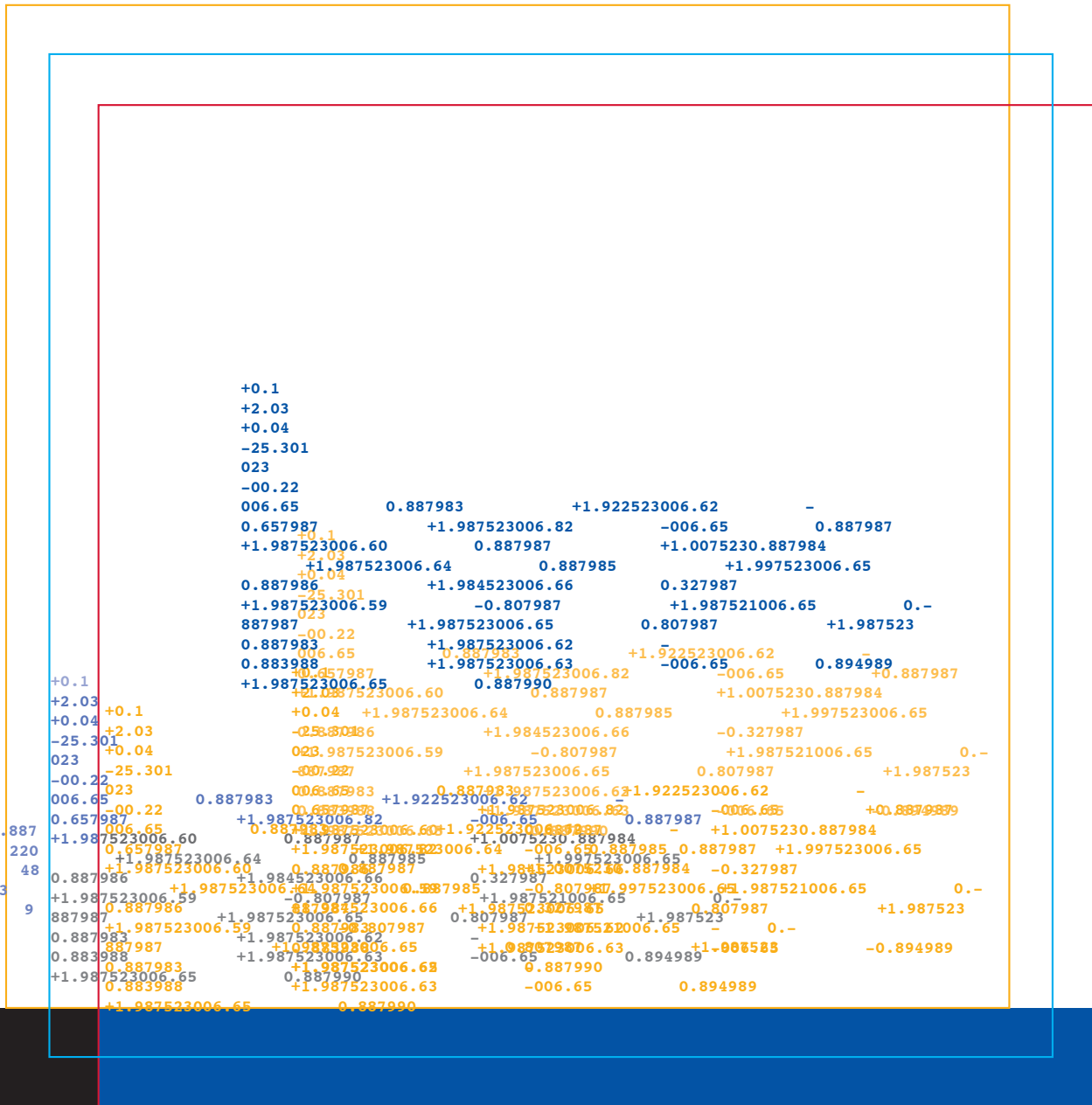




GLOBAL EMPLOYMENT TRENDS



+0.1					
+2.03					
+0.04					
-25.301					
023					
-00.22					
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0.657987	+1.987523006.82	-006.65	0.887987		
+1.987523006.60	0.887987	+1.0075230.887984			
+2.03					
+1.987523006.64	0.887985	+1.997523006.65			
+0.04					
0.887986	+1.984523006.66	0.327987			
+1.987523006.59	-0.807987	+1.987521006.65	0.-		
887987	+1.987523006.65	0.807987	+1.987523		
-00.22					
0.887983	+1.987523006.62	+1.922523006.62	-		
0.883988	+1.987523006.63	-006.65	0.894989		
+1.987523006.65	+1.987523006.82	-006.65	+0.887987		
+0.1	0.887987	+1.0075230.887984			
+2.03	+0.04	+1.987523006.64	0.887985	+1.997523006.65	
+0.04	+0.04	+1.984523006.66	-0.327987		
-25.301	023	023.987523006.59	-0.807987	+1.987521006.65	0.-
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-00.22	006.65	0.887983	+1.922523006.62	-	
006.65	-00.22	0.887983	+1.922523006.62	-006.65	+0.887987
887987	0.657987	+1.987523006.82	-006.65	0.887987	-006.65
887	+1.987523006.60	0.887987	+1.0075230.887984		+1.0075230.887984
984523	+1.987523006.64	0.887985	+1.997523006.65		
807987	+1.987523006.60	0.887987	+1.987521006.65	0.887987	+1.987523006.65
.987523	+1.987523006.59	-0.807987	+1.987521006.65	0.-	
+1.	887987	+1.987523006.65	0.807987	+1.987523	
06.65	+1.987523006.63	-006.65	0.894989		
87990	0.887983	+1.987523006.63	-006.65	0.887990	-0.894989
	+1.987523006.65	0.887990			
	0.883988	+1.987523006.63	-006.65	0.894989	
	+1.987523006.65	0.887990			

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Foreword

Global Employment Trends 2004 is the second annual report on world labour markets. In 2003 the ILO released its first annual report on global employment trends to fill the demand for a timely and comprehensive analysis of current labour market trends. This volume is one of three ILO reports – 1) *Global Employment Trends*, 2) *Key Indicators of the Labour Market* and 3) *World Employment Report* – a series of three flagship studies designed to offer a more complete view of global, regional and national labour market issues.

This edition of *Global Employment Trends 2004* was prepared by Dorothea Schmidt with Marva Corley, who performed the analysis with the help of the Employment Trends Team and the support of members of the Employment Sector. Valuable inputs on regional developments were provided by colleagues in Geneva and in the field. Fruitful interchanges in collaboration with ILO Regional and Sub-Regional Offices have contributed greatly to the report's analytical base; specific mention should be given to Monica Castillo (Lima), Sandrine Cazes (Budapest), Martina Lubyova (Moscow), Elizabeth Morris (Bangkok), Sasithorn Santiwongsakul (Beirut), Reynold Simons (Port of Spain) and Jesper Venema (San Jose). Sara Elder, Harvey Clavien, Isabelle Guillet, Tariq Haq, Habib Millwala and Alan Wittrup assisted with the analysis, organization and evaluation of the set of labour market indicators and databases used in the report. Technical support in preparing and refining the econometric model and estimates was provided by Gustavo Crespi and Steve Kapsos. Christine Sutton provided administrative support and technical assistance. Geraldeen Fitzgerald edited the manuscript. It would be remiss not to thank the ILO Bureau of Statistics (STAT) for providing access to the national estimates, and in particular Messaoud Hammouya for his support associated with the ILO's LABPROJ database. The chief of the Employment Trends Team was Lawrence Jeff Johnson.

This report focuses on labour market trends and underlines the main employment challenges – both at the global level and in eight regions of the world. The report draws attention to key policy challenges posed by the identified trends, but it does not aim at presenting comprehensive policy recommendations to overcome these challenges. Every attempt has been made to incorporate the latest available information in an ongoing process; the ILO will update and revise both global and regional estimates as information becomes available from national and international sources. Emphasis has been laid on the growth of employment and unemployment, youth unemployment and the employment of women. Such developments are profiled in the light of economic and general labour market conditions in a worldwide context.

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Regional groupings

Industrialized economies

• Major Europe

Austria
Belgium
Denmark
Finland
France
Germany
Greece
Iceland
Ireland
Italy
Luxembourg
Netherlands
Norway
Portugal
Spain
Sweden
Switzerland
Turkey
United Kingdom

• Major non-Europe

Australia
Canada
Japan
New Zealand
United States

• Other Europe

Andorra
Cyprus
Gibraltar
Isle of Man
Liechtenstein
Malta
San Marino

• Other non-Europe

Greenland
St. Pierre and Miquelon

Transition economies

• Central and Eastern Europe

Albania
Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
Hungary
Poland
Romania
Slovakia
Slovenia
The former Yugoslav Republic of Macedonia
Serbia and Montenegro

• Baltic States

Estonia
Latvia
Lithuania

• Commonwealth of Independent States

Armenia
Azerbaijan
Belarus
Georgia
Kazakhstan
Kyrgyzstan
Republic of Moldova
Russian Federation
Tajikistan
Turkmenistan
Ukraine
Uzbekistan

Asia and the Pacific

• East Asia

China
Hong Kong, China
Korea, Democratic People's Republic of
Korea, Republic of
Macau, China
Mongolia
Taiwan, China

• South Asia

Afghanistan
Bangladesh
Bhutan
India
Maldives
Nepal
Pakistan
Sri Lanka

• South-East Asia (including Melanesia)

Brunei Darussalam
Cambodia
East Timor
Fiji
Indonesia
Lao People's Democratic Republic
Malaysia
Myanmar
New Caledonia
Papua New Guinea
Philippines
Singapore
Solomon Islands
Thailand
Viet Nam

• Micronesia

Guam
Kiribati
Northern Mariana Islands
Pacific Islands (Trust Territory)

• Polynesia

American Samoa
Cook Islands
French Polynesia
Samoa
Tonga
Tuvalu

Latin America and the Caribbean

• Caribbean

Anguilla
Antigua and Barbuda
Aruba
Bahamas
Barbados
Bermuda
British Virgin Islands
Cayman Islands
Cuba
Dominica
Dominican Republic
Grenada
Guadeloupe
Guyana
Haiti
Jamaica
Martinique
Montserrat
Netherlands Antilles
Puerto Rico
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines

Suriname
Trinidad and Tobago
Turks and Caicos Islands
United States Virgin Islands

• Central America

Belize
Costa Rica
El Salvador
Guatemala
Honduras
Mexico
Nicaragua
Panama

• South America

Argentina
Bolivia
Brazil
Chile
Colombia
Ecuador
Falkland Islands (Malvinas)
French Guiana
Paraguay
Peru
Uruguay
Venezuela

Sub-Saharan Africa

• Central Africa

Angola
Cameroon
Central African Republic
Chad
Congo
Congo, Democratic Republic of
Equatorial Guinea
Gabon
Sao Tome and Principe

• Eastern Africa

Burundi
Comoros
Eritrea
Ethiopia
Kenya
Madagascar
Malawi
Mauritius
Mozambique
Réunion
Rwanda
Seychelles
Tanzania, United Republic of
Uganda
Zambia
Zanzibar
Zimbabwe

• Southern Africa

Botswana
Lesotho
Namibia
South Africa
Swaziland

• Western Africa

Benin
Burkina Faso
Cape Verde
Côte d'Ivoire
Gambia
Ghana
Guinea
Guinea-Bissau
Liberia
Mali
Mauritania
Niger

Nigeria
Senegal
Sierra Leone
St. Helena
Togo

Middle East and North Africa

• Middle East

Bahrain
Djibouti
Iran, Islamic Republic of
Iraq
Israel
Jordan
Kuwait
Lebanon
Oman
Qatar
Saudi Arabia
Somalia
Syrian Arab Republic
United Arab Emirates
West Bank and Gaza Strip
Yemen

• North Africa

Algeria
Egypt
Libyan Arab Jamahiriya
Morocco
Sudan
Tunisia

Abbreviations and Acronyms

ADB	Asian Development Bank
ASEAN	Association of South East Asian Nations
BS	Baltic States
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
ECLAC	Economic Commission for Latin America and the Caribbean
ERA	Economic Report on Africa
ESCWA	Economic and Social Commission for Western Asia (United Nations)
EUROSTAT	Statistical Office of the European Commission
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GET	Global Employment Trends
HIPC	Heavily Indebted Poor Countries
ILO	International Labour Organization
IMF	International Monetary Fund
KILM	Key Indicators of the Labour Market
MDG	Millennium Development Goals
OECD	Organisation for Economic Co-operation and Development
SARS	Severe Acute Respiratory Syndrome
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNESCO	United Nations Educational, Scientific and Cultural Organization
WDI	World Development Indicators (World Bank)
WTO	World Trade Organization

No improvement in the employment situation in 2003

Global employment performance did not improve in 2003 despite a pick-up in economic growth after a two-year slowdown (table 1). Total unemployment grew slightly despite a worldwide growth in GDP of 3.2 per cent and a slight increase in trade after a weak 2002 (3.0 per cent in 2003 compared with 2.5 per cent in 2002, WTO 2003).

The ILO estimate for 2003 of 185.9 million individuals without work and looking for work showed a slight rise over the 2002 revised estimate of 185.4 million unemployed (table 1 and Global Employment Trends (GET), 2003). This is the highest level ever recorded. The increase was most pronounced among young people, escalating the world youth unemployment rate to 14.4 per cent (table 4), over twice as high as the world unemployment rate of 6.2 per cent. Although the world headcount of female unemployment decreased minimally between 2002 and 2003 (table 2), women generally remain among those groups most strongly affected by unemployment (figure 1).

