



International
Labour
Organization

► ILO Flagship Report

World Employment and Social Outlook

Trends 2024

EXECUTIVE SUMMARY



The economic recovery has slowed ...

The macroeconomic environment deteriorated significantly over 2023. Ongoing geopolitical tensions as well as persistent and broadening inflation triggered frequent and aggressive moves by central banks. Monetary authorities in advanced and emerging economies implemented the fastest increase in interest rates since the 1980s, with significant global repercussions. Large emerging economies such as China, Türkiye and Brazil slowed down considerably, causing adverse impact on global industrial activity, investment and trade. Growth in advanced economies was nearly halved. Given the significant and highly persistent deviation of inflation from targets, central banks are expected to maintain a tight stance on monetary conditions, at least until the end of 2024. Consequently, the post-pandemic economic and social recovery remains incomplete and new vulnerabilities are eroding progress in social justice.

... while job growth proved to be resilient and the unemployment rate continued to fall ...

Despite the economic slowdown, global growth in 2023 was modestly higher than anticipated, and labour markets showed surprising resilience. On the back of strong jobs growth, both the unemployment rate and the jobs gap have declined below pre-pandemic values. The global unemployment rate in 2023 was 5.1 per cent, a modest improvement on 2022. The global jobs gap also saw improvements in 2023, but, at close to 435 million, remained elevated. Moreover, in 2023, labour market participation rates had largely recovered from their pandemic lows, especially among lower-middle-income and high-income countries, although with large differences across labour market groups, which have contributed to labour market imbalances, notably in advanced economies. Average hours remain below their 2019 pre-pandemic levels, weighing on the overall available labour input and causing labour market imbalances, especially in key sectors in advanced and some emerging economies. Although the imbalances eased somewhat in 2023, concerns are rising that these labour market imbalances are structural, rather than cyclical, in nature.

... although real wages declined and working poverty has bottomed out

Despite lower unemployment and positive employment growth, real wages declined in the majority of G20 countries as wage increases failed to keep pace with inflation. Moreover, in 2023, the numbers of workers living in extreme poverty – earning less than US\$2.15 per day per person in purchasing power parity (PPP) terms – grew by about 1 million globally. A stronger pattern emerges when one looks at moderate working poverty, that is, earning less than US\$3.65 per

day per person in PPP terms. The number of workers living in moderate poverty increased by about 8.4 million in 2023; a decline in moderate poverty was observed only in upper-middle-income countries. On the positive side, informality rates have returned close to pre-pandemic levels, even though the number of informal workers reached 2 billion people in 2023 because of the growing global labour force.

Financial conditions started to deteriorate, building up fragility

Underneath benign trends in headline job numbers, fragility has started to emerge that is likely to first hit countries that were already struggling before the pandemic. Highly indebted developing countries are particularly at risk of quickly running into financial distress as global financial conditions tighten, with significant repercussions

for jobs, working conditions and wage growth. So far, these problems have remained localized and have had few regional or global repercussions. However, should financial stress affect more systemically significant countries, another global financial crisis cannot be excluded.

Investment remained resilient ...

Global investment rates have recovered significantly since the historic low during the global financial crisis and continued to do so throughout the pandemic. Rising financing costs and a rise in the level of uncertainty have not prevented a return to higher investment activity, especially among European countries. Thanks to strong commodity developments, countries in sub-Saharan Africa have experienced significant acceleration in

investment and are expected to sustain investment rates at one of the highest levels in that subregion in more than three decades. On the other hand, countries in East and South-East Asia have experienced moderate investment slowdown, albeit from very high levels. Overall, a temporary decline in investment is to be expected, but global investment rates are expected to remain significantly above the levels seen during the 2010s.

... but productivity growth continued to decelerate amidst rising price pressures

After a short growth spurt as countries recovered from the pandemic, aggregate labour productivity growth quickly returned to the low pace observed over the previous decade. This slowdown happened despite the apparent acceleration of technological progress, especially that of digital technologies. In this regard, the rise in investment in many advanced and some developing countries does not seem to have lifted productivity growth, presumably because of strong

investment growth in low-productivity services and construction.

During periods of slow productivity growth, real disposable income and real wages are often vulnerable to sudden price shocks. As only a few firms have seen their profits accelerate, most workers have been unable to ask for stronger increases in their earnings, and so they and their households are facing an accelerating erosion of

their real disposable income. Moreover, given the large sectoral heterogeneity of earnings, a further widening of within-country income inequality has ensued. Macro-policymakers might welcome the absence of a wage-price spiral, but, in an environment of already lacklustre growth and where earnings were lost during

the pandemic, such an erosion of real disposable income bodes ill for aggregate demand and a more sustained economic recovery. More importantly, when demand falters, productivity growth suffers as firms fail to generate enough revenue to invest in and adjust to the latest technological developments.

Labour imbalances were compounded by weak productivity growth and lower average hours worked ...

Concerns about labour and skills shortages have remained high on the agenda of policymakers, at least in advanced economies and some emerging economies. Despite a quick recovery in aggregate labour force participation rates, sectors with essential workers have expressed difficulties in attracting people to take up the rising demand for care, transportation and retail work. There have also been persistent shortages in other sectors such as manufacturing, construction and ICT. Part of the challenge with respect to shortages of essential workers has to do with the poor working conditions in these sectors. Slowing productivity makes it difficult for employers in these sectors to offer higher wages. In addition, restructured demand across sectors and supportive fiscal policy have created a significant overhang in vacancies, in specific sectors, that are difficult to fill. Such sectoral mismatch has been often compounded by low geographical mobility because workers have suffered from a lack of affordable housing. Although these shortages seem to have eased with tighter macroeconomic policies, labour market imbalances have persisted.

