

# SHORT-TERM EMPLOYMENT AND LABOUR MARKET OUTLOOK AND KEY CHALLENGES IN G20 COUNTRIES

A statistical update by ILO and OECD<sup>1</sup>

## Introduction

The objective of this note is two-fold: i) to review the most recent employment and labour market trends in a period of highly differentiated recovery from the global downturn; and ii) to highlight selected key structural issues in G-20 labour markets and the challenges. The note shows that all G-20 countries face substantial labour market challenges going forward to promote productive employment and decent work opportunities for all. Some of these have arisen during the crisis and recovery; others reflect longer-term structural issues that require further policy attention.

### 1. Recent labour market developments and short-term outlook

*Some signs of improvements in many G-20 labour markets in the most recent months...*

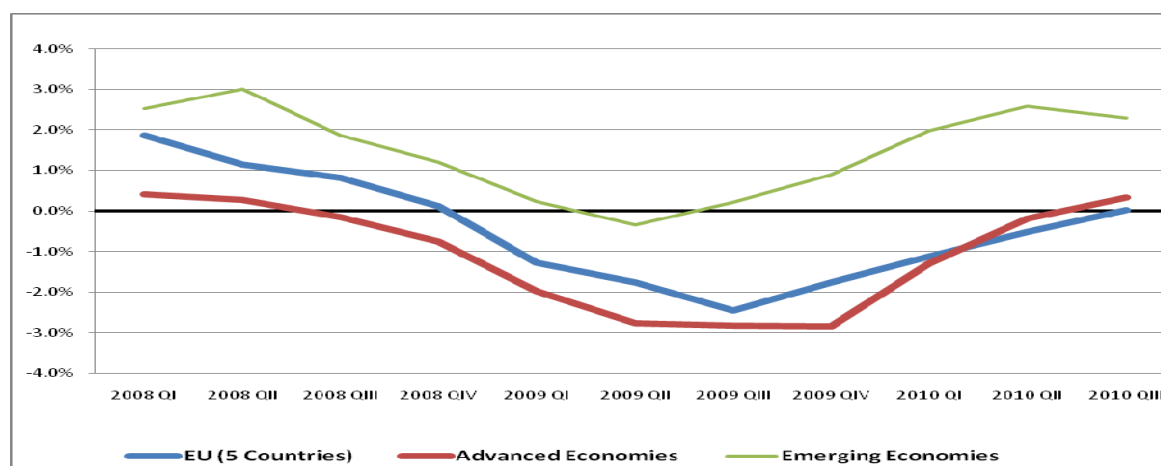
**Employment growth turned around in mid 2009**, with slower rates of employment destruction and higher rates of employment creation (Figure 1). Total employment has risen by 3 per cent on average above its 2008 level in emerging countries. It remains below its 2008 level in several higher-income countries.

**In the most recent period, positive employment growth relative to the previous year has been recorded in 14 of 17 G-20 countries** for which data are available (Table 1). Particularly strong employment growth (of 2 per cent or more over the period) is observed in Australia, Brazil, Canada, Indonesia and Turkey. In European and other advanced countries, employment growth is also positive but rather weak. The pickup in job creation has led to some easing in the unemployment rates in many G-20 countries. The unemployment rate declined in 14 of 17 countries from the peak reached last year. In six countries the decline was of 1 percentage point or more over a 12 months period. Based on latest data available, the number of unemployed has declined in all countries save two (Italy and Spain).

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<sup>1</sup> All data are drawn from published national sources and are not altered in any way by the ILO or the OECD. Data compiled by the ILO are publicly available in the ILO short term labour market indicators database ([http://laborsta.ilo.org/sti/sti\\_E.html](http://laborsta.ilo.org/sti/sti_E.html)) and in other ILO databases ([www.ilo.org](http://www.ilo.org)). Data compiled by the OECD are publicly available in the OECD databases ([www.oecd.org/employment/keystatistics](http://www.oecd.org/employment/keystatistics)). ILO encourages countries to adopt the recommendations of the International Conference of Labour Statisticians.

Figure 1. Year on year changes in employment



...as the economy recovers from the global crisis

While well underway, the pace of the recovery varies significantly across the G-20 countries. The global economy suffered a sharp downturn in the late 2008 and early 2009. Figure 2 shows that the intensity of the recession – as measured by the change in peak-to-trough real GDP levels during this period – was severe in many G-20 countries with sharp declines in output. China, India and Indonesia avoided drops in output but nevertheless experienced a major slow-down in GDP growth. The economic recovery, which started in the mid to late 2009 in most countries was rather modest in many advanced economies (Figure 1), while more vigorous in the emerging G-20 economies, with the exceptions of the Russian Federation and South Africa. In particular, Argentina, Brazil, India, Indonesia all experienced a cumulated pick-up in GDP around 10 per cent or more from the trough, while the pick-up in China and Turkey was 22% and 16%, respectively.

Table 1. Recent labour market changes

| Country        | Last Data Available** | LATEST VARIATIONS WITH RESPECT TO SAME PERIOD PREVIOUS YEAR |                                 |                      |                        |                                    |
|----------------|-----------------------|---|---------------------------------|----------------------|------------------------|------------------------------------|
|                |                       | Unemployment Rate (PP)                                      | Labour Force Participation (PP) | Total Employment (%) | Total Unemployment (%) | Economically active population (%) |
| Argentina*     | 4th Q                 | -1.1  | .                               | 1.0%                 | -13.1%                 | -0.2%                              |
| Australia      | Jan                   | -0.3  | 0.4                             | 2.9%                 | -2.6%                  | 2.6%                               |
| Brazil*        | Jan                   | -1.1  | -0.1                            | 2.2%                 | -15.6%                 | 0.9%                               |
| Canada         | Jan                   | -0.6  | 0.1                             | 2.0%                 | -5.6%                  | 1.4%                               |
| France         | Jan, 4th Q            | -0.3  | -0.2                            | 0.7%                 | -3.5%                  | 0.3%                               |
| Germany        | Jan, 3rd Q            | -1.2  | -0.4                            | 0.6%                 | -14.4%                 | -0.6%                              |
| Indonesia      | 2nd Sem               | -0.8  | 0.5                             | 3.2%                 | -7.2%                  | 2.4%                               |
| Italy          | Jan, 3rd Q            | -0.2  | -0.5                            | -1.0%                | 2.8%                   | -0.7%                              |
| Japan          | Jan                   | -0.2  | -0.3                            | -0.1%                | -4.3%                  | -0.4%                              |
| Korea          | Jan                   | -1.2  | -0.6                            | 1.4%                 | -24.5%                 | 0.1%                               |
| México***      | 3rd Q                 | 0.1   | -0.3                            | 1.3%                 | -9.4%                  | 0.6%                               |
| Russia         | Dec                   | -1.0  | -0.2                            | 1.1%                 | -17.4%                 | -0.4%                              |
| South Africa   | 4th Q                 | -0.3  | -1.2                            | 1.2%                 | -0.7%                  | 0.8%                               |
| Spain          | Jan, 4th Q            | 1.2   | 0.2                             | -1.3%                | 8.6%                   | 0.6%                               |
| Turkey         | Nov                   | -2.1  | 0.5                             | 5.1%                 | -14.0%                 | 2.8%                               |
| United Kingdom | Dec, 3rd Q            | 0.3   | 0.0                             | 0.8%                 | -1.1%                  | 0.7%                               |
| United States  | Feb                   | -0.9  | -0.7                            | 0.6%                 | -9.1%                  | -0.4%                              |