Table 1
Unemployment in the world, 1993, 1998, 2000-2003 (millions)

Year	1993	1998	2000	2001	2002	2003
Total	140.5	170.4	174.0	176.9	185.4	185.9
Male	82.3	98.5	100.6	102.7	107.5	108.1
Female	58.2	71.9	73.4	74.3	77.9	77.8
Youth, total	69.5	79.3	82.0	82.9	86.5	88.2
Youth, male	41.2	46.9	48.5	49.1	51.3	52.4
Youth, female	28.3	32.4	33.5	33.8	35.2	35.8

Source: ILO, Global Employment Trends Model, 2003; see also Technical Note.

In parallel to the deteriorating employment situation, the size of the informal economy increased in the developing regions with low GDP growth rates. Workers in the informal economy carry a high risk of becoming working poor with earnings insufficient to raise themselves and their families above the US\$ 1 a day poverty line. This is especially true in economies¹ with a lack of extensive unemployment insurance systems or other forms of social protection. The ILO estimates that at the end of 2003, the number of working people living on US\$ 1 or less a day has remained constant at the 2002 level of around 550 million. Continued stagnancy would make it impossible to achieve the United Nations Millennium Development Goal (MDG) of halving world poverty by 2015.

The rising number of unemployed and underemployed people in the world during the first half of 2003 can be traced to a slow upturn in the industrialized world's economic situation and to the impact of the SARS outbreak on employment, not only in those economies most severely affected but also in

¹ The term 'economies' is used to represent countries, areas and territories. It does not imply the expression of any opinion whatsoever on the part of the ILO concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers, but refers to any territory or economy for which labour market information is available.

Asia as a whole. With the curtailment of SARS and solid GDP growth in both the Asian region and the industrialized economies, the employment level picked up slightly in the second half of the year. Travel and tourism, still recovering from the September 11 aftermath, were hard hit by the SARS outbreak and the effects of the war in Iraq. Other armed conflicts and violence also contributed to higher unemployment and poverty in the world.

Regional trends

The **industrialized** regions have seen a strong recovery from the economic slowdown especially in the second half of 2003. The impressive growth of GDP in the United States was overshadowed by sluggish job creation and unemployment rates that remained at high levels of around 6 per cent. The European Union witnessed positive developments in the labour markets in some countries, despite the rather low GDP growth rate of 1.5 per cent. Japan finally seems to have picked up from its long-lasting crisis, but it may take some time to reach the low unemployment levels of the early 1990s of below 3 per cent.

Table 2
Unemployment rates by region and sex, 2001-2003 (percentages)

	2001			2002			2003		
	Total	Female	Male	Total	Female	Male	Total	Female	Male
World	6.1	6.3	6.0	6.3	6.5	6.2	6.2	6.4	6.1
Industrialized economies	6.1	6.4	5.9	6.8	7.0	6.7	6.8	7.0	6.7
Transition economies	9.5	9.4	9.5	9.4	9.3	9.5	9.2	9.2	9.2
East Asia	3.3	2.7	3.8	3.1	2.6	3.6	3.3	2.7	3.7
South-East Asia	6.1	6.7	5.7	7.1	7.8	6.5	6.3	6.9	5.9
South Asia	4.7	6.0	4.1	4.8	6.1	4.2	4.8	6.2	4.3
Latin America and the Caribbean	9.0	11.3	7.6	9.0	11.2	7.6	8.0	10.1	6.7
Middle East and North Africa	12.0	16.3	10.5	11.9	16.2	10.4	12.2	16.5	10.6
Sub-Saharan Africa	10.6	9.3	11.6	10.8	9.5	11.8	10.9	9.6	11.8

Note: Different aggregation techniques and methodologies may lead to differences in aggregate figures.

Source: ILO, Global Employment Trends Model, 2003; see also Technical Note.

The various regions in the world have benefited differently from the recovery in the industrialized economies (tables 1, 2 and 3). **Latin America and the Caribbean** was the region most affected by the 2001 global economic slowdown in terms of output growth as well as employment losses but has seen some recovery in growth in 2003 (1.6 per cent, after a decrease of -0.1 per cent in 2002). To date, the recovery in employment has been very slow. The regional unemployment rate dropped by one percentage point, which may be attributed to the recovery in Argentina and the decrease in labour force growth (table 3).

Despite solid GDP growth rates of over 7 per cent, **East Asia** saw an increase in unemployment. This is mainly a result of rising unemployment in China because of its ongoing transformation process from agriculture to less employment-intensive manufacturing and service industries and the reorganization of its historically overstuffed public sector. In **South-East Asia**, unemployment declined significantly in 2003, at the same time as labour force participation rates increased. In **South Asia**, the unemployment rate remained stable despite 5.1 per cent of GDP growth. Consequently, South Asia saw no decline in working poverty, in addition to growing informal employment.

The **Middle East and North Africa** again experienced increasing unemployment. With an unemployment rate of 12.2 per cent, the region has the highest incidence of unemployment in the world. This is the result of a major restructuring of employment in the public sector and high labour

force growth rates. An additional cause of increasing unemployment in sending countries is the effort of a number of Gulf economies to replace foreign workers with nationals.

Sub-Saharan Africa has neither reduced its unemployment rate nor improved its high incidence of working poverty. In addition, the region has to face the enormous pressure that the HIV/AIDS pandemic is placing on labour markets. This, together with the continuing “brain drain”, is depriving the region of much-needed human capital, making it unlikely to reach the MDG.

After years of increases in unemployment resulting from economic changes, the **transition economies** seem finally to have reversed this trend, with unemployment decreasing in 2003. That said, underemployment remains a critical issue of concern in a number of countries.

Employment prospects are improving slightly overall

In terms of global growth, the picture brightens somewhat in 2004. It is expected that with growing demand in the industrialized world, trade will increase further in 2004, positively impacting on GDP growth in the industrialized economies as well as in the developing regions. In parallel, domestic demand is expected to rise. The predicted growth rates in Latin America and the Caribbean, Middle East and North Africa and the transition economies (over 4 per cent), in all subregions in Asia (7.1 per cent in East Asia, 4.5 per cent in South-East Asia and 5.8 per cent in South Asia) and in sub-Saharan Africa (just below 5 per cent) should be high enough to enable these regions to create new employment possibilities.

Table 3
Economic growth and projections, 2000-2004 (annual percentage change)

Year	2000	2001	2002	2003	2004
World	4.7	2.3	3.0	3.2	4.1
Industrialized economies	3.6	0.8	1.7	1.8	2.8
Transition economies	6.6	5.1	4.1	4.1	4.1
East Asia	8.2	6.6	7.6	7.1	7.1
South-East Asia	5.7	2.8	4.4	4.1	4.5
South Asia	5.3	4.1	4.8	5.1	5.8
Latin America and the Caribbean	4.0	0.6	-0.1	1.6	4.2
Middle East and North Africa	4.5	3.2	3.2	4.4	4.3
Sub-Saharan Africa	2.7	3.4	3.2	3.6	4.7

Source: [IMF](#) (2003); ILO, Global Employment Trends Model, 2003; see also Technical Note.

In **Latin America**, labour market performance is expected to improve as a result of a region-wide recovery, especially pronounced in Argentina and Uruguay, and slow labour force growth. The Caribbean might be negatively affected by the growing incidence of HIV/AIDS. **East Asia** will see a slight increase in unemployment, resulting from the high number of entrants into the labour markets (over 6 million people a year until 2015) and the transformation process in China. **South-East Asia** has the potential not only to reduce unemployment further but also to reduce working poverty – if those economies with the highest poverty incidence manage to reach GDP and employment growth paths similar to those achieved in the past few years by wealthier economies in the region. **South Asia** appears to remain dependent on development in India. The ILO does not expect any significant changes in the labour market for the region as a whole in 2004, mainly because of the high regional labour force growth. However, in the long run the GDP growth rate of 6.2 per cent that the region needs in order to halve its rates of unemployment and working poverty does not seem too unrealistic, given past development performance. The overall positive prospects are overshadowed by the rising incidence of HIV/AIDS, whose negative impact has been observed in sub-Saharan Africa. Prospects for the **Middle East and Northern Africa** are still clouded, as projected in GET, 2003. The dependency on oil prices, the high labour force growth rates which some economies are unable to

absorb, the deficits in the quality of public institutions and the high incidence of poverty in some economies are all threats for real improvements in the labour markets. In **Sub-Saharan Africa** a high incidence of working poverty – compounded by the HIV/AIDS pandemic – is the biggest obstacle to growth and development. The labour market situation in the **transition economies** is expected to improve somewhat as a consequence of the foreign investment they have attracted. Strong domestic demand, trade growth and overcoming the problems associated with the transition process are encouraging signs. Once again, HIV/AIDS poses a growing threat for further development in some economies in the region. The **industrialized economies** are expected to see declines in unemployment rates in the event that GDP growth in the United States leads to job creation and employment as a share of working-age population continues to rise within Europe.

The likelihood of reaching the MDG of halving poverty by 2015 and of creating the number of new jobs needed to halve unemployment and working poverty depends on achieving faster growth in the world economy, specifically in the industrialized economies. Increasingly, it also depends on the development of rapidly growing economies such as China, not only because this country accounts for one-quarter of the world's workforce but also because the region as a whole benefits from the growing demand in China, with concomitant positive impacts on their labour markets. Development in China depends on the creation of a more efficient labour market, especially in the underdeveloped service sector. In addition, there is an acute challenge in restructuring state-owned enterprises and agriculture, as well as reforming the financial system to avoid subsidizing loss-making units.

Table 4
Youth unemployment rates by region and sex, 1997, 2002-2003 (percentage)

	1997			2001			2002			2003		
	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male
World	12.9	12.6	13.1	13.9	13.7	14.0	14.3	14.1	14.5	14.4	14.2	14.5
Industrialized economies	14.2	14.6	13.9	12.3	11.8	12.7	13.4	12.5	14.1	13.4	12.5	14.1
Transition economies	17.9	18.3	17.6	19.5	19.4	19.6	19.3	19.2	19.4	18.6	19.2	18.1
East Asia	6.4	5.3	7.4	7.1	5.8	8.2	6.8	5.6	7.8	7.0	5.8	8.1
South-East Asia	9.9	10.6	9.4	14.4	15.6	13.6	16.4	17.6	15.5	16.4	17.6	15.5
South Asia	13.1	14.6	12.4	13.2	15.4	12.3	13.6	15.7	12.7	13.9	15.9	13.0
Latin America and the Caribbean	14.6	18.5	12.2	16.6	20.8	13.9	17.2	21.5	14.4	16.6	20.8	14.0
Middle East and North Africa	26.0	31.9	23.4	25.4	31.6	22.6	25.5	31.6	22.7	25.6	31.7	22.7
Sub-Saharan Africa	20.7	17.9	22.9	20.6	17.8	22.7	21.1	18.4	23.2	21.0	18.4	23.1

Source: ILO, Global Employment Trends Model, 2003; see also Technical Note.

Laying the foundation for future growth

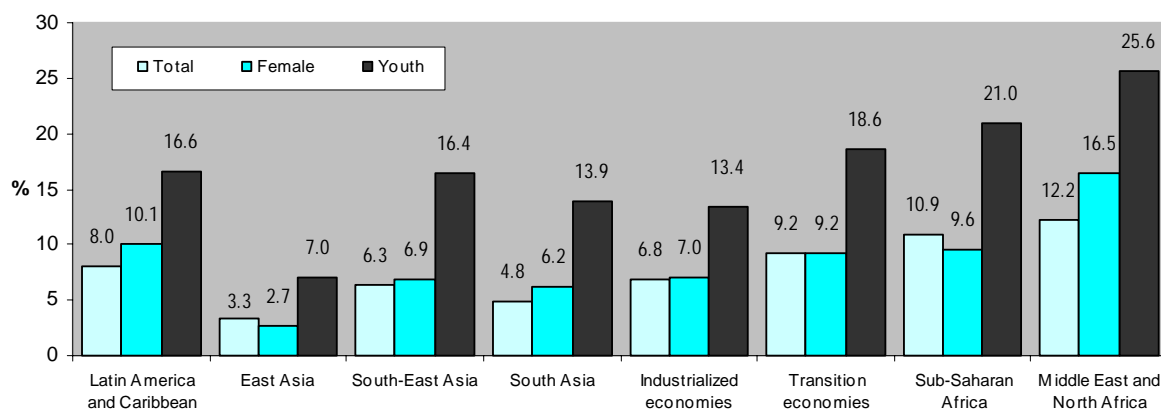
The world economy has seen growth in GDP but no overall growth in employment in 2003, a prospect that needs to change if the MDG of halving poverty in the world is to be achieved by 2015. The overall challenge is to absorb the 514 million new entrants to world labour markets and to reduce working poverty by 2015. How well GDP growth will translate into employment growth in 2004 and beyond depends on the efforts of policy-makers to prioritize the importance of employment policies and to put them on equal footing with macroeconomic policies. In addition, the challenges listed below (and previously emphasized in GET, 2003) should be addressed:

- Widespread unemployment and underemployment remain a global challenge. Poverty, hand in hand with growing unemployment and underemployment, inhibits employment growth. Because of a lack of education, health and often empowerment, poor people cannot use their own potential to lift themselves and their families out of poverty. Pro-poor policies should be designed to provide this possibility by means of a decent job. This implies creating employment

opportunities to help women and men secure productive and remunerative work in conditions of freedom, security and human dignity.

