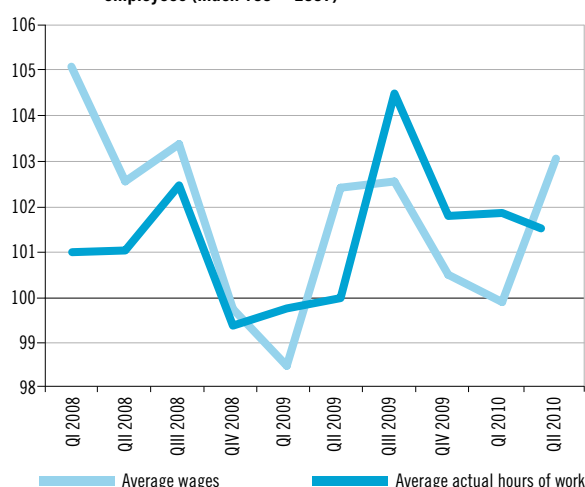
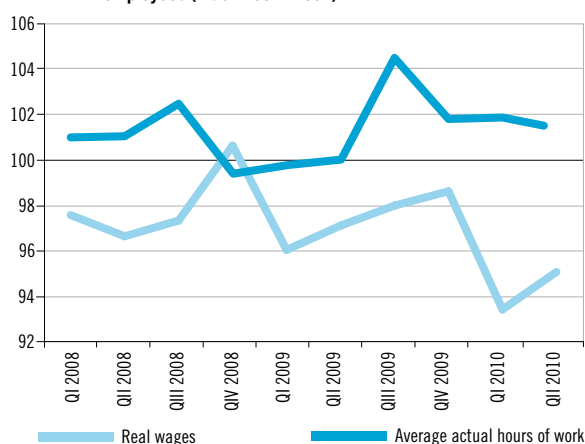


Figure 20. Average real wages and hours worked, manufacturing employees (index 100 = 2007)



Note: Wage indexes are constructed using information from the following countries: Australia, Canada, Germany, Japan, Republic of Korea, Russian Federation, South Africa, Spain, United Kingdom and the United States. Hours of work index is constructed using information from Canada, France, Germany, Italy, Japan, Netherlands, Spain, Turkey, United Kingdom and the United States.

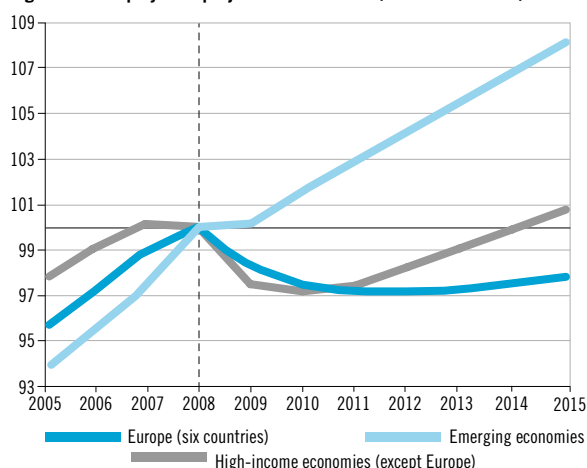
Section 2: Future employment challenges

Employment growth projection

To assess the medium-term prospects for employment growth, a univariate ARIMA model of aggregate (by country-group) employment series was estimated and the future trend of the series was projected.

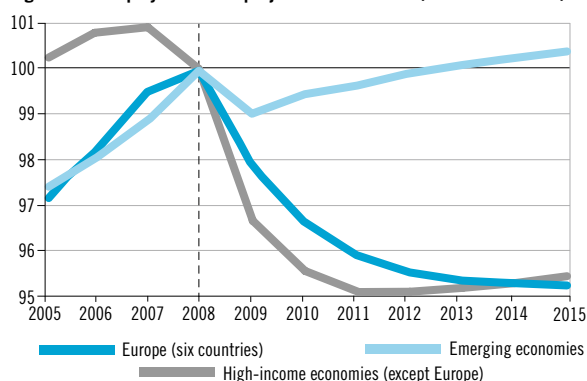
Figure 21 projects the employment index (base 2008=100) for the three country-groups. For higher-income (non-European) economies, return to the pre-crisis employment level is projected to occur, based on past trends and based on past trends and current economic outlook, around 2015. The situation is more critical in Europe, where recovery in employment is not projected to be reached within the medium-term period. On the other hand, the projection for emerging economies shows a continuous increase in employment over the period.

Figure 21. Employment projection 2011–2015 (index 100 = 2008)



When taking into account the growth in working age population, the outlook is even more dramatic for high income countries. Figure 22 depicts the projected trend in the employment rate (i.e., total employment over working-age population). Increases in the population imply that recovery in the employment rate is not projected to be reached in the next five years in both groups of high-income economies. In emerging economies, growth in population equalizes growth in total employment (including informal employment), thus the ratio remains relatively constant during the period of analysis³.