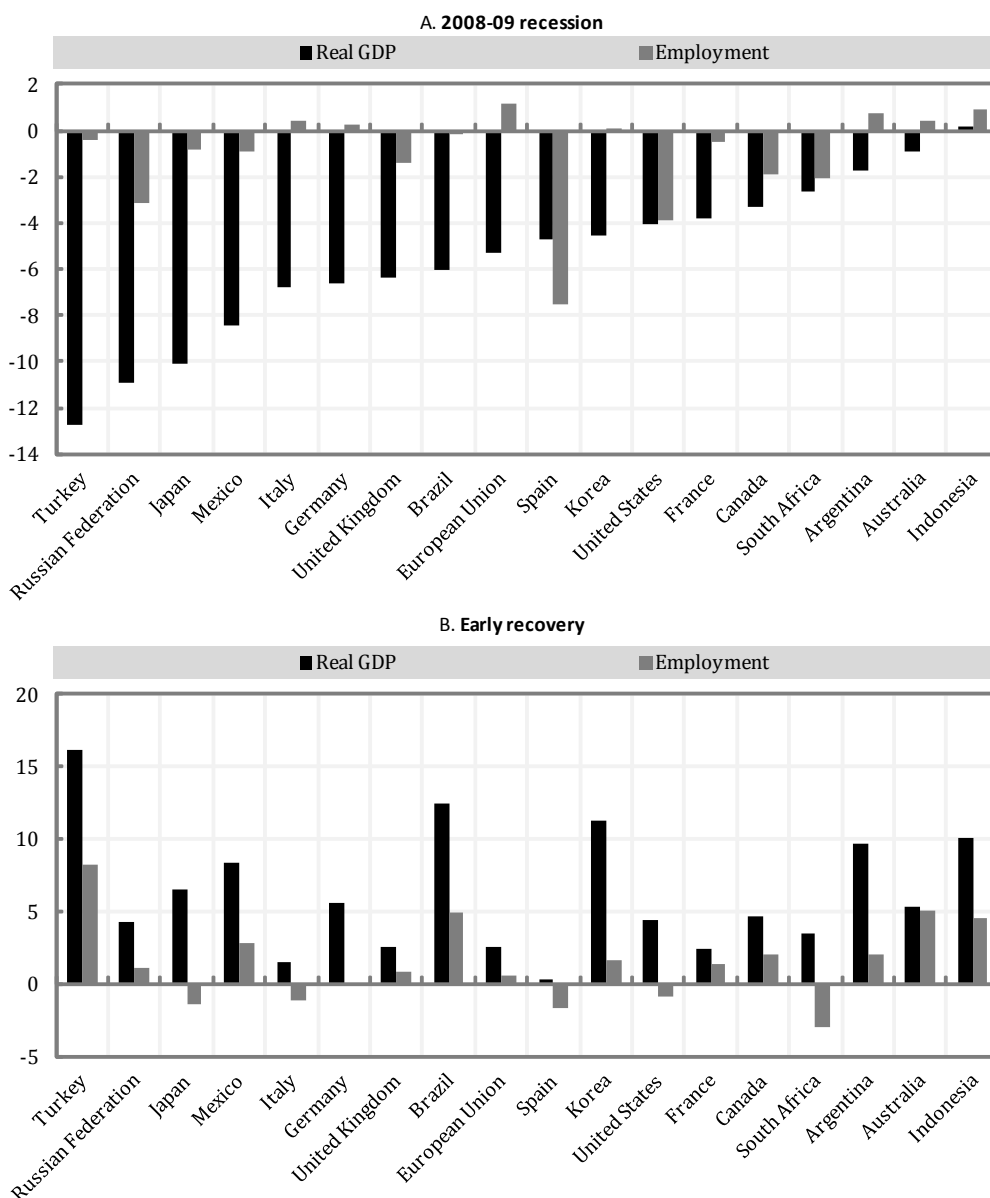
Source: ILO Statistics, Short term indicators database

In the second semester 2010, a few countries show a higher employment to population ratio than before the crisis, Argentina, Brazil, Germany, Indonesia and Turkey (Figure 3). Some countries are doing

better than in 2009 but no better relative to 2007 (those countries below the horizontal line and at or above the 45 degree line, including Australia, Canada, France, Japan, Korea, Rep., Mexico, Russian Federation and United Kingdom). Then there is a group of countries where the employment rate has not recovered relative to 2009 or 2007; these include Italy, South Africa, Spain and United States.

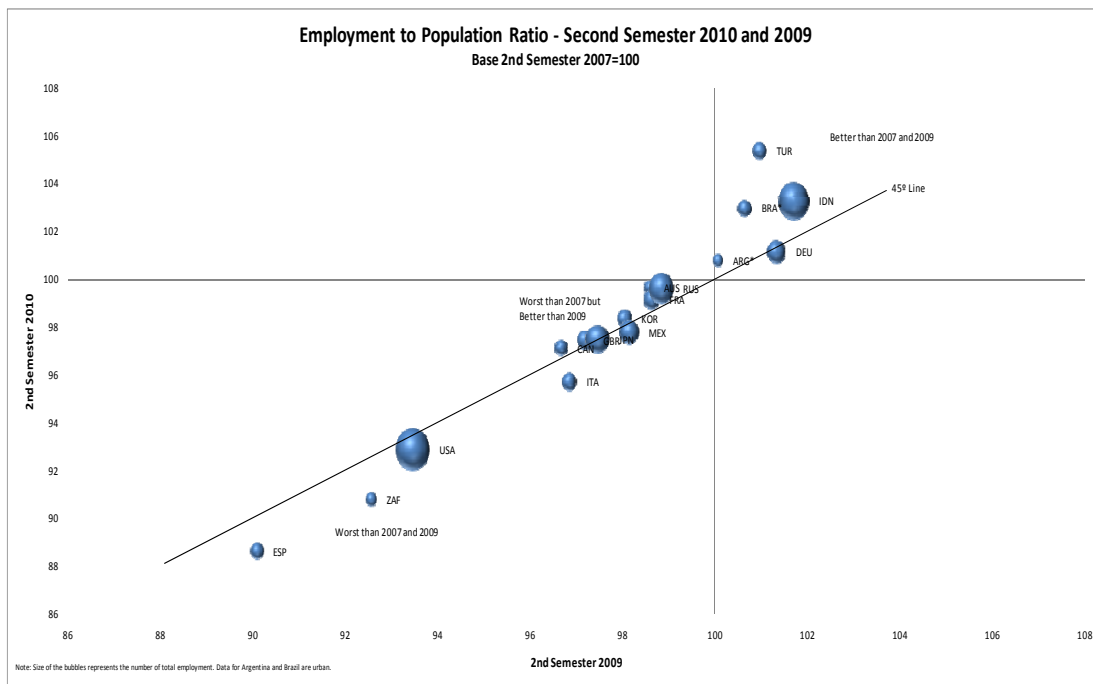
Figure 2. **Real GDP and employment adjustment during the crisis and the early recovery**

Percentage change between the real GDP peak and trough and the real GDP trough to the latest available quarter



Source: OECD estimates based on various national sources.