- If jobless growth continues, it will threaten future growth. No country can sustain growing unemployment rates in the long run, because diminishing demand will at some point limit economic growth. In addition, continued high rates of unemployment are a waste of human capital. The creation of decent work implies not only decreases in poverty but at the same time provides the essential precondition for future growth.
- Youth unemployment rates are much higher than overall unemployment rates in all regions in the world (figure 1). Underutilizing the high potential of young people is not only a waste but also a threat to future prosperity. Young people without a job either become frustrated, stay in the educational system much longer than they wish or lose their capabilities by not using them. Unless solutions are found for this challenge the long-term impacts on development will be devastating.

Figure 1
Unemployment rates: Total, female and youth, by region, 2003 (percentage)



Source: ILO, Global Employment Trends Model, 2003; see also Technical Note.

- To enable developing regions to face these challenges, major programmes of international assistance are needed to increase access to developed-country markets and to reduce external debts and debt servicing, thus freeing resources for reform programmes targeted on improved governance, job creation and poverty reduction. In the absence of such assistance, most of the developing world will not be in a position to participate in growing world demand. The ILO Global Employment Agenda – the employment pillar of the decent work concept – should serve as a useful guide to develop sound, long-sighted employment strategies.²

All these challenges can be addressed only if policy-makers stop treating employment as a residual and place decent work at the heart of economic and social policies. GDP growth is expected in the near term. But only if growth in the future is translated into decent work growth, will the precondition be set for sustainable growth and the reduction of poverty.

² For information on the Global Employment Agenda, see <http://www.ilo.org/public/english/employment/empframe/practice/index.htm>.

L A T I N A M E R I C A A N D T H E C A R I B B E A N

Main characteristics of the labour markets

During the past ten years Latin America and the Caribbean's **unemployment** rate rose by 2.1 percentage points. As projected in GET 2003, the peak in the overall unemployment rate was reached in 2002 with 9 per cent. Preliminary estimates for 2003 show a decrease in unemployment to 8 per cent (table 1.1). This is 0.6 percentage points lower than five years ago. Labour markets in the region also seem to be recovering from the recession period as well as from the local crises of recent years. Unemployment rates vary widely between economies, from 2.0 per cent in Guatemala to above 15 per cent in Argentina, the Dominican Republic and Uruguay. Venezuela is the only economy in the region with a sharp increase in unemployment between 2002 and 2003. Argentina is slowly recovering from its crisis and has seen a considerable decrease in its unemployment rate between 2002 and 2003. In all other economies, unemployment rates stayed almost the same (figure 1.1 gives a regional perspective).

All major characteristics of the labour market in Latin America and the Caribbean remained as analysed in GET, 2003. The **unemployment rate for women** in the region has historically been considerably higher than for men. In 2003 it was 10.1 per cent for women and 6.7 per cent for men.

Youth unemployment (Overview, table 4) remains a major challenge for the region. In 2003 the unemployment rate for young people of 16.6 per cent was twice as high as for the total labour force. A total of 9.5 million young people were without a job. Even though there has been no increase in youth unemployment during the past three years, the rate is still 3.9 percentage points higher than in 1995. During the same period the gap between male and female youth unemployment has risen by 2.1 percentage points. In 2003, the female youth unemployment rate was 20.8 per cent compared with the male unemployment rate of 14.0 per cent. The Caribbean has the highest incidence of youth unemployment and also the largest gap between male and female youth unemployment: in 2003, it was 32.3 per cent for women compared with 17.5 per cent for men. In contrast, Central America has rather low youth unemployment rates, 5.7 per cent for men and 7.3 for women in 2003 (Overview, table 4).

There is a remarkable variation in the **employment-to-population** ratios among the subregions. In 2003 South America had the highest capability to create jobs, expressed in an employment-to-population ratio of 60.2. The Caribbean had the lowest ratio with 53.8 and Central America was close to South America with 58.4 (table 1.1).

Labour force growth rates vary among the subregions, but in all regions rates have been declining over the past ten years. The Caribbean labour force grew by only 1.4 per cent annually in this period, compared with an annual average growth rate of 2.5 and 2.3 per cent respectively for

Central America and South America. Of the 31 economies in the region, there are still 12 economies with labour force growth rates above 3 per cent. Of these, seven economies have unemployment rates above the regional average. The other five (Bolivia, Costa Rica, El Salvador, Guatemala and Honduras) have unemployment rates far below the regional average – a possible indication of their capability to create jobs but, at the same time, not a guarantee for the creation of decent and productive employment in the formal economy (table 1.1).

Table 1.1
Labour market and economic indicators,
Latin America and the Caribbean, 1993-2004

	Change in unemployment rate (percentage point)	Unemployment rate (%)			GDP growth rate (%)			Employment-to-population ratio (%)		Annual labour force growth rate (%)		Annual GDP growth rate (%)	
		1998-2003	1993	2002	2003	2002	2003	2004	1993	2003	1993-2003	1998-2003	1993-2003
Region													
Latin America and the Caribbean	-0.6	6.9	9.0	8.0	-0.1	1.6	4.2	59.3	59.3	2.3	2.0	2.6	1.4
Subregions													
Caribbean	-1.0	12.1	10.3	10.2	3.0	2.2	3.1	53.4	53.8	1.4	1.3	3.6	3.8
Central America	-0.6	4.4	3.4	3.2	1.1	2.3	3.6	57.4	58.4	2.5	2.0	2.9	3.1
South America	-0.6	7.1	10.7	9.4	-0.7	1.3	4.5	60.7	60.2	2.3	2.1	2.5	0.7

Source: ILO [KILM](#) (2003); ILO [LABORSTA](#) (2003); [IMF](#) (2003); see also Technical Note.

A closer look at the working-poor rates in the region underlines this point for three out of the five economies: Bolivia, El Salvador and Honduras all have working-poor shares that are higher than the regional average. The share of **working poor** in the total employment in the region is estimated to be around 14 per cent, indicating that every seventh person who works does not earn enough to lift themselves and their family above the US\$ 1 a day poverty line.

Latin America is the only region that appears to be moving towards reaching the United Nations Millennium Development Goal 2 (achieving universal primary education) ahead of 2015, reflecting the **educational progress** it has made. However, this fact may be overshadowed by some developments in other education-related areas. For example, the gap in education between high- and low-income groups is still growing in secondary and further education; educational spending has decreased because of the pressures on public expenditures during the economic slowdown; unemployment has especially increased among highly educated individuals, often pushing them into emigration and thus contributing to the brain-drain within the region (UNESCO, 2003).

Latest economic developments

No other region was as severely hit by the global downturn as the Latin American and Caribbean region (GET, 2003). The slow economic recovery in 2002 and early 2003 has not yet helped to get this region back on track relative to their historical **GDP growth** rates of 2.6 per cent over the past ten years. There was no significant economic growth in 2002 and 2003. A closer look at the subregion shows that despite the worldwide slowdown in travel and tourism, 2002 was a rather successful year for the Caribbean, with growth rates at around 3 per cent. But the other two subregions saw no economic growth. And in 2003 Central America and the Caribbean had growth rates above 2 per cent whereas South America's economies stagnated (table 1.1).

The Caribbean countries as well as some in Central America have started the transition process from being tropical agriculture export-oriented economies to becoming more diversified towards tourism and financial services. Even though these two areas were particularly hard hit between 2001 and 2002, in the long run such diversification should help to ensure stable GDP growth rates.

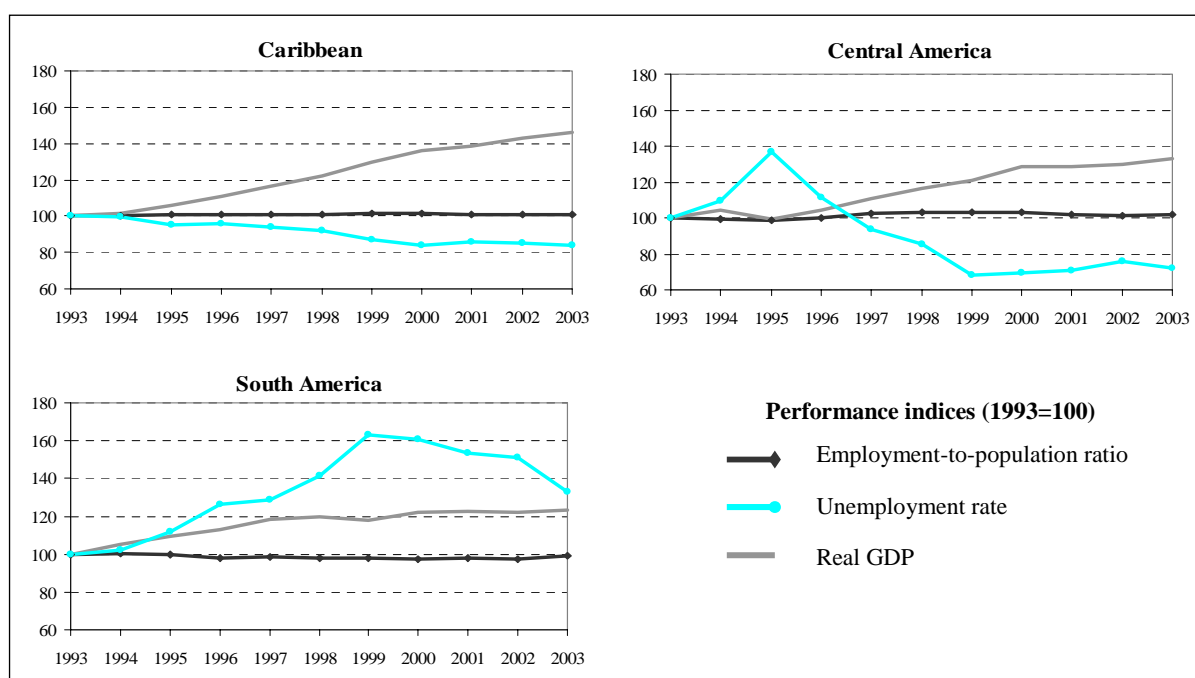
Employment outlook

With economic growth picking up in the United States and Europe, and Argentina, Uruguay and Venezuela showing signs of recovery, the potential outlook for the region for 2004 appears to be improving. In addition, expected higher commodity prices and further recovery of travel and tourism will also help to improve GDP growth in the region. However, this is likely to yield only marginal improvements in the labour market situation: after a slight decrease in 2003, unemployment is expected to decrease further. In 2004 it is estimated that 18 million people will be without a job, a total of 9.0 million women and 9.0 million men.

Population growth has been slowing down since the 1990s – a trend that is expected to continue. This will further contribute to the slowdown in labour force growth, which is expected to grow at about 1.7 per cent annually over the period 2003-2015. If the Latin American and Caribbean region is to absorb all the new entrants into the labour force, halve its unemployment rate and its working-poor rate, it needs to achieve economic growth of no less than 7 per cent a year during 2003-2015, or nearly 5 percentage points more than its growth rate during the past ten years.

An important issue for policy-makers will be to make sure that growth is translated into decent work, which should be seen as one of the major preconditions for future GDP growth. This also implies creating employment in the formal economy and not only – as has been the case in past years – less productive jobs in the informal economy. Only with decent and productive employment for young entrants, the jobless and the working poor will the region have a chance to reach the UN Millennium Development Goal target of halving extreme poverty by 2015.

Figure 1.1
Employment-to-population ratio, unemployment rate and real GDP,
Caribbean, Central America and South America, Index 1993=100, 1993-2003



Source: ILO, Global Employment Trends Model, 2003; see also Technical Note.

CHAPTER 2

t w o

EAST ASIA

Main characteristics of the labour markets

The East Asian region has the lowest **labour force growth rate** of all developing regions with an average growth of 1.3 per cent annually during the past ten years (table 2.1). This low growth rate can primarily be attributed to the tremendous slowdown in population growth rates. The only exceptions are Macau-China where labour force grows at a much higher rate, and Mongolia, where labour force growth rates slightly increased in past years.

Overall, **labour force participation rates** are high in the region (GET, 2003). At the end of 2003, China's labour force participation rate was 79 per cent. It is above 60 per cent for other economies within the region. **Women's labour force participation rates** are lower than men's in all the economies throughout the region.

Table 2.1
Labour market and economic indicators,
East Asia, 1993-2004

Region	Change in unemployment rate (percentage point)	Unemployment rate (%)			GDP growth rate (%)			Employment-to-population ratio (%)		Annual labour force growth rate (%)		Annual GDP growth rate (%)	
	1998-2003	1993	2002	2003	2002	2003	2004	1993	2003	1993-2003	1998-2003	1993-2003	1998-2003
East Asia	-0.1	2.4	3.1	3.3	7.6	7.1	7.1	78.1	76.6	1.3	1.2	8.3	7.1

Source: ILO [KILM](#) (2003); ILO [LABORSTA](#) (2003); [IMF](#) (2003); see also Technical Note.

Unemployment is a relatively new phenomenon in the region, and was still at a very low level of 3.3 per cent in 2003 (figure 4.2 gives a regional perspective). The increase over the past ten years was only 0.9 percentage points; however, even with such a low estimate of unemployment, no single labour market indicator should be assessed in isolation. The low unemployment rate does not shed light on the high number of working poor in the region, which accounts for over 18 per cent of the total number of employed.

Within the region, **youth unemployment** rates are also low in the international comparison; however, the same caveat on the interpretation of overall rates should be applied to youth estimates. Notwithstanding the limitation of the indicator, a comparison between youth and adult unemployment shows an unsettling picture: in 2003 youth unemployment was at a rate of 7.0 per cent, over twice as

high as overall unemployment. Youth unemployment is higher among men than among women by 2.3 percentage points (Overview, table 4).