The recovery in labour force participation rates to pre-pandemic levels has been uneven and has not benefited all labour market groups the same way. Female participation rates have recovered faster than expected but the gender participation gap remains large, especially in emerging and developing countries. Most concerning is the situation for young people. Although youth labour force participation has recovered above trend, a disproportionately large proportion of youth who dropped out of the labour market are not pursuing any form of training and continue to face significant obstacles to returning to work. The rate of those not in training, education or employment (NEET) remains high across income levels and particularly among

young women, causing significant challenges for individuals' long-term labour market attachment.

Although people have returned to the labour market, they tend not to be working the same numbers of hours as before the pandemic. Across countries of all income levels, average hours worked have expanded less than total hours worked; there are acute labour shortages in some – contact-intensive – sectors. These are partly related to ongoing longer-term health-related problems that have built up over the past three years. The numbers of sick days have increased significantly from pre-pandemic levels, indicating ongoing COVID-19-related effects on people's health. Policy measures to keep workers in jobs regardless of the number of hours worked are fading only slowly and have prevented a faster recovery of average hours worked. Finally, the increase in the incidence of part-time employment is contributing to longer-term reductions in average hours worked, since part-time employees often find it difficult to return to a full-time job.

As the economy continues to slow down, part of these labour shortages will be absorbed by firms issuing fewer vacancies. Nevertheless, as productivity growth remains weak, labour shortages are likely to persist. In countries where the population is ageing, employers will face increasing difficulties in filling their vacancies despite the slowing growth. Older workers tend to switch jobs less frequently; hence an older population means there will be fewer of the job hoppers who constitute many of the candidates for open vacancies. Improvements in working conditions and rising productivity could help address some of these labour market imbalances, as could more equitable distribution of job opportunities across countries that have severe excess labour.

... an indication of structural problems that affect labour market adjustment

As the cyclical factors impacting on labour markets have slowly been absorbed, structural issues in labour market adjustment have become more pressing. Job retention schemes – such as those put in place in many advanced economies – proved essential to prevent firms and workers losing valuable experience and skills. However, these schemes made workers less likely to switch rapidly to new opportunities with the onset of the recovery. Moreover, long-term trends in productivity and population ageing among advanced and some emerging economies have slowed down the adjustment necessary to

absorb the pandemic-induced labour market imbalances. A workforce that is on average older and less mobile – in part because of problems on the housing market as described above – will have fewer opportunities to switch to alternative job opportunities. Such opportunities may simply not exist, owing to the generalized slowdown in productivity growth, and this will reduce pathways for transitions to better-paying jobs. Finally, despite the modest improvements in 2023, labour market participation rates for both men and women are set to decline in 2024 and 2025 across most income groups, following their long-term trend.

Accelerating technological progress is testing labour market resilience

Labour market adjustment will be further tested by accelerating technological progress. The year 2023 saw the arrival of yet another wave of digital innovations involving generative artificial intelligence (AI). Despite this apparent technological progress, living standards and productivity growth have not improved, a further indication of slow labour market adjustment. Lack of skills and the entry barriers for newcomers created by large digital monopolies have been significant obstacles to faster technological adoption, in particular in low-productive sectors and developing countries. Geographical inequalities are likely to worsen because a small number of conglomerates continue to attract most of the investment in the digital sector. Many countries, including developing ones,

have adopted policies to encourage the adoption of AI. However, in the current climate of geopolitical tensions, technological transfer seems to be facing intensifying barriers, which will hamper leapfrogging strategies in developing countries to harness the benefits of these digital technologies. Broad-based skills initiatives require significant domestic fiscal resources, but these have been eroded by the pandemic, including in advanced economies. Countries longing for a faster digital transformation that will benefit society at large will need new policy approaches, including a more proactive approach to technological development, for instance through mission-oriented innovation policy and the mobilization of resources through sovereign wealth funds.

Outlook remains cloudy as a poly-crisis worsens social justice

In the near future, the labour market outlook is set to deteriorate, albeit only moderately.

Global unemployment rates will notch up slightly over the forecast horizon, primarily because of increased joblessness in advanced economies. Unemployment is expected to rise modestly in 2024: as labour force participation rates decline and employment growth slows, global unemployment will rise by 2 million, pushing the global unemployment rate from 5.1 per cent in 2023 to 5.2 per cent in 2024. The global jobs gap, though improving, remained elevated in 2023, at close to 435 million. The erosion of real wages and living standards by high and persistent inflation rates and rising costs of housing is unlikely to be compensated quickly. Youth unemployment continues to present a challenge to faster structural and labour market adjustment, especially in countries with high NEET rates. The gap here opened by the pandemic needs to be closed quickly through targeted skills initiatives to prevent further erosion of job resilience. Informality rates are not expected to improve any further; around 58 per cent of the global employment will remain

informally employed in 2024. Similarly, working poverty is likely to persist.

Major challenges need to be addressed swiftly to accelerate movement towards achieving the UN sustainability goals.

The current environment of geopolitical tensions bodes ill for rapid and effective international coordination to address major economic, ecological and social challenges. Governments need to strengthen their domestic economy through initiatives to raise productivity growth and living standards. To this end, governments and social partners could make use of existing international cooperation instruments to foster regional productivity initiatives, for instance by strengthening global skills partnerships. Although governments have returned to the commanding heights of the economy, their resources have been depleted, especially in low- and middle-income countries. Current work by the G20 to foster international cooperation to make better use of multilateral development funds should be encouraged and sped up to support the most fragile economies.

Advancing social justice, promoting decent work

The International Labour Organization is the United Nations agency for the world of work. We bring together governments, employers and workers to drive a human-centred approach to the future of work through employment creation, rights at work, social protection and social dialogue.

ilo.org

International Labour Organization
Route des Morillons 4
1211 Geneva 22
Switzerland