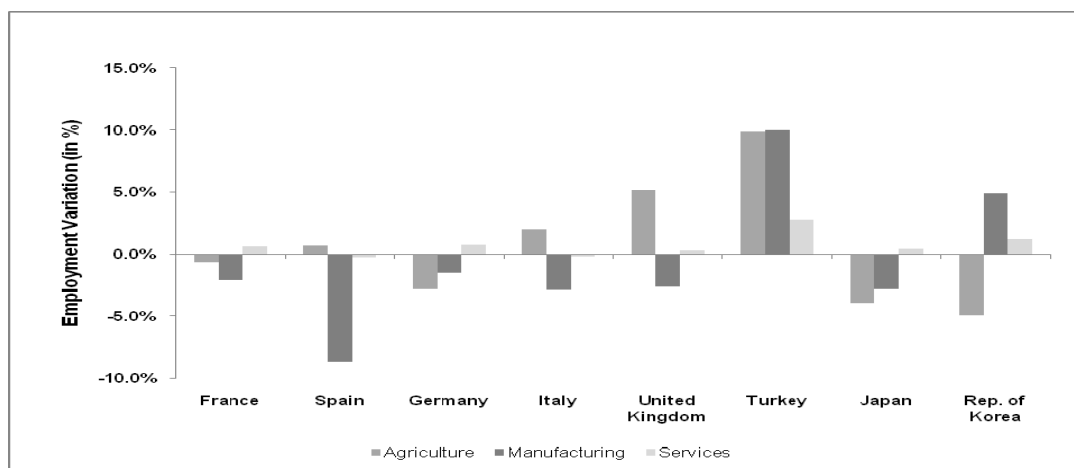
Figure 3. Employment to working age population rates, 2009-2010

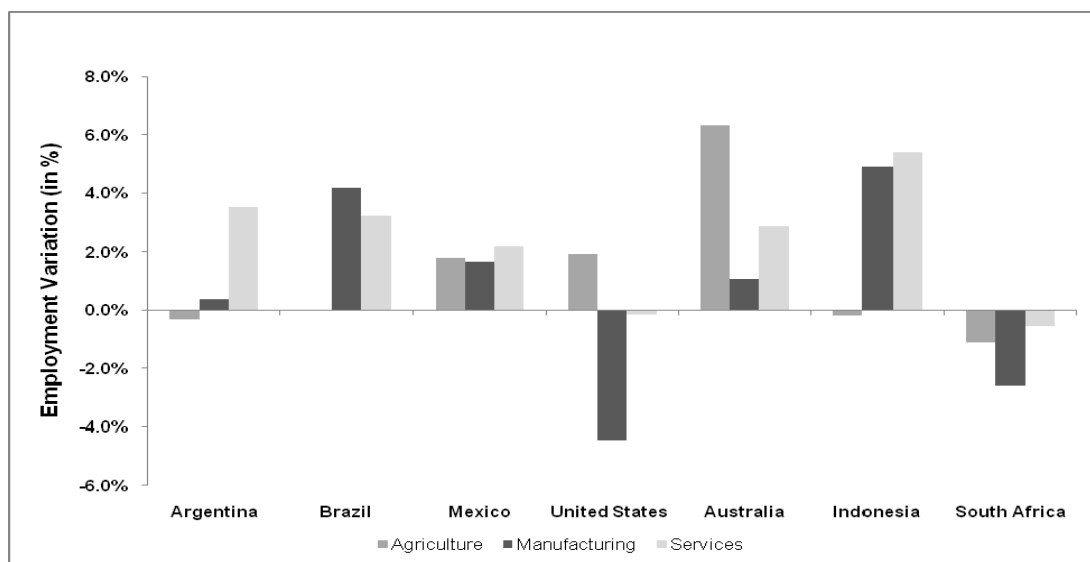


*The crisis has led to significant shifts in the sectoral distribution of employment*

The main economic sectors that have been hardest hit by the global economic crisis have also varied across G20 countries. In emerging economies, employment in manufacturing and services have expanded with a few exceptions (Figure 4). In advanced economies, manufacturing employment has declined, at times sharply. But the global crisis has tended to accelerate structural transformations in all countries and the jobs lost are unlikely to be regained to the same degree in the same sectors.

Figure 4. Sectoral employment variation, 2009-2010



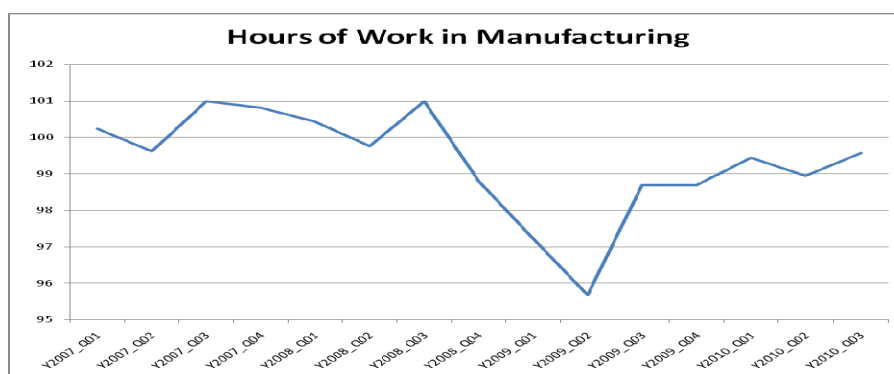


Source: ILO Statistics, Short term indicators database.

### *Working time remains below pre-crisis levels in a sample of countries*

Based on information for 9 countries, average working time remains below pre-crisis levels, although recovered significantly since the second quarter 2009.

Figure 5. Hours worked in a selected group of G-20 countries



Note: Sample includes data for Canada, France, Germany, Italy, Japan, Spain, Turkey, United Kingdom and USA.