Latest economic developments

After a solid growth year in 2002, 2003 (table 2.1) started with slower **GDP growth** rates as a result of renewed economic weakness in the developed world; relatively high oil prices; and the Severe Acute Respiratory Syndrome (SARS) (box 2.1). With the outbreak curtailed for the time being by mid-year, regional growth was still above 7 per cent in 2003, spurred on by the continued strength of China (box 2.2), especially as an export market for regional economies; the pick-up in world growth; higher prices for agricultural primary commodities (rice, rubber, palm oil, coconut products and lumber) from late 2001; and improved sentiment in emerging capital markets.

Box 2.1 The economic effects of SARS

Although the actual impact of SARS was less serious than originally feared, it made politicians and the general public aware of the risks of epidemics. Besides the tragic impacts on the lives of those infected and on their families, SARS also had a negative effect on the economies in East and South-East Asia. GDP growth was lower than it would have been without SARS and in addition many people lost their jobs. Most economic impacts of the outbreak were generated by public perceptions and fears about the disease, and from precautions the public took against it, rather than from the disease itself. Given that SARS appeared to spread principally through droplet transmission and face-to-face interaction, the worst-affected industries have been service industries (tourism, restaurants and hotels, retail sales, business travel and transportation) with face-to-face interaction between service providers and customers. In addition, consumer demand dropped considerably.

April 2003 tourist arrivals in Hong Kong (China) and Singapore were down by 65-70 per cent from previous year levels while passenger traffic in all Asia-Pacific air carriers fell by 45 per cent in the same month. With fears about SARS at their height in April and May before easing substantially in June, the economic impacts of the SARS crisis were concentrated in the second quarter. Small economies with a large tourism sector and a significant number of SARS cases (Hong Kong (China) and Singapore) were most affected, experiencing a contraction in output in the second quarter. In China, which had the largest number of SARS cases, the year-on-year pace of growth slowed to 6.7 per cent in the second quarter from 9.9 per cent in the first.

According to the Asian Development Bank, the loss in GDP accounting for direct as well as indirect effects was somewhere between 0.6 and 2.0 per cent of total GDP. Based on these figures, a rough estimate of between 2 and 6 million jobs have been lost due to SARS.

The outbreak of SARS should be taken as a warning for the future. The potentially catastrophic effects of epidemics can be hindered only if governments deal with such diseases in an open and cooperative manner.

Source: [World Bank](#) (2003a), [ADB](#) (2003); [World Travel and Tourism Council](#) (2003).

Employment outlook

It is expected that the region will grow just as rapidly as it has during the past ten years, which is above 7 per cent annually (table 2.1). This growth is led by inter-regional as well as intra-regional exports, making it less dependent on world demand than other regions. But other risk factors remain, including terrorist threats; a possible resurgence of SARS; incomplete yet needed corporate restructuring and banking reforms; problems with public as well as corporate governance and a lack of infrastructure development in both urban and rural areas.

The regional labour force growth is projected to slow down further in East Asia during 2003-2015 to 0.7 per cent per annum. This will be due mainly to slower labour force growth in China, but it will decrease in all economies within the region, including Mongolia and Macau-China. The total number

of new entrants into the labour force will nevertheless be high, projected at 75 million until 2015 (over 6 million new entrants each year).

The big question is, will these overall positive preconditions translate into improvements in the labour markets? China has seen a tremendous slowdown in its employment elasticities in recent years due to the structural transition process away from agricultural production towards manufacturing and service sectors, but also due to the declining share of historically overstaffed state-owned enterprises. Manufacturing and service sectors have a higher capital intensity which means that per percentage point of output growth, fewer employment opportunities are created. Importantly, the high incidence of working poverty needs to be placed at the forefront of the policy debate, since stable growth will depend on further reduction in poverty. This means the issue of productive and decent employment opportunities for the new entrants into the labour force and the creation of better opportunities for the working poor must share an equal footing in the political discussions associated with economic development. If the region gets the institutional setting right, if it proceeds further in educational progress as well as infrastructural investment, then it is the only developing region with a high probability to halve unemployment and working poverty by 2015.

Box 2.2

China as a growth engine for Asia

China not only serves as an engine of growth for Asia but it also has an important impact on the economic performance of the world as a whole; China's role in world trade has continued to rise rapidly. China's share in world export growth accounted for 60 per cent in 2002. In 2002, China's 8 per cent GDP growth accounted for 15 per cent of the world's total growth.

China has also become a magnet for foreign direct investment. The economy's foreign investment inflows in 2002 exceeded US\$ 52.7 billion, a year-on-year increase of 12.5 per cent, despite a decline in global FDI investment. This accounts for 8 per cent of total FDI in the world, making China the second largest recipient of FDI inflows relative to GDP (after Luxembourg).

In addition, China's trade and regional integration contributed to economic development in the region. China represents not only a competitive challenge as a producer for domestic consumption and exports, but has also become an importer of intermediate products that are then sold to Chinese consumers or in international markets. The World Bank estimates that in 2002 exports from eight other emerging Asian economies to China and Hong Kong (China) grew by 40 per cent. These exports accounted for 60 per cent of overall export growth. More than 60 per cent of China's imports are from economies in the region. Imports from ASEAN economies rose 34 per cent in 2002, while those from Japan and the Republic of Korea rose 25 per cent and 22 per cent respectively.

Source: [World Bank](#) (2003b); [GET](#) (2003).

CHAPTER 3 t h r e e

SOUTH-EAST ASIA

Main characteristics of the labour markets

Due to the sharp declines in population growth, South-East Asia's **labour force** has been growing at the rate of 2.4 per cent over the past ten years (table 3.1). As in other regions of the world, the urban labour force is growing faster than the rural, putting pressure on urban labour markets.

Average labour force growth rates have seen a slight upward trend in the past five years compared with the last ten-year average (table 3.1), mainly due to higher **labour force participation rates**. Increasing labour force participation rates during the development process often reflect both the capability of economies to create jobs and people's trust in that capability. Through higher labour force participation rates, growing economies recruit one of the most important sources for development – human capital.

Table 3.1
Labour market and economic indicators,
South-East Asia, 1993-2004

	Change in unemployment rate (percentage point)	Unemployment rate (%)			GDP growth rate (%)			Employment-to-population ratio (%)		Annual labour force growth rate (%)		Annual GDP growth rate (%)	
	1998-2003	1993	2002	2003	2002	2003	2004	1993	2003	1993-2003	1998-2003	1993-2003	1998-2003
Region													
South-East Asia	1.1	3.9	7.1	6.3	4.4	4.1	4.5	68.0	67.1	2.4	2.6	4.4	2.2

Source: ILO [KILM](#) (2003); ILO [LABORSTA](#) (2003); [IMF](#) (2003); see also Technical Note.

The diversity of South-East Asia's labour markets is reflected in a number of indicators, such as labour force participation and the gap between **male** and **female participation rates**. In addition, the **sectoral employment structure** also illustrates broad differences between economies in South-East Asia. Cambodia, East Timor, Lao PDR, Myanmar and Viet Nam rely heavily on the agricultural sector in terms of value added, but even more so in terms of employment. In these economies, two-thirds or more of total employment is in agriculture. Finally, the wide range of **employment-to-population ratios** in the region (table 3.2), demonstrating the different abilities of the economies to create employment, underlines the divergence of South-East Asian labour markets (for more details, see GET, 2003).

Table 3.2
Labour market indicators, selected economies
in South-East Asia, latest year available (percentage)

	Labour force participation rate	Labour force participation rate	Labour force participation rate	Employment-to-population ratio	Share of employment in agriculture	Unemployment rate
		Male	Female			
Brunei Darussalam	66.0	83.3	46.7	n.a.	2.0	n.a.
Cambodia	83.3	85.1	73.4	70.4	n.a.	1.8
East Timor	82.6	89.3	75.3	n.a.	n.a.	n.a.
Indonesia	68.6	n.a.	n.a.	62.9	43.8	6.1
Lao PDR	81.7	89.2	74.6	n.a.	n.a.	n.a.
Malaysia	65.5	83.3	46.7	63.5	18.4	3.9
Myanmar	77.1	88.4	66.0	n.a.	62.7	n.a.
Philippines	67.5	82.3	52.8	59.6	37.4	9.8
Singapore	68.6	81.1	55.5	65.5	0.3	3.4
Thailand	72.7	80.6	64.9	67.7	48.8	2.4
Viet Nam	71.9	76.0	68.2	74.3	69.1	n.a.
Average	73.2	83.9	62.4	66.3	35.3	4.6
Standard deviation from the mean	5.8	3.3	9.6	3.9	21.3	2.3

Note: n.a. = data not available.

Source: ILO, [KILM](#), 3rd edition (2003), CD-ROM.

Even after a sharp increase in **unemployment** in the past five years (the unemployment rate increased by 1.1 percentage points), unemployment rates remain comparably low in the region at 6.3 per cent in 2003 (table 3.1; figure 4.2 gives a regional perspective). But, once again, the unemployment rates only shed light on part of the picture. In some economies, notably Indonesia and the Philippines, **underemployment** remains a serious concern and therefore the relative rate of working poor remains high. During the financial crisis this rate increased (albeit in varying degrees) in all economies within the region. Since then, some economies have seen declines but underemployment rates are still estimated to be high.

The rate of **youth unemployment** is much higher than adult unemployment rates and has seen a dramatic increase during the past ten years when it almost doubled (Overview, table 4). While youth unemployment is a major issue for both young men and women, young women are generally much more affected by unemployment than young men. In 2003 the youth unemployment rate for women was 17.6 per cent compared with 15.5 per cent for men. Overall roughly 10 million young people were without work and looking for work in 2003.

Latest economic developments

After having suffered significantly in 2001 from the global downturn, 2002 was a year of solid recovery in much of the South-East Asian region (table 3.1). All economies (apart from some in Melanesia) saw GDP growing between 3.0 and 6.2 per cent. The average **GDP growth** rate was 4.4 per cent, bringing this region back to its historical growth rates of the 1990s. However the slow economic recovery in the developed world, relatively high oil prices and the SARS outbreak dampened the pace of this recovery, especially in the first part of 2003. However, with a strong second half in 2003, GDP growth was above 4 per cent for the year (table 3.1). This is attributed to the solid recovery of exports to the industrialized world but also to growing intra-regional trade (box 2.2; see also GET, 2003). Rising commodity prices for agricultural goods and low interest rates that pushed internal investment also supported growth. Finally, with some of the economies' impressive success in reducing poverty, domestic demand is becoming an increasingly important factor contributing to GDP

growth. As in 2001, the Mekong economies (Cambodia, Lao PDR and Viet Nam) outperformed the rest of the region in 2002 and in 2003.

Some of the less developed, smaller economies in Melanesia have so far not participated in the overall recovery in the region. In addition, Singapore has not yet recovered its historical growth path.

Box 3.1

Growth and jobs: The success story of Viet Nam

According to World Bank data, 8 million people were lifted out of US\$ 1 a day poverty between 1993 and 2003. In Viet Nam, 39.9 per cent of the population lived below the poverty line in 1993, but only 12 per cent did so in 2003. Urban poverty dropped from 25 to 6 per cent in this period. Among other factors, this was the result of an impressive decrease in the number of urban working poor as a consequence of more productive jobs and higher wages.

In addition, unemployment decreased considerably over the past ten years. Viet Nam's economy generated approximately an additional 730,000 jobs annually. This was not only a result of the impressive growth rates, but also of the national programme for employment generation that supported job centres and vocational training. Over this period the private sector absorbed about 90 per cent of new entrants to the labour market.

Another contributing factor was the almost unique slowdown in population growth that started in the late 1980s and took some pressure off the labour markets by noticeably reducing the number of new entrants.

The case of Viet Nam may serve as a good example for other economies in the region but, in one respect, it also serves as a warning. Despite ten years of successful employment growth and poverty reduction in urban areas, success in rural areas has been far less impressive. Urban poverty has dropped from 66 to 36 per cent but the amount of jobs created has lagged behind labour force growth. This might turn into a burden for development. To reduce poverty further, rural areas cannot be ignored in future development strategies.

Source: ILO, World Employment Report (forthcoming).

Employment outlook

Since its recovery from the 1997 Asian financial crisis, the region has been confronted with a phase of extraordinary volatility and uncertainty in the world economy. It has managed to come through this period reasonably well in terms of stable economic growth rates, particularly Viet Nam (box 3.1). Some of this success in the region has been translated into employment improvements, but unemployment on average remains slightly higher than it was before the financial crisis. In 2004, even with the high expected GDP growth rate of 4.5 per cent, the regional average unemployment rate is expected to decrease only slightly (table 3.1).

Slowing labour force growth will take some pressure off South-East Asian labour markets. Labour force growth rates are expected to slow down to 1.8 per cent annually between 2003 and 2015, compared with 2.4 per cent annually in the past ten years. Nevertheless, between 2003 and 2015, over 5 million people will enter the region's labour market each year. This is nearly the same as in the 1990s when the region did well in terms of reducing the number of working poor. Even if success in reducing the working poor rate can be repeated, the region needs to create new employment opportunities to avoid stagnation in unemployment rates in the future. This is especially the case for Fiji, Indonesia and Papua New Guinea, given their higher than regional average unemployment rates. In addition, Singapore has to ensure that its expected recovery will be translated into new employment opportunities, bringing the economy back to its historically low unemployment rates.

Some economies in the region, including Fiji, Malaysia, Thailand and Viet Nam, have a good chance to halve working poverty and unemployment by 2015. Whether or not the region as a whole will reach this target depends very much on developments in those economies with the highest incidence of extreme poverty.