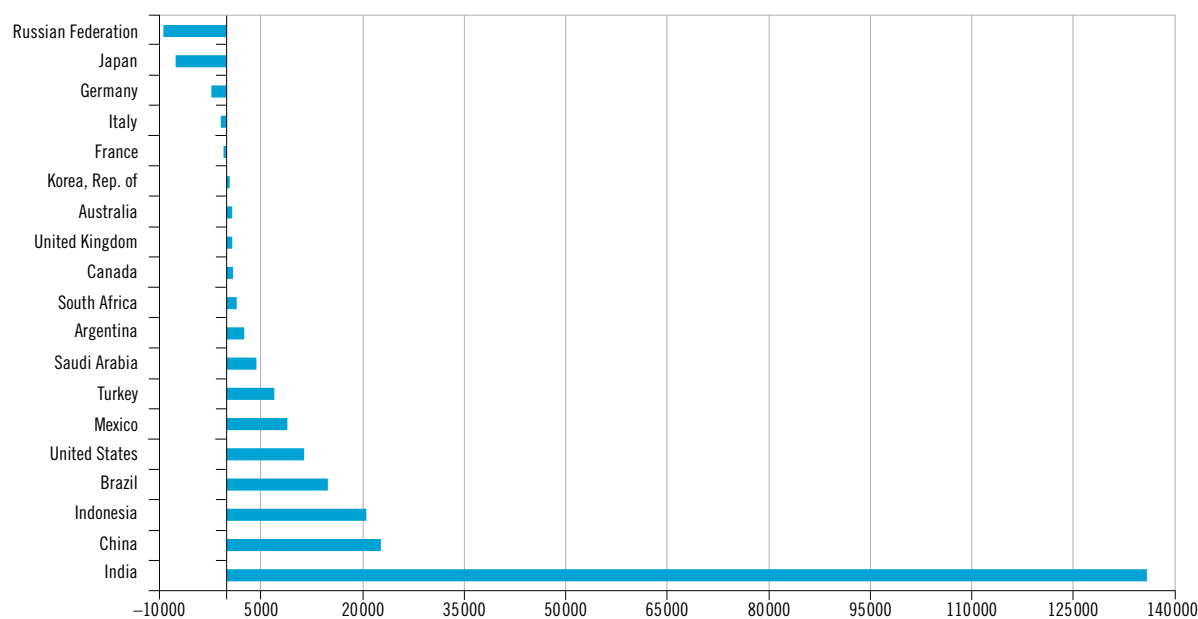
³ All the results described above are fully consistent ILO's World of Work Report 2010 analysis based on a more complete modelling taking into account the effect of macroeconomic variables on employment.

Figure 22. Employment ratio projection 2011–2015 (index 100 = 2008)

tion, notably Japan and the Russian Federation. These trends have a number of implications. G20 countries will collectively need to generate some 21 million jobs per year, every year to 2020, just to absorb new entrants into the labour market. Balanced growth will increasingly have to rely on domestic demand linked to wages rising along productivity increases and higher employment levels. In most countries, future output growth will depend on an appropriate combination across economic sectors of productivity growth and greater job intensity.

Future growth in the working age population

Demography is a key variable for future output growth but also for dependency rates and the financing of social security. Between 2010 and 2020 the working age population (15–64 years) among G20 countries will increase by 212 million (Figure 23). Over 64 per cent of the increase will occur in only one country, India. China and Indonesia will see an increase of 23 and 20 million respectively, followed by Brazil and the United States with increases of 15 and 11 million respectively. Six countries will see absolute declines in their popula-

Figure 23. Net increase in working age population (15–64 years), 2020–2010, (in '000s)

Source: ILO Laborsta, Economically Active Population Estimates and Projections, 1980–2020.

Annex 1. Employment trends by economic activity in selected countries, first and second quarters 2010 over same period 2009⁴

Country	Agriculture	Hotels & Restaurants	Construction	Financial Intermediation	Manufacturing	Mining	Transport	Wholesale retail trade	Real estate and business services	Public administration	Utilities	Education	Health
Australia	+	+	+	+	-	+	+	-	+	+	+	+	+
Brazil			+	+	+			+		+	+	+	+
Canada		-	+	+	+	+	-	-		+	-	+	+
China	-		+	+	-	+	+			+	+	+	+
France	+	+	-	+	-	+	-	+	-	-	+	-	+
Germany	+	+	-	-	-	-	-	+	+	+	+	+	-
Italy	-	+	-	-	-	+	-	-	-	-	+	-	+
Japan	+	+	-	-	-		+	+		-		+	+
Korea, Rep. of	+				+								
Mexico	+	+	+	+	+		+	+		+		+	+
Russian Federation	-	-	-	+	-	-	-	+	-	+	-	-	+
South Africa	-		-	+	-	-	+	-			-		
Turkey	+		+		+	-	+				+		
United Kingdom	+	+	-	-	-	-	-	-	+	-	+	+	+
United States		-	-	-	+	+	-	-	-	+	-	+	+

Note: + = increase in employment; - = decrease in employment

Source: National labour force surveys and official estimates, compiled by ILO.

⁴ Extracted from E. Zeballos and S. Garry. Jobs Recovery: Sectoral Coverage. A Global Overview of Employment Trends and Working Conditions by Economic Activity. First Semester 2010. Working Paper 279. Sectoral Activities Department. ILO. Geneva, 2010.