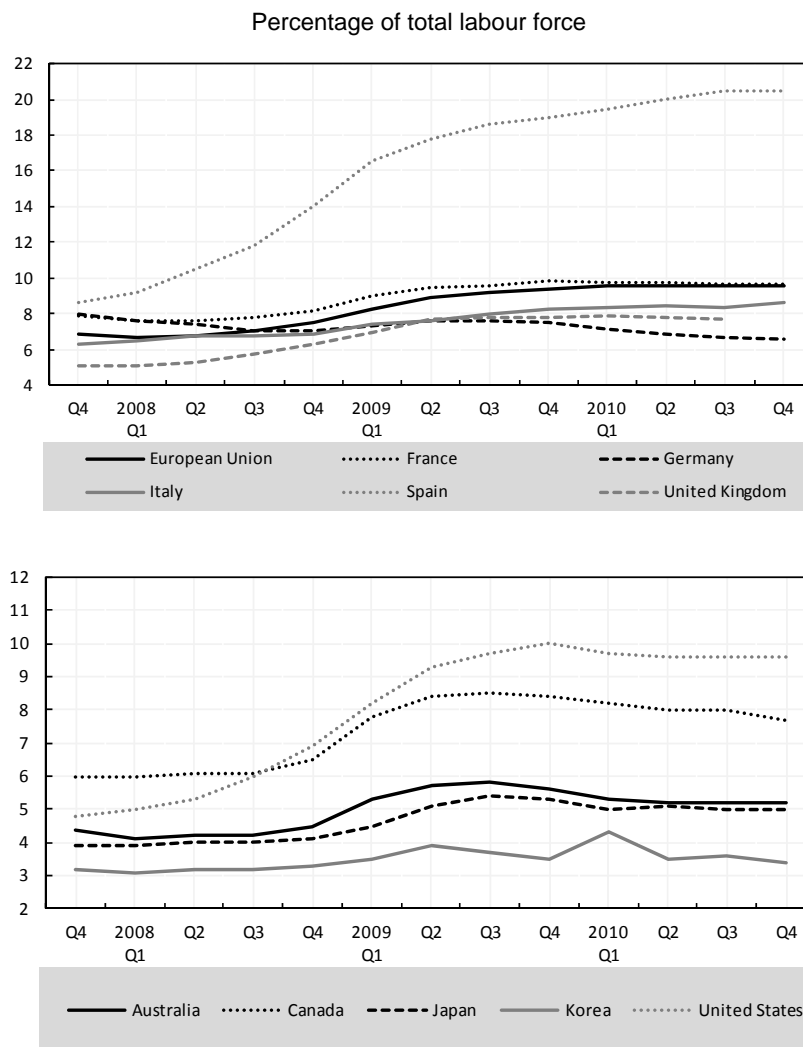
### *Unemployment has peaked but remains high*

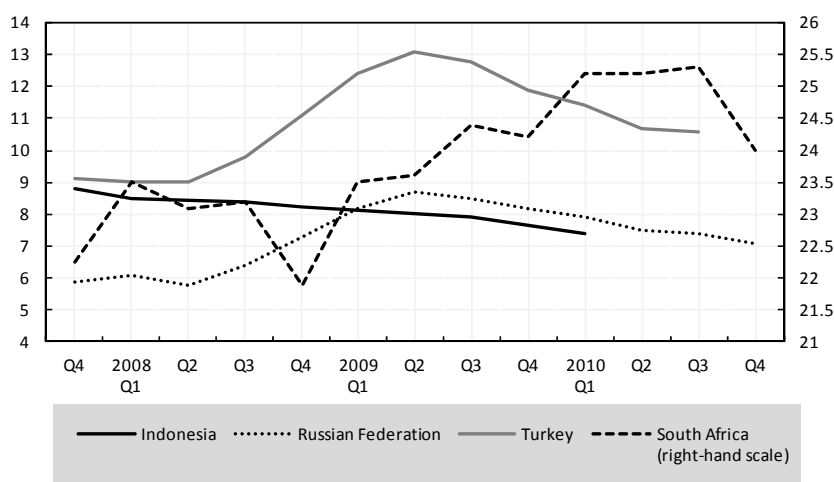
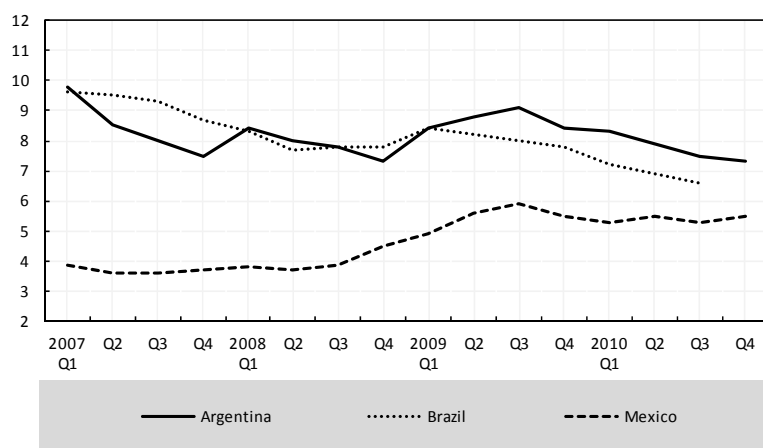
**During the downturn, widespread job losses, weak labour demand for new entrants and cuts in hours worked have translated into a large hike in open unemployment (Figure 6) and under-employment in most G-20 countries.** According to ILO estimates, 25 million people around the world joined the ranks of the unemployed during the crisis, and many more have experienced worsening labour market conditions and higher risks of falling into poverty, as they had to cut their working time or move to informal jobs.

**Despite significant differences across the board, unemployment seems to have peaked in mid-2009.** However, unemployment rates remain at present 50 per cent higher than in 2008 in advanced economies and 30 per cent higher in European countries. The latest available unemployment data show 9 out of 17 countries with unemployment rates between 6 and 9 per cent, with the highest frequency unemployment rates between 7 and 8 per cent.

- The unemployment rate is below the pre-crisis level in Brazil (1.1 percentage points), in Germany (0.5 percentage points) and Indonesia.
- The unemployment rate is close to the pre-crisis level in Argentina and in Korea. In both countries, but particularly in Argentina, it increased significantly during the downturn but then eased in the recovery.
- The overall increase in unemployment rate since the beginning of the crisis remained below 2 percentage points in some G-20 countries, including Australia, Canada, Italy, Japan, Mexico, the Russian Federation, and Turkey. In Australia, Canada, the Russian Federation and Turkey, the recovery has already contributed to a significant reduction in the unemployment rate from the peak, while in the other countries, the rate is still close to the recession peak.
- The overall increase in unemployment rate exceeded 2 percentage points in France, Spain, South Africa, the United Kingdom and the United States. Only in South Africa has the ongoing recovery already led to a significant reduction in the jobless rate from the peak.
- In several countries the economically active population has declined, either for demographic reasons (Germany, Japan, Russian Federation)) or as a reflection of rising job search discouragement (United States).

Figure 6. Quarterly unemployment rates, 2007 Q1 to 2010 Q4





\* Selected urban areas for Argentina and Brazil.

Source: Calculations based on OECD Main Economic Indicators Database and ILO, Short-Term Indicators of the Labour Market.

For a sample of G20 plus EU 27 countries, in the third quarter of 2010, relative to the same quarter of the previous year, 11 countries showed an increase in the unemployment rate of between 0 and 1 percentage point, with 13 showing a decrease (Table 2). In the third quarter of 2009, 37 countries registered an increase in unemployment.