CHAPTER 4 f o u r

SOUTH ASIA

Main characteristics of the labour markets

South Asian's **labour force** has been growing at a strong annual average of 2.3 per cent during the past 10 years (table 4.1), mainly reflecting high population growth rates but also the slightly expanding labour force participation rates – particularly those of women. However, **labour force participation rates** remain relatively low compared with other regions of the world. These low rates are partly due to the enormous discrepancy between the reported rates for women and men, the former being as low as 16.3 per cent in Pakistan and 28.1 per cent in the Maldives (figure 4.1).

Table 4.1
**Labour market and economic indicators,
South Asia, 1993-2004**

Region	Change in unemployment rate (percentage point)	Unemployment rate (%)			GDP growth rate (%)			Employment-to-population ratio (%)		Annual labour force growth rate (%)		Annual GDP growth rate (%)	
	1998-2003	1993	2002	2003	2002	2003	2004	1993	2003	1993-2003	1998-2003	1993-2003	1998-2003
South Asia	0.1	4.8	4.8	4.8	4.8	5.1	5.8	57.0	57.0	2.3	2.3	5.5	5.1

Source: ILO [KILM](#) (2003); ILO [LABORSTA](#) (2003); [IMF](#) (2003); see also Technical Note.

In spite of steady and robust GDP growth during the past 10 years, the overall **employment** situation has not changed (table 4.1). Even though the total number of employed increased by 112 million, this was only just enough to absorb the 11.9 million new entrants to the labour force every year during this period. **Unemployment** rates for the region remained essentially flat during the past ten years (figure 4.2 gives a regional perspective). This trend is also reflected in the unchanged **employment-to-population ratio** (table 4.1).

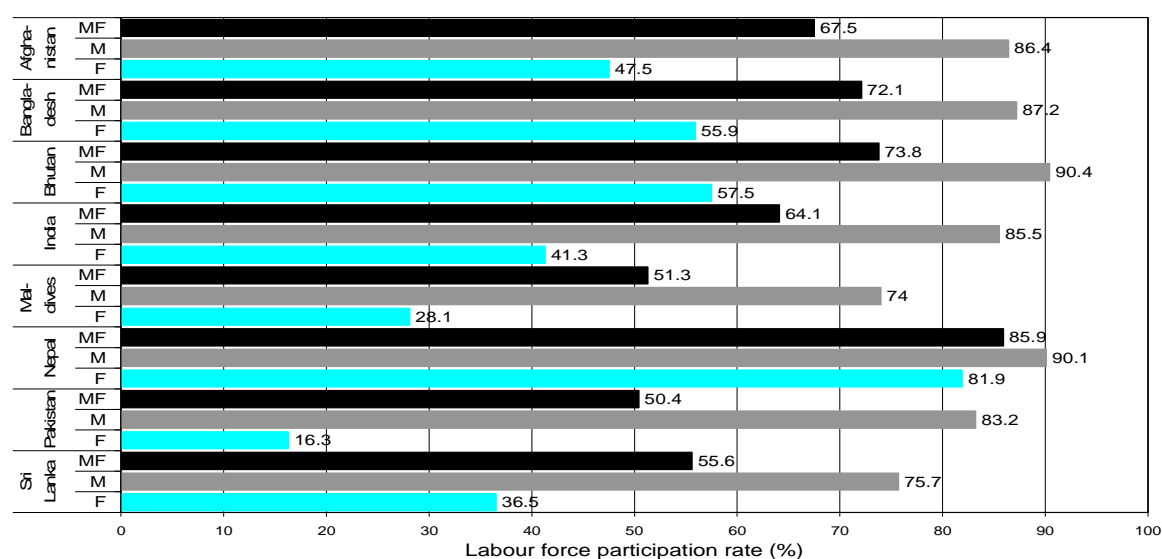
However, what may be more alarming is that the number of **working poor** increased during this period and now accounts for 40 per cent of the total number of employed. Most of the employment was created in the informal economy which accounts for more than 90 per cent of the total economy in India, for example (GET, 2003).

Female unemployment rates are generally higher than male unemployment rates within the region, a particularly worrying trend in countries where labour force participation rates are already low for women. Women in these economies have limited employment opportunities. In addition, if they

are employed they generally earn far less than their male counterparts. In India, for example, the earnings gap is around 50 per cent, in Sri Lanka it is even greater (GET, 2003).

Although **youth unemployment rates** are lower than in 1995, they are still almost three times as high as total unemployment rates (Overview, table 4). Being young and female is associated with the highest risk of being unemployed: with an overall youth unemployment rate of 13.9 per cent in 2003, the female unemployment rate was 15.9 per cent compared with 13.0 per cent for male unemployment.

Figure 4.1
Labour force participation rates, both sexes, selected economies
in South Asia, latest year available (percentage)



Source: KILM 1 - Labour Force Participation Rates, ILO, [KILM](#) 3rd edition (2003), CD-ROM.

Latest economic developments

South Asian economies have shown resilience during the worldwide economic slowdown. In 2002 **GDP growth** would have remained higher than the actual 4.8 per cent (table 4.1) achieved, but was negatively affected by adverse weather conditions and a decline in agricultural output in India, Nepal and Bangladesh. In addition, some economies saw declines in travel and tourism due to SARS and the outbreak of the war in Iraq. Pakistan and Sri Lanka experienced a rise in growth in 2002 partly owing to strong government consumption in Pakistan and a strong service sector in Sri Lanka (ADB, 2003). In 2003 growth was slightly above 5 per cent as a result of a return to high levels of agricultural production, the recovery in external and internal demand and continued improvements in political stability. Value added grew considerably in the Indian services sector (ADB, 2003). This also had a considerable impact on regional GDP growth performance but should not have an impact on India's global export performance: in 2002, India's share in global service exports was 1.4 per cent.¹

In recent years, South Asia has experienced relatively low growth in per capita income. In relation to its population, the subregion accounts for a very low share of global GDP (less than 6 per cent) and an even lower share of global exports (about 1 per cent, according to WTO, 2003). Subregional economies are comparatively closed to trade and investment: the subregion's ratios of merchandise and service exports and imports to GDP are lower than in any other major subregion in the world.

¹ This country's share in merchandise exports accounted for 0.8 per cent of the global merchandise trade in 2002 (WTO, 2002). At the same time, India's population accounted for around 17 per cent of the world population (and 75 per cent of the regional population, according to UN, 2003). For further details on India, see GET, 2003.

Government revenues tend to be low in relation to GDP while expenditures continue to be higher than revenues, resulting in persistent fiscal deficits (ADB, 2003).

The region remains strongly dependent on agriculture and thereby on: 1) weather conditions; and 2) internal and external demand for agricultural products. In India, for example, the agricultural sector contributes to one-quarter of GDP and employs close to 70 per cent of the labour force.

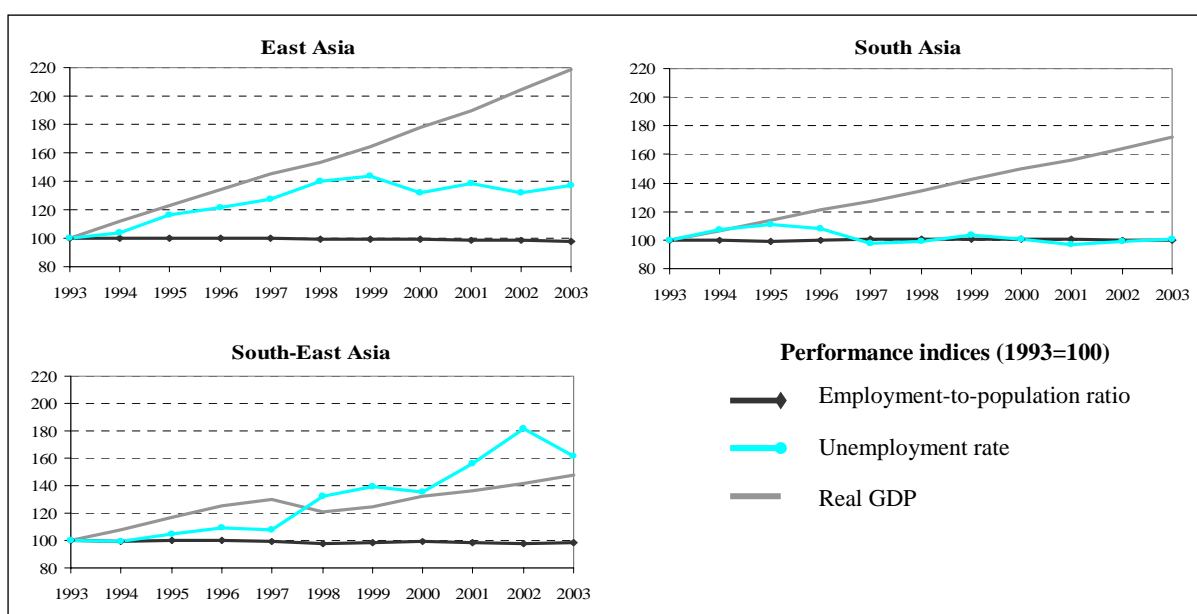
Employment outlook

Overall prospects for the labour market in this region largely depend on the performance of India, which has a share in regional GDP of 80 per cent. Other key issues include: 1) high levels of unemployment in some economies; 2) the high incidence of working poverty, especially in the informal economy (GET, 2003); 3) high-productivity sectors absorb very little of the expanding labour force and 4) low levels of education in comparison with other regions of the world.

In 2004 the region is expected to see a GDP growth rate of above 5 per cent, but again no changes in the unemployment rate are likely (table 4.1). Unless the policy challenge to move from job creation in the informal economy to creating productive jobs in the formal economy is faced, there is little hope of substantially reducing the number of working poor.

The South Asian labour force is expected to grow at just over 2 per cent a year between 2003 and 2015, bringing in more than 13 million new labour market entrants every year. To halve working poverty – 220 million working poor live in the region – as well as to halve the unemployment rate by 2015, the region would need yearly GDP growth rates of 6.2 per cent, less than one percentage point higher than the historical growth rate of the past ten years. This gives the region a slight chance to reach the goal but only if the labour market problems mentioned above are addressed. The reduction of working poor would most likely result in stronger domestic demand, making the region less reliant on external markets. In addition, progress on corporate and financial restructuring as well as on competition policy need to receive adequate attention. With increasing political stability and regional security, there are grounds for potential improvements.

Figure 4.2
Employment-to-population ratio, unemployment rate and real GDP,
East Asia, South Asia and South-East Asia, Index 1993=100, 1993-2003



Source: ILO, Global Employment Trends Model, 2003; see also Technical Note.

CHAPTER 5 f i v e

MIDDLE EAST AND NORTH AFRICA

Main characteristics of the labour markets

As a result of insufficient growth in the region, and deficiencies in labour market policies in some economies, the employment situation remains unfavourable. The **unemployment rate** for the region was 11.9 per cent in 2002 and 12.2 per cent in 2003 (table 5.1). Unemployment rates range from below 1 per cent in Kuwait to over 25 per cent in Algeria and West Bank and Gaza Strip.

Economies in the region remain characterized by rapid population growth and relatively low but growing labour force participation rates (GET, 2003), specifically for women (figure 5.1). Both factors have contributed to the high **labour force growth rates** of 3.3 per cent a year during the past ten years (table 5.1), which means that labour markets had to absorb 3.6 million people every year over this period (additional information, see box 5.1).

Table 5.1
Labour market and economic indicators,
Middle East and North Africa, 1993-2004

	Change in unemployment rate (percentage point)	Unemployment rate (%)			GDP growth rate (%)			Employment-to-population ratio (%)		Annual labour force growth rate (%)		Annual GDP growth rate (%)	
		1998-2003	1993	2002	2003	2002	2003	2004	1993	2003	1993-2003	1998-2003	1993-2003
Region													
Middle East and North Africa	-0.4	12.1	11.9	12.2	3.2	4.4	4.3	45.4	46.4	3.3	3.1	3.5	3.6
Subregions													
Middle East	0.2	12.0	12.9	13.3	3.3	4.7	4.5	46.6	47.8	3.8	3.5	3.4	3.4
North Africa	-1.5	12.4	10.3	10.4	2.8	4.0	4.0	44.1	44.4	2.6	2.3	3.8	3.9

Source: ILO [KILM](#) (2003); ILO [LABORSTA](#) (2003); [IMF](#) (2003); see also Technical Note.

Agriculture is still a large although declining sector for employment (GET, 2003). Agricultural employment is largely informal, organized in family units. As total factor productivity in agriculture is very low, there is an urgent need for rural labour market and employment strategies. In **urban labour**

markets three types of employment coexist: public administration, formal employment in enterprises which are mainly under public-sector control, and informal private activities.

The unemployment and working-poor problems are compounded by substantial declines in real wages and productivity in some economies. Though little is known about the behaviour of informal wages over time, it is likely that these have fallen, as the formal sector becomes less able to absorb new entrants (GET, 2003).

Youth unemployment is a major challenge for the region, as youth unemployment rates are the highest in the world. In 2003, 25.6 per cent of the young people in the region were unemployed. Female unemployment rates (31.7 per cent) are considerably higher than male unemployment rates (22.7 per cent) in 2003. In the subregional comparison, youth unemployment is higher in the Middle East (27.0 per cent) than in North Africa (22.8 per cent, see Overview, table 4).

Box 5.1

Labour market indigenization: The case of Saudi Arabia

Rising rates of indigenous unemployment and underemployment in the Gulf region have precipitated the pursuit of labour market “arabization”: national employment creation programmes that seek to promote greater participation of nationals in the labour force while reducing the number of expatriate workers. These strategies have been further prompted by the effect that large numbers of expatriate workers are having on macroeconomic balances: capital outflow by non-Saudi workers is currently estimated at \$13 billion a year.

Saudi Arabia’s seventh Five-Year Development Plan, 2000-04 aims at creating 817,000 jobs for Saudis by 2005. The goal is to increase Saudi participation in the labour force from 44.2 per cent in 1999 to 53.2 per cent in 2004. Just over half of these jobs for Saudis would come from replacing non-Saudis, while the remainder would come from new job creation. The vast number of new and replacement jobs will occur in the private sector.

The “saudization” strategy is being pursued through several policy instruments. These include reserving certain occupations, particularly in the service sector, for Saudis only; the adoption in 1995 of “Resolution 50”, whereby enterprises employing more than 20 people are required to increase their Saudi workforce by 5 per cent annually; strategies to change the relative price of Saudi and non-Saudi labour, based on subsidies to the former (either through vocational training or directly through wages), and taxation on the latter (either on the employer who hires non-Saudi labour or on the non-Saudi worker); and tightening entry restrictions on non-Saudi labour.

Consequently, the number of Saudi government workers more than doubled between 1983 and 1999, reaching nearly 1 million. The share of Saudi workers in the total private-sector workforce has also more than doubled, from 17.3 to 37.9 per cent over the same period. Continued pursuit of the agenda, however, will need to address not only structural challenges on both the supply- and demand-side of the domestic economy, but also the serious implications for foreign workers and their home economies.

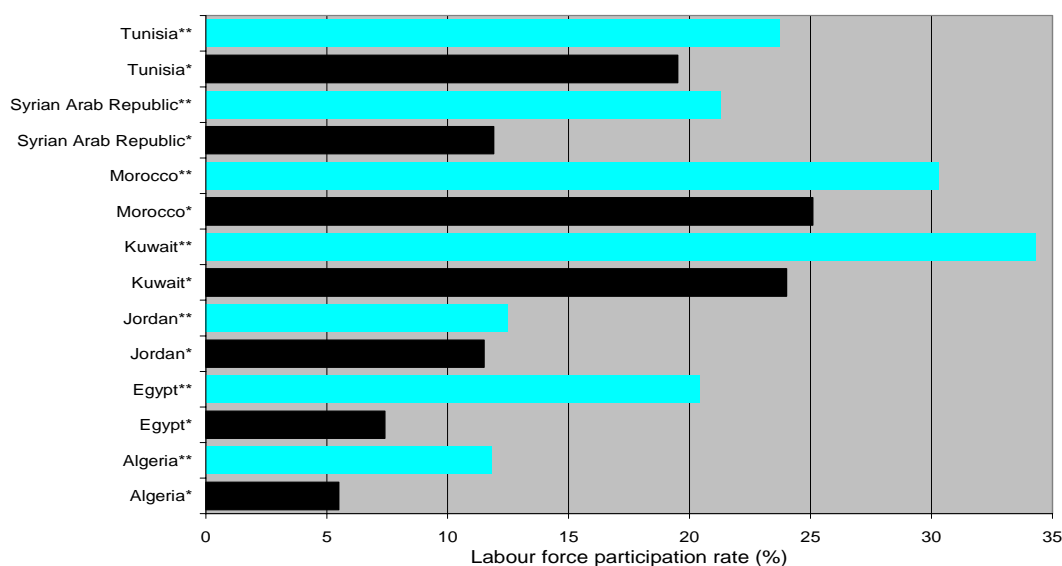
Source: N. Janardan (2003); A.W. Bashir (2003).

Latest economic developments

The increase in oil prices associated with the war in Iraq had important consequences for the region in 2002-2003. It helped the oil-exporting economies but at the same time put pressure on the non-oil-producing economies. Tourism, not fully recovered from the September 11 aftermath, continued to stagnate with the onset of the war. A general lack of confidence in the private sector persisted. North Africa also suffered from adverse weather conditions in 2002 and the slow recovery of European demand affected manufacturing exports from the region. Owing largely to the positive effect of oil prices for exporting economies, the **growth performance** in 2002 of the region as a whole was higher than expected at 3.2 per cent, but still lower than in 2001. As the second half of 2003 saw the world economy picking up, the overall growth in 2003 was above 4 per cent (table 5.1).

Economies affected by wars, civil conflict, sanctions and occupation have experienced multiple shocks to stability that have exacerbated unemployment, underemployment and poverty. Algeria, Djibouti, Iraq, Lebanon, Somalia, Sudan and West Bank and Gaza Strip, for example, illustrate this point.

Figure 5.1
Female labour force participation rates, selected economies
in the Middle East and North Africa, selected years (percentages)



Note: * year closest to 1980; ** year closest to 2003.

Source: KILM 1 - Labour Force Participation Rates, ILO, [KILM](#) 3rd edition (2003), CD-ROM.

Employment outlook

GDP growth is expected to increase in 2004 due to growth in tourism and external demand. If this is the case, the region will even be above the average growth path of the past ten years. Although growth rates above 4 per cent sound promising, this has so far not had any significant impact on unemployment in the region. It therefore remains doubtful if 2004 will see any real impact (table 5.1).

The labour force in the Middle East and North Africa is expected to grow at 2.6 per cent a year from 2003-2015, bringing in almost 4 million new workers every year. Prospects for growth and sustainable employment could be improved through reforms in trade regimes and a strengthened investment climate. The region remains highly protected: its significant potential for non-oil exports has not yet been realized. An increase in trade will be one essential element for employment creation and growth within the region. Improving governance, enhancing the quality of public institutions and enforcing public accountability need to go hand in hand with trade expansion.

In order to absorb all the new entrants into the labour force, halve the unemployment rate and halve working poverty (which counts for around 8 per cent of the total number of people employed), the Middle Eastern and North African region needs to grow at a significantly faster rate than during the past 10 years. In particular, young entrants to the labour market have little hope that their situation will improve considerably in the coming years unless employment becomes a central focus of economic and social policies.

With only one-third of the labour force active today, women represent an enormous untapped resource in the region. Provided that economic and social barriers to women are dismantled, women can participate more widely in economic life, thereby boosting economic growth and productivity in the region.

SUB-SAHARAN AFRICA

Main characteristics of the labour markets

With a **labour force growth** rate of 2.8 per cent (table 6.1), an ever-increasing number of people are competing for a very limited number of jobs in the formal economy. This issue remains of grave concern for labour markets in sub-Saharan Africa.

The other pressing concern is the impact of **HIV/AIDS** on labour markets in sub-Saharan Africa, as well as in the Asian, Caribbean and transition economies. By forcing people out of work the epidemic (besides its general tragic implications) is having long-lasting negative effects on labour markets and growth (see also GET, 2003).

Table 6.1
Labour market and economic indicators,
Sub-Saharan Africa, 1993-2004

Region	Change in unemployment rate (percentage point)	Unemployment rate (%)			GDP growth rate (%)			Employment-to-population ratio (%)		Annual labour force growth rate (%)		Annual GDP growth rate (%)	
	1998-2003	1993	2002	2003	2002	2003	2004	1993	2003	1993-2003	1998-2003	1993-2003	1998-2003
Sub-Saharan Africa	0.4	11.0	10.8	10.9	3.2	3.6	4.7	65.6	66.0	2.8	2.7	2.9	2.9
Subregions													
Eastern Africa	0.3	10.3	10.9	11.0	2.2	2.6	6.0	71.5	73.3	3.0	2.9	3.5	2.9
Central Africa	-0.5	12.8	9.3	9.4	7.6	5.3	6.7	62.1	61.0	2.0	2.1	1.6	3.4
Southern Africa	6.2	27.1	30.1	31.6	3.0	2.9	3.3	45.7	42.8	2.1	1.5	2.8	2.6
Western Africa	0.0	7.1	6.8	6.7	2.4	4.8	4.7	66.2	66.0	2.9	2.9	3.3	3.2

Source: ILO [KILM](#) (2003); ILO [LABORSTA](#) (2003); [IMF](#) (2003); see also Technical Note.

The problems of **unemployment** as well as **underemployment** are largely structural in nature. Of those who are employed, the majority are in low-productivity, low-income and survivalist-oriented activities in the (mainly informal) smallholder or subsistence **agricultural sector** – a sector characterized by seasonal underemployment. Most smallholders do not earn enough to sustain a decent living. The **working poor** account for almost 45 per cent of the total number of employed.

Box 6.1

How war affects employment: The case of Angola

After 27 years of conflict a ceasefire was finally signed in April 2002. This war resulted in the deaths of 1.5 million people, displaced another 2-4 million and has blighted employment prospects for the immediate and longer-term future.

- When infrastructure is destroyed (roads, schools, health clinics, water supply), so too are the basic requirements needed to create employment opportunities. Reconstituting this infrastructure (mainly by public employees) is made more difficult by the frequent lack of essential supplies for day-to-day work.
- The 27-year conflict has severely restricted a whole generation from using their human capital. It has bequeathed the present generation only limited possibilities to invest in building up their stock of human capital – posing a threat for decent employment opportunities and thwarting the creation of the productive jobs needed to bolster the economy as a whole.
- Most former soldiers and displaced families are too weak to travel. Many are too ill to resume work after years of surviving in the bush on a scant diet of roots and herbs.
- Although most of Angola's estimated 13 million people are farmers, few were able to remain on their plots throughout the course of the war. On their return, they start subsistence-farming (one of few available work possibilities) but are hindered by the lack of seeds, of tools and the constant hazard of unexploded landmines.
- As a result, hundreds of thousands of Angolans remain displaced within their economy, crowded into camps outside large townships. In addition, around 470,000 Angolans are returning from neighbouring economies at an increasing rate. They have no hope of finding a job that can keep them and their families out of poverty. Unless the international community makes a conclusive effort to counter their predicament, future opportunities will be destroyed for another generation.

Source: Care (2003); UN (2003).

Unemployment rates have not improved over the first few years of the new millennium. The average rate of **unemployment** stayed almost at the 2002 level of 10.8 per cent in 2003 (table 6.1), leaving 29.7 million people without work. In conflict-affected countries, the long-term effect on unemployment is devastating (box 6.1).

Unemployment and underemployment of young people is a compelling problem in most parts of the region. Estimates show that unemployment rates for the **15 to 24 age group** are twice as high as for the overall labour force. In times of economic slowdown, young people's likelihood of becoming or staying unemployed is higher than that for adults. In 2003, 18.6 million young people had no job, 7.2 million of whom were women – a youth unemployment rate of 21.0 per cent (Overview, table 4).

Sub-Saharan Africa's progress in **education** is very slow, especially for women, but literacy rates have been showing signs of improvement since the 1980s. An additional problem is that the few young people with higher education tend to leave the region because of a lack of work opportunities (GET, 2003).

Latest economic developments

Sub-Saharan Africa continues to underperform in comparison with other developing regions. **Real GDP** grew by an average of 2.9 per cent in the past five years. In 2002 the region had a GDP growth rate of 3.2 per cent and in 2003 of 3.6 per cent (table 6.1). Those economies that are more integrated in world trade were affected by a slow recovery from the global downturn as well as by low commodity prices in 2002 and early 2003.

Southern Africa had a slight decline in GDP growth from 2002 to 2003, Botswana had the highest increase in GDP, followed by Namibia. South Africa again experienced a decline. In Western Africa, which grew by more than 4 per cent in 2003, the rise was mainly due to the increase in growth in Nigeria – the largest economy in the subregion. Increases in the pace of economic activity in Guinea-

Bissau, Senegal and Liberia also contributed to subregional growth. The 2003 growth rate of 2.6 per cent in Eastern Africa is due to Madagascar's rebound in growth after the substantial fall in output in 2002, and an increase in growth in Eritrea. Zimbabwe experienced a considerable fall in output. In Central Africa, a slowdown in economic growth resulted mainly from declines in Equatorial Guinea and Congo (both of which had very high levels of growth in 2002) and in Angola. Nevertheless, the subregion was still growing at a high rate of 5.3 per cent (table 6.1).

Based on IMF economy forecasts for 2004 (see Technical Note), the growth rate in the region is estimated at 4.7 per cent. The World Bank estimates a much lower growth of 3.5 per cent (World Bank, 2003). The increase in growth is largely driven by progress in peace agreements; an increase in the number of African economies eligible for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative; the expected growth in the developed world; the planned monetary union of six West African economies in 2005; and the promised aid from several advanced economies to help fight against militant groups and to discourage unstable African countries from providing safe havens to terrorists.

Employment outlook

The average unemployment rate of 10.9 per cent in 2003 is projected to decline slightly in 2004 (table 6.1), mainly owing to the expected increase in GDP growth in the region but also to increased political stability in some of the former conflict economies. Young people will profit less from this improvement than adults and the likelihood of being without a job will remain at a level over twice as high for youth than for the overall labour force. Over 29 million people will be without employment. Of those who are employed, 110 million will be working poor and unable to provide their families with decent living conditions.

In the long run, the labour force in sub-Saharan Africa is estimated to increase from 271 million in 2003 to 366 million by 2015. The urban labour force is growing much faster than the rural labour force. By 2015 almost 50 per cent of the total labour force will be in urban areas, exerting strong pressure on the urban labour markets. Sub-Saharan Africa needs to create nearly 8 million jobs every year over the next 12 years to absorb the rapidly growing number of job seekers – the consequence of a labour force that is projected to grow by 2.5 per cent a year until 2015. To halve unemployment and working poverty by 2015 would require the rate of GDP growth to triple, a rather unrealistic goal for most economies.