Table 2. Patterns of unemployment in G-20 and other EU countries

Variation of Unemployment Rate with respect to same quarter previous year. Number of countries per quarter

|                               | UR          | 2008Q | 2008 | 2008Q | 2008Q | 2009Q | 2009Q | 2009Q | 2009Q | 2010Q | 2010Q | 2010Q | 2010Q |
|-------------------------------|-------------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                               | Variation   | 1     | Q2   | 3     | 4     | 1     | 2     | 3     | 4     | 1     | 2     | 3     | 4     |
| Increase in unemployment rate | a. > 2      | .     | 1    | 2     | 6     | 8     | 15    | 15    | 18    | 13    | 7     | 3     | 2     |
|                               | b. (1, 2)   | 1     | 1    | 6     | 4     | 11    | 11    | 17    | 12    | 9     | 8     | 5     | 4     |
|                               | c. (0, 1)   | 5     | 9    | 10    | 12    | 14    | 11    | 5     | 6     | 8     | 11    | 11    | 5     |
| Decrease in unemployment rate | d. (-1, 0)  | 21    | 19   | 15    | 13    | 6     | 2     | 1     | 3     | 7     | 10    | 15    | 15    |
|                               | e. (-2, -1) | 11    | 8    | 3     | 4     | .     | .     | 1     | .     | 2     | 2     | 4     | 4     |
|                               | f. < -2     | 1     | 1    | 2     | .     | .     | .     | .     | .     | .     | 1     | 1     | 1     |
|                               | Total       | 39    | 39   | 38    | 39    | 39    | 39    | 39    | 39    | 39    | 39    | 39    | 31    |

Notes: Sample of countries is 17 G-20 countries plus all EU27 countries (total = 39 countries).

Source: ILO Statistics, Short term indicators database

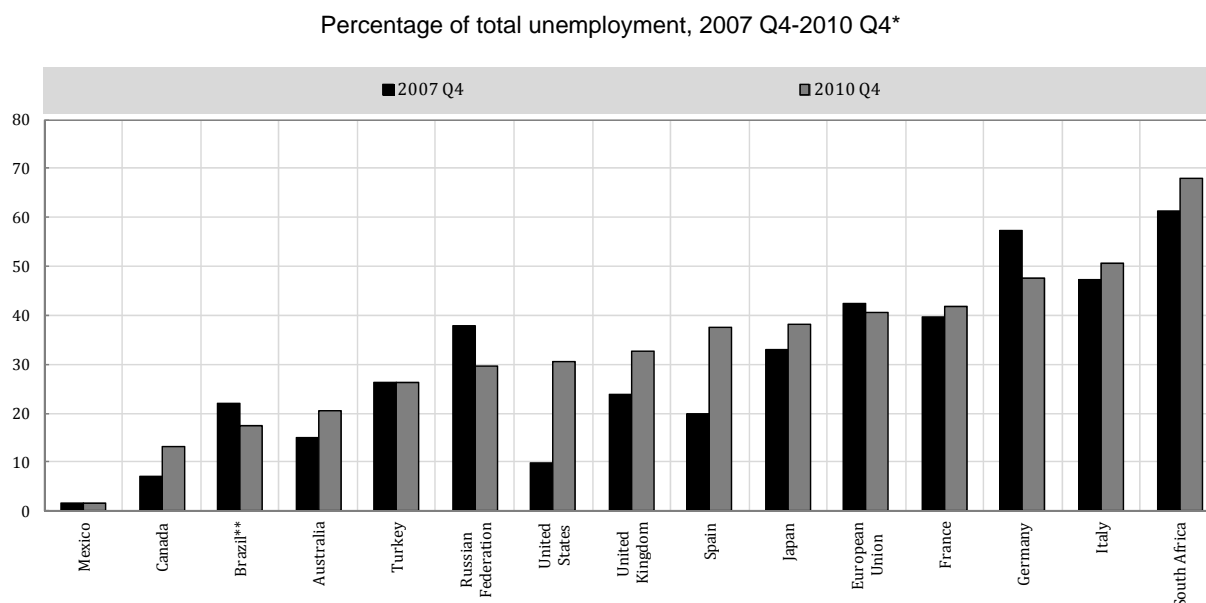
**Long-term unemployment has increased sharply in a few countries, bringing with it the risk of hysteresis effects**

**Long-term unemployment has risen substantially in a number of G-20 countries** (Figure 7). Long-term unemployment (defined as those with a jobless spell of 12 months or more) began to rise sharply in 2010 in several countries, some quarters after unemployment peaked, as many workers who had lost their job during the recession were unable to get another one during the subsequent recovery. The rise in long-term unemployment has been greatest in countries where the recession hit labour markets particularly hard.

By the third quarter of 2010, one-third of the unemployed or more had been jobless for more than one year in France (42%), Germany (48%), Italy (51%), Japan (36%) and South Africa (66%). Among the G-20 countries for which data are available, the incidence of long-term unemployment increased most sharply in South Africa, Spain, the United Kingdom and, in particular, the United States where the share of long-term unemployment reached an historical high in early 2011.

**The large increase in long-term unemployment is of particular concern because of the increased risk that many workers will become structurally unemployed.** In previous recessions, this was the main channel through which a cyclical increase in unemployment in many advanced countries was transformed into persistently high unemployment rates that took many years to unwind. There are also social consequences related to long-term unemployment as it is associated with an increased risk of poverty, health problems and school failure for children of the affected individuals.

Figure 7. **Evolution of the incidence of long-term unemployment in G-20 countries**



\*: 2007 Q3-2010 Q3 for the European Union, France, Germany, Italy, Mexico, Spain, Turkey and the United Kingdom; 2008 Q4-2010 Q4 for South Africa.

\*\* Selected urban areas.

Source: ILO, OECD calculations based on national Labour Force Surveys, and ILO, Short-Term Indicators of the Labour Market.

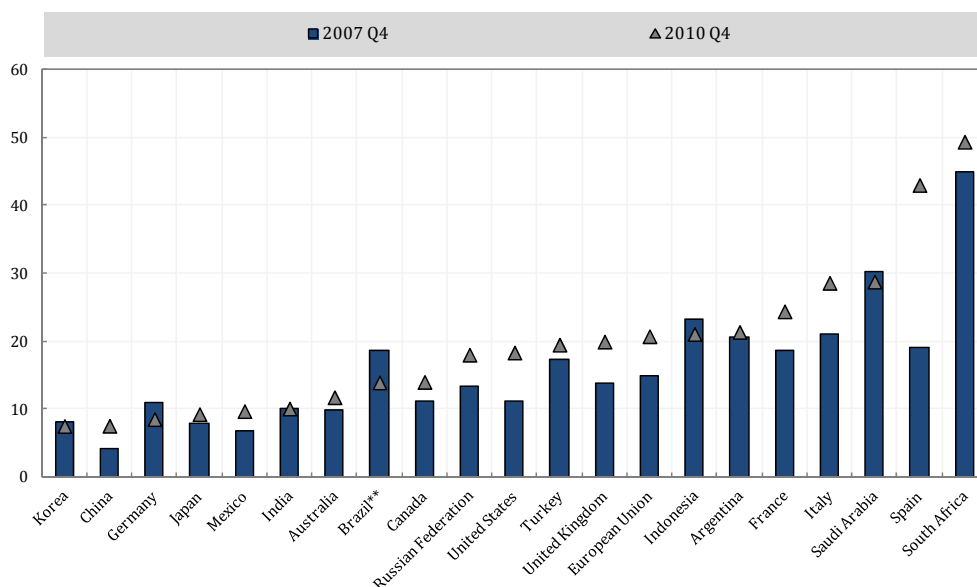
**Youth unemployment is very high in most countries**

**Youth have been hard hit by the global economic crisis in all G-20 countries** (Figure 8). They were among the first to lose their job in the downturn and for many new entrants job opportunities have been slim. In all G-20 countries, youth unemployment is twice or three times the adult unemployment rate and has increased more during the crisis. Finding a first job and keeping it is particularly difficult for youth that cumulate several disadvantages such as low-skills, poor family background or living in lagging areas.



Figure 8. Youth unemployment during the crisis

Percentage of the labour force, 2007 Q4 -2010 Q4\*



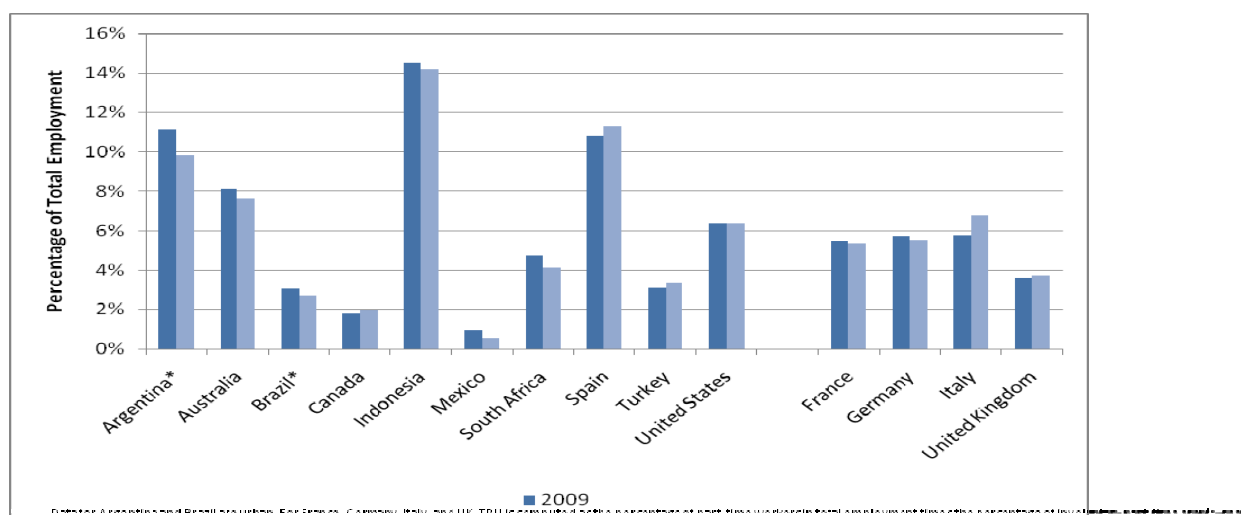
\* 2008 Q4-2010 Q4 for South Africa; and 2007 Q4-2009 Q4 for Argentina, China, India, Indonesia, the Russian Federation and Saudi Arabia.

\*\* Selected urban areas.

Source: ILO, OECD calculations based on national Labour Force Surveys, and ILO, Short-Term Indicators of the Labour Market.

**Underemployment varies more across countries than within countries over time.** Figure 9 presents the share of workers wanting to work additional hours and were available to do so.<sup>2</sup> European countries are separated out as they measure time related underemployment as the proportion of involuntary part-time employment in total employment.

Figure 9. Time-related under-employment remains sizeable



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

Source: ILO Statistics, Short term indicators database

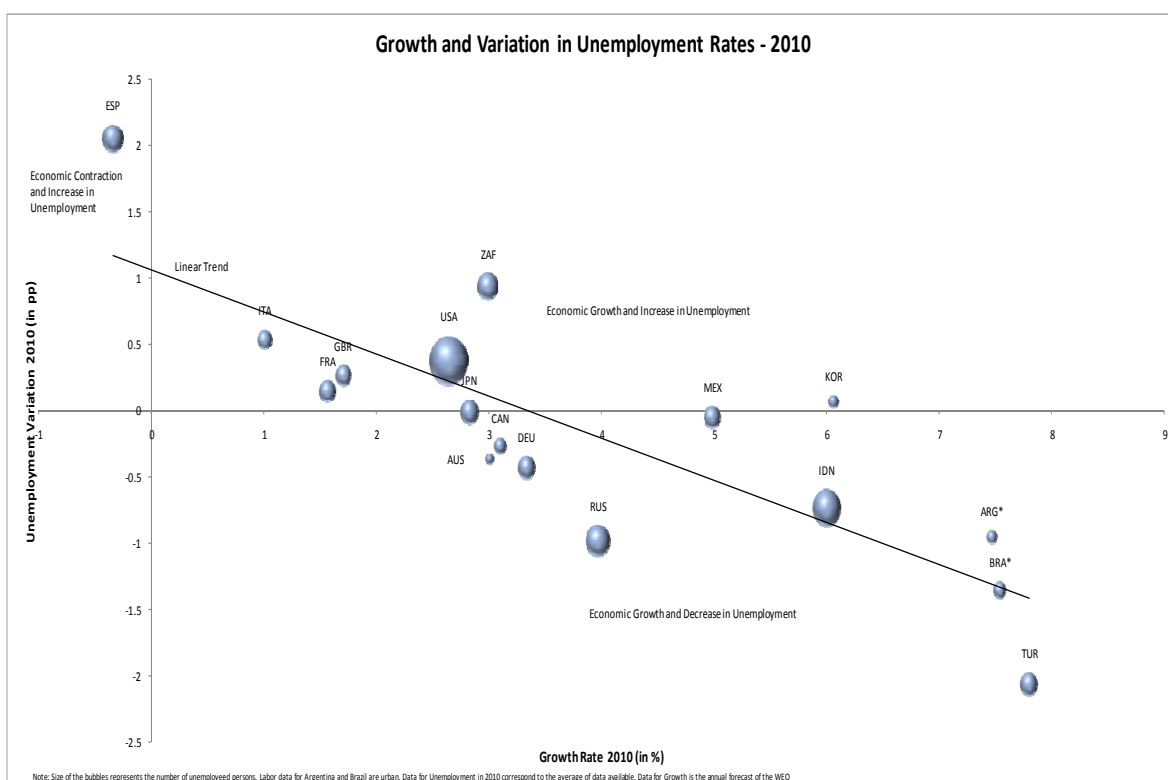
- Country difference in the extent of underemployment need to be interpreted with caution because of differences in definition.

**Labour market conditions are likely to remain difficult in a number of G-20 countries in the short-run**

**Higher growth implies more employment and lower unemployment, up to a point.** As shown in Figure 10, the stronger the output growth, the steeper is the decline in unemployment. In particular, countries with growth above 3 per cent in 2010 have registered a decline in unemployment (save Korea and Mexico where unemployment is low). However a number of countries with growth around 3 per cent have performed quite differently in reducing unemployment, Canada, Germany, South Africa and the United States being cases in point.