Although sub-Saharan Africa has made some progress in economic development as well as in human capital improvements, it is still the poorest region in the world and prospects do not look bright, especially given that HIV/AIDS still prevails. GDP per capita has seen almost no improvement during the 1990s and the first years of this millennium. Unless progress is made in terms of creating productive employment opportunities for the unemployed, the underemployed and for new entrants to the labour markets, this situation will not change (see also GET, 2003).

TRANSITION ECONOMIES

Main characteristics of the labour markets

The labour markets of the transition economies have been strongly affected by the adjustment process from centrally planned to market-oriented economies. Owing to the deep transitional crisis and subsequent large structural changes in their economies, the labour markets in the region have been in a state of flux. As revealed in GET 2003, high **unemployment** is a primary concern and large numbers of workers are being excluded from the **formal economy** (box 7.1). They join the ranks of the **informal economy** and make their living by means of informal entrepreneurship, petty trade and other services (Lubyova, 2003). Differences in labour markets do vary across the region, particularly among the EU accession countries.

Since 1993, the **labour force** has been declining at an annual rate of 0.1 per cent for the region as a whole (table 7.1), with only a handful of economies exhibiting increases in the labour force most notably in the Commonwealth of Independent States (CIS) subregion. The withdrawal from the labour force adversely affects youth who have lower **labour force participation rates** and higher unemployment rates than the population as a whole (Overview, table 4).

Additionally, the share of employed in the population has declined in the region from 58.8 per cent in 1993 to 53.5 per cent in 2003. It is noticeable that the economies of the CIS have maintained higher **employment-to-population ratios** than the other transition economies. This trend is probably due to the much larger share of **underemployment** in the CIS than in other transition economies.

Unemployment rates in the region have been relatively stable, declining from 9.4 per cent in 2002 to 9.2 per cent in 2003, with all three subregions showing a slight decline in rates in 2003, reflecting the impact of stronger growth. The economies of Central and Eastern Europe (CEE) have relatively higher average unemployment rates than the other transition economies, but this is due partly to the difference in benefit schemes in CEE economies, which are more generous than in the other transition economies (Cazes and Nesporova, 2003). Nonetheless the Czech Republic, Hungary, Romania and Slovenia¹ all have unemployment rates below the regional average and have been on a declining trend since the beginning of the decade.

One particularly troubling issue for all the transition economies is **youth unemployment**, which improved only slightly from 19.3 per cent in 2002 to 18.6 per cent in 2003 (Overview, table 4). This situation is particularly egregious in the CEE countries, which have the highest youth unemployment rates in Europe – a condition related to aggregate reasons such as lack of demand, as well as to structural reasons, such as educational mismatch, lack of adequate information and mobility constraint problems (Lubyova, 2003).

¹ The unemployment figures for these economies are from household surveys, which are significantly lower than the registered unemployment figures.

Table 7.1
Labour market and economic indicators,
transition economies, 1993-2004

	Change in unemployment rate (percentage point)	Unemployment rate (%)			GDP growth rate (%)			Employment-to-population ratio (%)		Annual labour force growth rate (%)		Annual GDP growth rate (%)	
		1998-2003	1993	2002	2003	2002	2003	2004	1993	2003	1993-2003	1998-2003	1993-2003
Region													
Transition economies	-1.1	6.3	9.4	9.2	4.1	4.1	4.1	58.8	53.5	-0.1	0.7	0.2	3.8
Subregions													
Central and Eastern Europe	3.5	12.6	14.0	13.8	2.8	3.3	4.2	52.9	49.1	-0.1	0.4	3.0	2.9
Baltic States	-1.1	4.9	12.6	11.8	5.8	5.3	5.7	62.5	50.8	-1.7	-1.1	2.1	4.5
Commonwealth of Independent States	-3.0	3.6	7.4	7.2	4.8	4.4	4.0	61.4	55.6	0.0	0.9	-1.4	4.3

Source: ILO [KILM](#) (2003); ILO [LABORSTA](#) (2003); [IMF](#) (2003); see also Technical Note.

Box 7.1

The role of the service sector in the structural change of transition economies

Structural changes in the agricultural and industrial sectors brought about changes for the service sector. As table 7.2 shows, the contribution of services grew rapidly in the majority of the transition countries. One important reason was a higher demand from consumers and enterprises – stronger in Central Europe and the Baltic countries while usually more limited in other transition countries. Another source for the increase (and the simultaneous decline of industry) has been the outsourcing of services previously included in industry enterprises such as research and development, transport, catering, recreation and in-house training.

Some of the service sector has expanded through increased self-employment in response to a shortage of dependent, decent jobs in other sectors of the economy. In fact, some of the jobs created through self-employment are informal, as their holders hide earnings for tax reasons. New jobs in services are thus created on both sides of the decent work spectrum. Those in the financial sector, business services or public administration, all of them having accelerated in the 1990s, require high skills and are among the best-paid jobs in the national economy. In contrast, many new jobs in distribution, personal and household services are of low quality in terms of stability, security, remuneration and working conditions.

Services related to production have recorded particularly rapid development over the transition period and some hold significant potential. This is true of research and development, despite its temporary slump in the 1990s due to lack of funds from both enterprises and the State. Adult education, social and health care services are also expected to expand in connection with labour market changes and an ageing population. Personal services will increase in line with rising personal incomes and, to a certain extent, public administration and the police force can be expected to grow in the future.

Source: Cazes and Nesporova, (2003).

Latest economic developments

Annual output growth in the region as a whole has been negligible from 1993 to 2003, but this masks the stronger growth at the subregional levels. The economies of CEE and the Baltic States (BS) have shared marked growth over the decade, 3.0 per cent and 2.1 per cent respectively, while the CIS countries have shown significant declines of 1.4 per cent annually. The decline in the CIS economies can be attributed to the sharp declines in output in the early 1990s due to the breakdown of the former Soviet Union and its stronger impact on this subregion.

Since 1998, the region has shown significant output growth due to increased exports and private consumption (IMF, 2003), which has led to a modest reversal of the decline in the labour force. Russia has seen marked growth in GDP from 1998-2003, which is of particular importance for the CIS economies. This stabilization has impacted on unemployment rates in some countries, most notably in the BS and CIS where rates have declined by 1.1 and 3.0 percentage points, respectively since 1998.

Table 7.2
Employment structure by sector,
selected transition economies, 1990 and 2001 (percentages)

Country	1990			2001		
	Agriculture	Industry	Services	Agriculture	Industry	Services
Armenia ¹	17.7	30.4	38.3	44.4	14.1	37.2
Azerbaijan	30.9	22.9	31.1	40.0	10.8	49.3
Bulgaria	18.5	44.2	37.3	26.3	27.6	46.0
Czech Republic	12.3	45.5	42.2	4.8	40.4	54.8
Estonia	21.0	36.8	41.8	6.9	33.0	60.1
Hungary ²	8.7	33.0	58.1	6.2	34.7	58.9
Kazakhstan ³	22.3	31.5	40.7	22.0	18.3	59.8
Kyrgyzstan ³	32.7	27.9	39.4	52.4	11.6	36.1
Latvia	17.4	37.4	45.2	15.0	25.6	59.4
Poland	25.2	37.0	35.8	19.1	30.5	50.4
Romania	29.1	43.5	27.4	42.3	26.2	31.5
Russian Federation ³	13.9	40.2	45.6	11.8	29.4	58.8
Slovakia ²	10.1	39.6	50.0	6.1	37.6	56.2
Slovenia ⁴	10.7	44.1	45.1	9.8	38.1	50.8

Notes: ¹ 2000; ² 1994; ³ 1999; ⁴ 1994. Numbers do not add up to 100% because some industries are 'not adequately defined'.

Source: KILM 4a - Employment by Sector, ILO, [KILM](#) 3rd edition (2003), CD-ROM.

Employment outlook

Growth in GDP is projected to continue in 2004 and along with it a more settled labour market. Additionally, the region's growth in GDP is on track to reduce the number of working poor by 2015. However, the projections largely depend on output growth in the European Union, the political stability of the region (particularly in the CIS economies) and the ability to transform growth in output into job creation.

Policies have been adopted in some countries to meet the employment target set by the European Commission to raise the employment rate as nearly as possible to 70 per cent by 2010.² This will be a particularly challenging task for transition economies because of the sharp declines in employment over the decade – 7 million fewer people were working in 2003 than in 1993 – and the high youth unemployment rates. The share of youth in the population is as high as 39 per cent in some CIS countries (WDI, 2003). This means that large cohorts will be entering the labour market in the course of the next decade and, given the already high youth unemployment in these countries, serious policy measures should be adopted in order to deal with the problem (Lubyova, 2003).

Although the employment outlook is relatively positive, the longer-term impact of HIV/AIDS could pose a socio-economic threat for the Ukraine and Russia, which have the world's highest growth rates of HIV-positive cases. Studies have suggested that the uninhibited spread of HIV would diminish Russia's long-term output growth rate, taking off half a percentage point annually by 2010 and a full percentage point annually by 2020 (Rühl et al., 2002), creating an additional policy challenge for the region.

² This employment target applies only to EU accession economies in this region.

INDUSTRIALIZED ECONOMIES

Main characteristics of the labour markets

Industrialized economies are diverse in their labour market characteristics. In addition to differences in labour markets institutions, the structure and composition of the labour force also vary.

Since 1998, the average **unemployment rate** for the region declined by 0.1 per cent, driven mainly by the slight improvements in the major European labour markets since the economic downturn (box 8.1). Additionally, both the **labour force** and the share of employed in the population have been on an upward trend in the region as a whole.

During 1993-2003, the labour force grew by 0.8 per cent per year, while the **employment-to-population ratio** increased from 55.4 to 56.1 per cent (table 8.1).¹ In economies where the ratio rose, those gains were especially strong for women and often quite strong for older workers, while youth employment-to-population ratios declined over the past decade (OECD, 2003).²

In the subregion of major European economies the **labour force growth** rate was 0.6 per cent annually during 1993-2003, slightly below the regional average. At the same time, the average employment-to-population ratio showed improved growth, increasing from 50.3 to 51.2 per cent – an additional 0.9 percentage points or 16 million more people employed. Wide variance exists among EU economies. For example, the Scandinavian economies (Denmark, Iceland, Finland, Norway and Sweden), Switzerland, and the Netherlands have a high proportion of population employed (over 60 per cent), while the Southern European economies of Italy, Turkey and Greece have rates below 45 per cent. These differences are due largely to **female employment rates**, which are nearly twice as high in the Scandinavian economies as in Southern Europe.

In the subregion of major non-European economies, labour force growth increased by 1.0 per cent annually between 1993 and 2003, due to a marked growth in population and a higher proportion of **youth** entering the workforce. Australia, Canada, New Zealand and the United States all showed labour force growth rates above 1.0 per cent per year, while Japan's labour force growth rate was significantly less. Employment-to-population ratios in the subregion increased from 60.6 per cent in 1993 to 60.9 per cent in 2003 – an additional 0.3 per cent or 23 million more people working.

The **current employment** situation is similar to that reported in GET, 2003. Owing to the slow-moving growth, the labour market situation at the regional level was little improved, with the average **unemployment rate** for the region remaining stable at 6.8 per cent in 2003. The unemployment rate in the major European region remained at 7.9 per cent in 2003, while in major non-European economies it increased slightly from 5.8 per cent in 2002 to 5.9 per cent in 2003. **Youth unemployment rates**,

¹ The employment-to-population ratio measures the proportion of an economy's population (age 15+) that is employed; as such it is a good indicator of the ability of an economy to create jobs.

² According to this study the decline in youth employment-to-population ratios was partly due to a rise in the proportion of young people in school and is not necessarily indicative of growing labour market difficulties for youth.

though much higher than the total unemployment rates, also remained stable from 2002 to 2003 (Overview, table 4).

Table 8.1
Labour market and economic indicators,
industrialized economies, 1993-2004

	Change in unemployment rate (percentage point)	Unemployment rate (%)			GDP growth rate (%)			Employment-to-population ratio (%)		Annual labour force growth rate (%)		Annual GDP growth rate (%)	
		1998-2003	1993	2002	2003	2002	2003	2004	1993	2003	1993-2003	1998-2003	1993-2003
Region													
Industrialized economies	-0.1	8.0	6.8	6.8	1.7	1.8	2.8	55.4	56.1	0.8	0.6	2.5	2.3
Subregions													
Major Europe	-1.4	10.2	7.9	7.9	1.3	1.5	2.5	50.3	51.2	0.6	0.5	2.1	2.2
Major non-Europe	1.1	6.1	5.8	5.9	2.1	2.0	3.0	60.6	60.9	1.0	0.7	2.7	2.4
Other Europe	0.6	3.2	4.3	4.4	2.2	2.4	4.0	55.1	55.3	1.6	1.8	3.8	3.6

Source: ILO [KILM](#) (2003); ILO [LABORSTA](#) (2003); [IMF](#) (2003); see also Technical Note.

Latest economic developments

The industrialized region exhibited a general sluggishness in the recovery from the impact of the global economic downturn. **Annual GDP growth** increased only slightly, by 1.8 per cent in 2003 compared with 1.7 per cent in 2002. The trends in output growth vary across subregions with major non-Europe showing a stronger growth rate of 2.0 per cent in 2003, mainly due to the increase in Japan. Major Europe had an annual GDP growth of 1.5 per cent during the same year, due to weaknesses in the larger economies of France and Germany and also in smaller economies, such as Portugal.