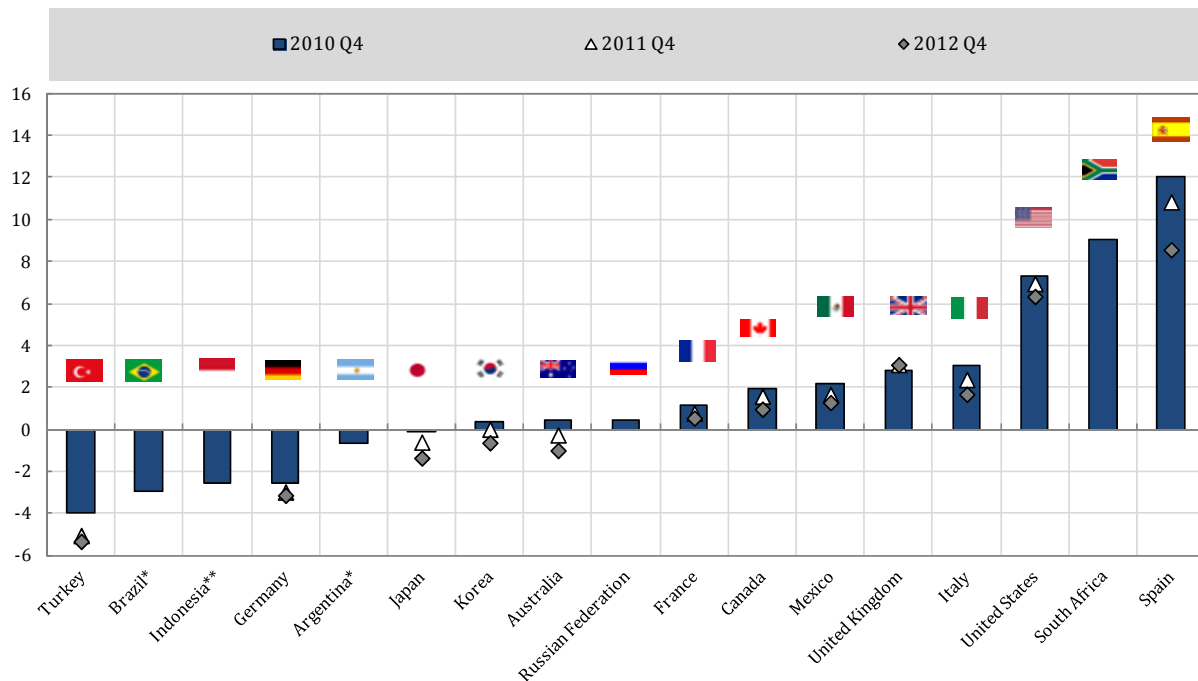
**Short-term projections suggest that in a number of G-20 countries the jobs gap** (*i.e.* the number of additional jobs required to restore pre-crisis employment rates) **will remain sizeable in 2011-2012.** Figure 11 presents estimates of the projected jobs gap in selected G-20 countries. While a number of emerging economies (Turkey, Brazil, Indonesia and Argentina) as well as Germany already had at the end of 2010 higher employment rates than in the pre-crisis period, others notably Italy, the United Kingdom, the United States and South Africa, still had large gaps which are likely to persist over the coming two years.

Figure 10. **Output recovery and unemployment changes, 2010**



Source: ILO Statistics, Short term indicators database

Figure 11. **Employment increase needed to restore pre-crisis employment rates, 2010 Q4 to 2012 Q4 (%)**



\* Selected urban areas.

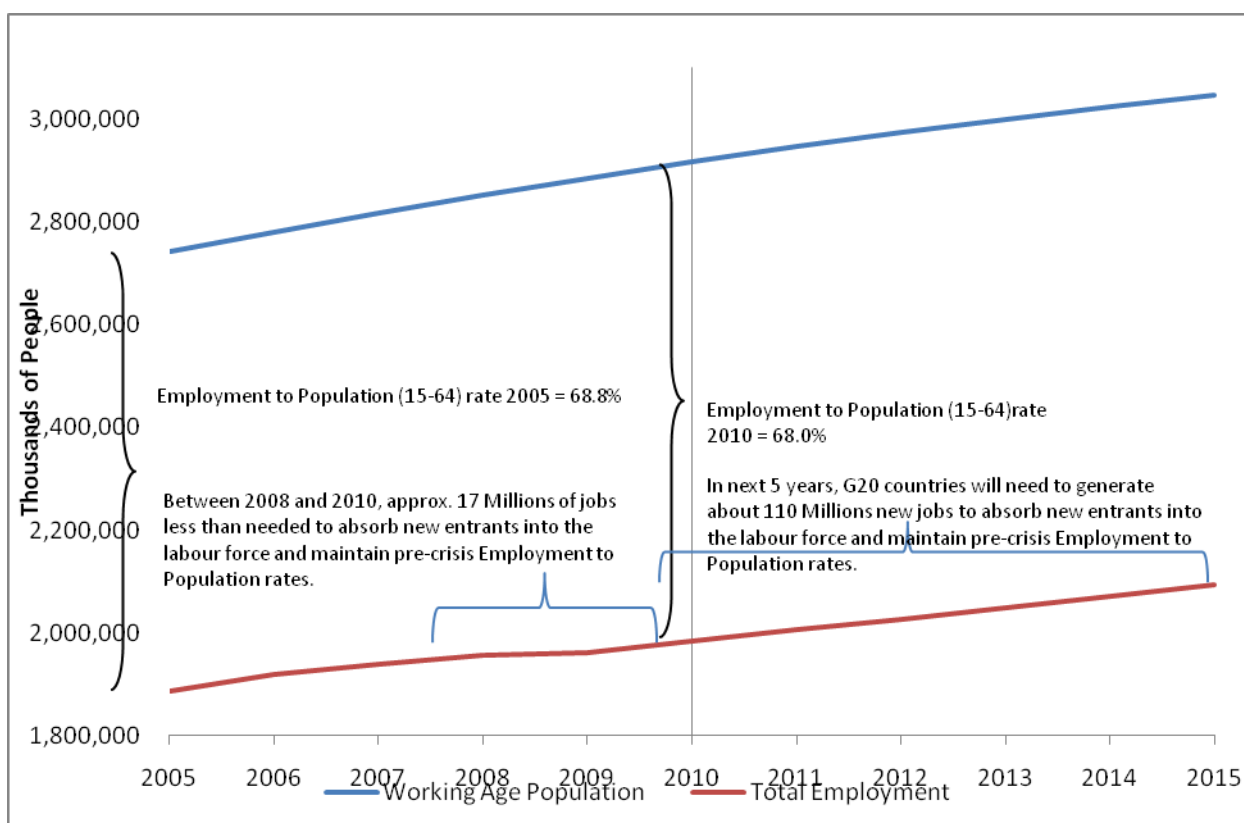
\*\* 2010 Q4 refers to 2010 Q3 for Indonesia.

The jobs gap at a particular date is defined as the percentage increase in employment required to restore the ratio of total employment to the working-age population to its value in 2007 Q4.

Source: OECD estimates based on OECD Economic Outlook projections for the OECD countries and national Quarterly Labour Force Surveys for the other countries.

Over the medium-term, **many G-20 countries will be facing significant challenges to create enough jobs to accommodate their growing labour force.** Total employment in all G20 countries was approximately 1.9 billion persons in 2005 (equivalent to some 63 per cent of world total employment), with an average employment to working-age population (15-64 years) ratio of 68.8 per cent (Figure 12). Between 2008 and 2010, G-20 countries generated 17 million jobs less than what would have been required to hold the employment ratio constant at its 2005 level. In order to reach in 2015 the pre-crisis employment to population ratio, G20 countries as a group would have to generate some 110 million jobs, or 22 million per year over five years.