Box 8.1

Maintaining and creating employment during the 1999-2002 economic downturn: European economies and the United States

Labour market indicators support the conclusion that the labour market in the United States reacted differently from those in Europe during the most recent economic downturn, owing perhaps in part to the varying degrees of labour market flexibility and national attitudes toward policy intervention. During 1999-2002, the United States witnessed increases in its unemployment rate and decreases in its employment-to-population ratios. On the other hand, European economies such as France, the United Kingdom, Belgium and Ireland increased their employment-to-population ratios while reducing unemployment rates (figure 8.1). Interestingly, in the European economies a significant portion of the change in employment growth over the past decade was due to the increase in part-time and temporary work, whereas in the United States, most employment growth was due to full-time and permanent work (OECD, 2003). This indicates the existence of some trade-off between employment growth and standard working arrangements.

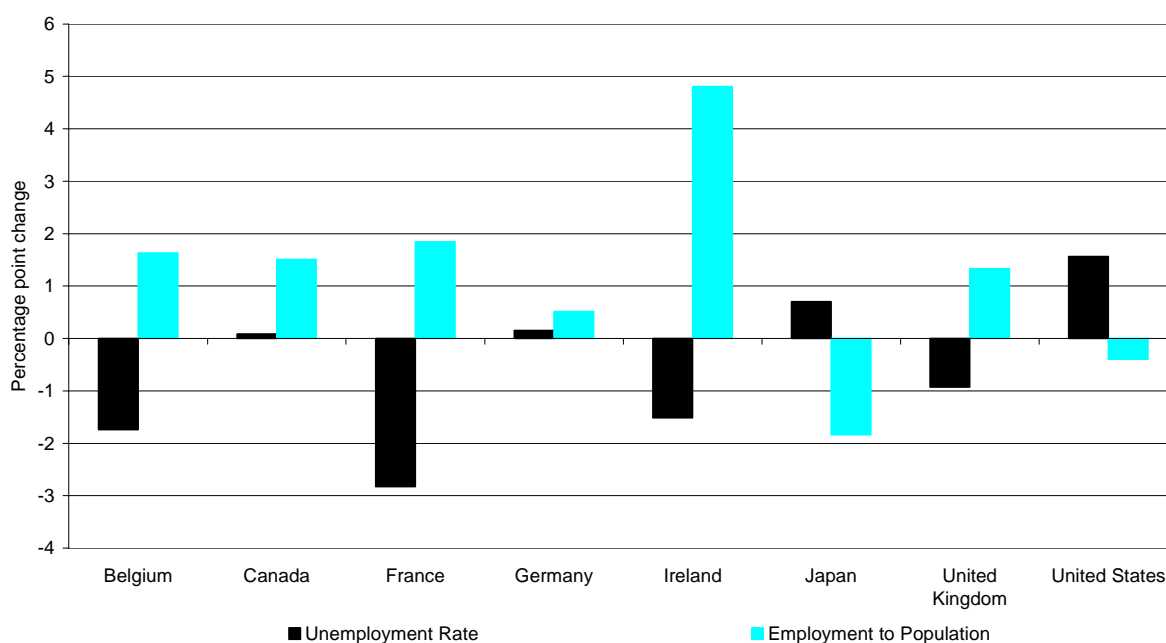
Employment outlook

The outlook for 2004 is moderately upbeat – stronger GDP growth is projected throughout the region and with it the expectation that firms will regain the confidence to expand their labour force. The resilience of European labour markets during the downturn also gives an indication that stronger growth in output will be accompanied by greater improvement in employment indicators.

Looking towards the longer term, the demographic structure of the population is a pressing issue that will impact significantly on the labour force composition of the industrialized economies. It is expected that by 2015 the relative share of the population aged 65 and over will increase substantially, thereby putting stress on national social security systems and those employed to contribute higher portions of their salary to maintain benefits. Policies to increase activity rates, particularly among vulnerable groups (such as youth, women and older workers) have been pursued, particularly in Europe. Gradual increases in employment-to-population ratios suggest some success (box 8.1).

In the major non-European economies, where the average age of the population is lower and fertility rates are higher than in Europe, the challenge is to create employment opportunities for the growing population and to match the strong growth in output with job creation. In the United States, where on average 2 million people have entered the labour force each year since 1999, job growth must be stronger than recent figures indicate. The aim is therefore not only to fill positions made redundant in the downturn, but also to innovate and expand into new markets in order to create additional employment opportunities.

Figure 8.1
Change in employment-to-population ratios and unemployment rates,
selected industrialized economies, 1999-2002



Source: KILM 2 - Employment-to-Population Ratio and KILM 8 - Unemployment, ILO, KILM 3rd edition (2003), CD-ROM.

Technical Note¹

In order to predict the future conditions of world and regional labour markets, some statistical correlations between the different labour market indicators and the macroeconomic context require identification. Broadly speaking, three unique sets of variables were required: labour force estimates and rates; unemployment rates; and macroeconomic conditions. Labour force figures were assembled from the ILO's *Economically Active Population Estimates and Projections*² and unemployment rates come from the ILO's *Key Indicators of the Labour Market (KILM)*.³ Macroeconomic data were taken from the IMF's *World Economic Outlook 2003*⁴ and the World Bank's *World Development Indicators 2003*.⁵

Initial efforts identified three primary issues with the reported unemployment figures. First, not all countries reported their information in the detail required for analysis.⁶ Second, a number of countries do not assemble information on the number or rate of unemployment.⁷ Third, even if a complete set of indicators were available, the issue of heterogeneity among reporting countries persists – not only in the idiosyncrasies of their labour market conditions, but also in how data were collected and processed.⁸ If the results of the present analysis are to be fully representative of the world labour market situation, these points must be addressed.

The procedure adopted was first to fix the problem of the lack of “complete” information for the unemployment sub-components within the set of reporting countries. Imputation of missing unemployment sub-components followed two procedures:

- 1) A panel data set of roughly ten years of information for each country was assembled. If information on unemployment sub-components had been missing for only some years, information from complete years was used to fill the gaps. More specifically, for the observed year(s), the median of the ratios of different sub-components of unemployment to total unemployment were used to impute values for years with missing sub-components.
- 2) When information on sub-components was missing for all the years in one reporting country (but not the information for total unemployment) the gaps were imputed by using a similar procedure but with the ratios now computed at regional and subregional levels. These procedures enabled raising the response rate for the unemployment sub-components from 30.9 per cent to 54.0 per cent.

The issue of the missing countries and the lack of representation of the sample was treated as follows. Using the same notation as in Horowitz and Manski (1998),⁹ each country in the KILM data set can be characterized by a value of (y, x, w, z) , where $y \in Y$ is an outcome of interest (the unemployment rates), $x \in X$ and $w \in W$ are covariate vectors that determine, respectively, the value of the outcome and the probability of the outcome be reported, and z is a binary variable indicating non-response. The focus was on the problem of estimating conditional expectations for the unemployment rates of the form $E[g(y)|x \in A]$ where $g(\cdot)$ is a specified real-valued function of the outcome y , and A is specified set of

¹ For details see: Crespi, G. (forthcoming). *Imputation, estimation and prediction of unemployment rates using the Key Indicators of the Labour Market (KILM) Data set: Methodology and results*, Employment Paper, Geneva, ILO.

² ILO database on estimates and projections of the economically active population (fifth round) for all countries and territories with a population of over 100,000 at mid-year 2000. Available online at (<http://laborsta.ilo.org>).

³ ILO, 2003. *Key Indicators of the Labour Market (KILM) 3rd edition*, CD-ROM. The 3rd edition, fully revised and updated, reflects an effort by the ILO to select and refine indicators of global labour trends and contains comparative data from some 240 countries and territories worldwide (<http://www.ilo.org/kilm>).

⁴ (<http://www.imf.org/external/pubs/ft/weo/2003/02/data/index.htm>).

⁵ (<http://www.worldbank.org/data/wdi2003/>).

⁶ Information was required not only for the total unemployment rates but also for each one of its micro-components according to sex and age (two different age categories were used: youth workers younger than 25 and adult workers older than 25).

⁷ Response rate for the total unemployment rate is about 50 per cent; for some sub-components it is only about 30 per cent.

⁸ Some countries report information coming from household surveys or population censuses, while other countries report information from official employment agencies. Some refer to the total labour force, others only to the civil labour force.

⁹ Horowitz, J. and Manski, C. 1998. “Censoring of outcomes and regressors due to survey nonresponse: Identification and estimation using weights and imputations”, *Journal of Econometrics* No. 84, pp. 37-58.

values of the covariates x (the observed and predicted GDP growth rates and country-specific fixed effects). Let $z=1$ indicate that (y,x) is fully observed and $z=0$ that data on y are missing. The covariate vector w , which is always observed, is used to “balance” the sample by computing weights. These covariates include a large set of country-specific characteristics such as economic growth, per-capita GDP, population, membership in the HIPC programme¹⁰ and year dummies. More specifically, using logistic regression weights were computed and defined as $s(w) = P(z=1) / P(z=1|w)$. The weights were calculated as the ratio between the proportion of non-missing observations in the sample and the probability of reporting attached to each country. In this way, the influence in the sample of those “reporting” countries that are more similar to the “missing” ones is inflated, while the importance of those that are quite different are deflated. Hence, the weighted sample looks more similar to the theoretical population framework. After computing the weights, the results of interest $E[g(y)|x \in A]$ are estimated by the weighted average $(1/N_1) \sum_{i \in N_1} s(w_i) g(y_i)$.

Finally, the problem of the unobserved heterogeneity of the different countries was dealt with as follows. A panel data set was built, with information of the same country followed during ten years (with gaps filled as described above). Then, all regressions were estimated using a fixed-effect method with the sample of the reporting countries weighted to consider the non-response bias. This estimated model was used to predict future labour market conditions for each reporting country. For non-reporting countries, their missing labour market indicator was imputed by using data on the country’s business cycle, the unemployment to growth elasticity deriving from the estimated model, and an “arbitrary” fixed effect equal to the weighted average of the reporting countries’ fixed effects. This newly imputed data set was used in order to create the subregional and regional aggregates.¹¹ All models were estimated at the subregional level.

All estimates related to working poverty are based on the model presented in Berger and Harasty (2002)¹² and utilize the working poverty definition detailed in Majid (2001).¹³ In the working poverty model, the estimated growth rate required to halve unemployment and working poverty rates in a country are a function of the country’s 1) unemployment rate, 2) working poverty rate, 3) projected labour force growth and 4) the employment to GDP elasticity. Working poverty estimates are based on World Bank’s US\$ 1 a day poverty figures.¹⁴

Differences between current estimates of growth rates required to halve unemployment and working poverty and estimates presented in Berger and Harasty (2002) result from 1) the use of updated ILO unemployment and labour force data sets, which now include the global economic slowdown of 2001-2002; 2) use of a different GDP data source;¹⁵ 3) the extension of the forecast period from 2010 to 2015; and 4) differences in estimated employment-to-GDP elasticities resulting from these three previous changes to the data sets.¹⁶

Finally, the regional and sub-regional GDP growth rates given in the Global Employment Trends tables were calculated as the weighted average of country-level GDP growth rates, where weights are given by the country-level purchasing power parity-adjusted (PPP) shares of aggregate GDP.

¹⁰ Debt initiative for Heavily Indebted Poor Countries (HIPC), see (<http://www.worldbank.org/hipc/about/about.html>).

¹¹ The standard errors were also computed. However, the same ones are underestimated because they do not consider the uncertainty associated with the estimation of the fixed effects.

¹² Berger, S.; Harasty, C. 2002. “World and regional employment prospects: Halving the world’s poor by 2010”, Employment Paper 2002/38. Geneva, ILO.

¹³ Majid, N. 2001. “The size of the working poor population in developing countries”, Employment Paper 2002/16. Geneva, ILO.

¹⁴ World Bank (2003). *World Development Indicators 2003(WDI)*. Washington, DC.

¹⁵ The current projections use GDP figures from the IMF’s *World Economic Outlook 2003* database. Previous projections were based on World Bank, *World Development Indicators 2002* figures.

¹⁶ For detailed working poverty results and further methodological information see Kapsos, S. (forthcoming), “Estimating growth requirements for reducing working poverty: Can the world halve working poverty by 2015?”, Employment Paper, Geneva, ILO.

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Global Employment Trends

January 2004

Corrigenda for printed version

Overview, page 1, 3rd paragraph, 2nd sentence: replace “Workers in the informal economy carry a high risk of becoming working poor (with earnings under the US\$1 a day poverty line).” with “Workers in the informal economy carry a high risk of becoming working poor with earnings insufficient to raise themselves and their families above the US\$1 a day poverty line.”

Overview, page 1, 3rd paragraph, 4th sentence: replace “earning” by “living on”.

Add to page 2, table 2 the following line:

	2001			2002			2003		
	Total	Female	Male	Total	Female	Male	Total	Female	Male
World	6.1	6.3	6.0	6.3	6.5	6.2	6.2	6.4	6.1

Page 3, 2nd paragraph 1st sentence: replace “Sub-Saharan Africa has slightly reduced its unemployment rate but not enough to improve its high incidence of working poverty.” with “Sub-Saharan Africa has neither reduced its unemployment rate nor improved its high incidence of working poverty.”

Page 9, Table 2.1, 2nd line, column on GDP growth rate (%): insert “2002”.

Page 17, Figure 4.2: legend should be the same as in Figure 1.1, page 8.

Page 21, Table 6.1: under heading “Unemployment rate”, column 2003, for Sub-Saharan Africa replace “10.8” with “10.9”.

Page 22, 1st paragraph, 2nd sentence: insert “almost” after “stayed”.

The Global Employment Trends team has made every effort to ensure the accuracy of the estimates and the analysis within the report. However due to the scope and complexity of such work, anomalies may have occurred. If further inaccuracies are identified, the necessary amendments will be included in the PDF version on the Global Employment Trends Website:
<http://www.ilo.org/public/english/employment/strat/global.htm>.