Figure 12. Recent and projected changes in the working-age population in G-20 countries



Source: ILO Statistics

## 2. Structural challenges in G-20 labour markets

*Two key challenges are better utilisation of labour resources and better quality jobs*

Even before the economic crisis, G20 countries were grappling with a number of underlying structural challenges in the labour market. For most of them, better integrating youth, women and migrants into the labour market have been key issues. In the context of rapid technological change and globalisation, another priority has been to improve labour market prospects for the low-skilled, especially in the more advanced economies. For many countries, reversing a long-term trend decline in the effective age of exit from the labour market by older workers has also been a key policy aim in order to cope with the challenge of rapid population ageing.

While the objective of creating a more inclusive labour market for these groups implies raising the demand for labour and removing obstacles to labour market participation, **job quality is an important issue for most G-20 countries**. This has ranged from concerns about rising wage inequality, low or negative real wage growth for some groups of workers, to increases in temporary work and persistence of high levels of informal employment.

**These long-term labour market challenges still need to be tackled and in some instances the crisis has exacerbated their magnitudes.** For instance, the fall in employment during the crisis has affected some workforce groups more than others. Youth, low-skilled, temporary and migrant workers were hardest hit. The crisis itself raises the challenge of preventing a structural rise in unemployment from occurring.

### *There is much scope to improve the utilisation of labour resources*

**Labour market outcomes vary markedly across socio-demographic groups** and the extent to which some groups are under-represented in the labour market contributes significantly to explain international differences in the overall rate of labour force participation. On the one hand, the participation rate of prime-age men varies little across G20 countries despite very diverse labour market contexts (Figure 13). In all but South Africa, around 90% or more of prime-age men were either employed or unemployed in 2009. On the other hand, the labour market participation of youth, women, older workers and the low-skilled is much lower but with some marked differences across G20 countries:

- **Participation rates for prime-age women are lower than those of prime-age men in all G20 countries.**
- **Participation rates of youth (aged 15/16 to 24) are very low in most G20 countries.** To a large extent, this is due to the fact that many young people – especially teenagers – are still in education and relatively few combine work and study. However, in many G-20 countries, a sizeable share of youth is neither in employment nor in education or training (the so called NEET).
- **Older workers are significantly under-represented in the labour market** compared with their prime-age counterparts.
- **Participation rates for the low-skilled are also low in the G20 countries** for which data on this group are available.

### *Job losses during the global economic crisis were unequally distributed*

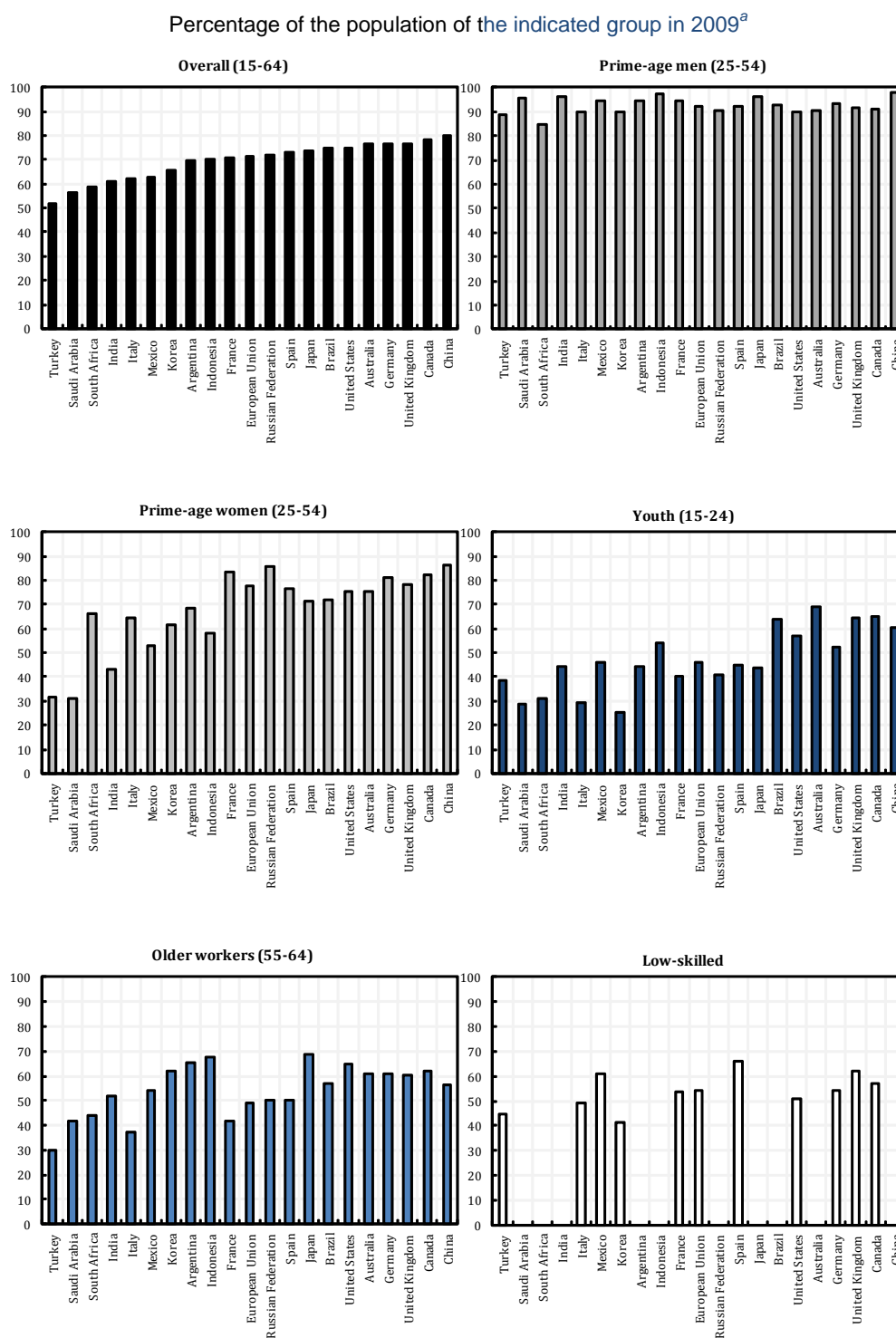
Some of the groups under-represented in the labour market have borne much of the brunt of the economic crisis (Figure 14). Between 2007 and 2010:

- **Substantial declines in youth employment occurred in most G20 countries.** The sharpest falls in youth employment rates were observed in Canada, Italy, the United Kingdom and the United States.
- **The low-skilled also experienced large job losses.** The employment rate for this group contracted by about 8 percentage points in the United Kingdom and the United States.

However, women and older workers have emerged from the recession relatively unscathed. Between 2007 to 2010:

- **Employment rates of older workers have held up or increased in most G20 countries.** The most notably increases occurred in Australia, Brazil, Germany and Turkey and with only Japan, Mexico and South Africa experiencing a fall.
- **Prime-age women were less affected than their male counterparts** with sizeable falls in their employment rate occurring only in the Russian Federation, South Africa and the United States. On the contrary, in Brazil, Indonesia and Turkey, female employment rates rose significantly.

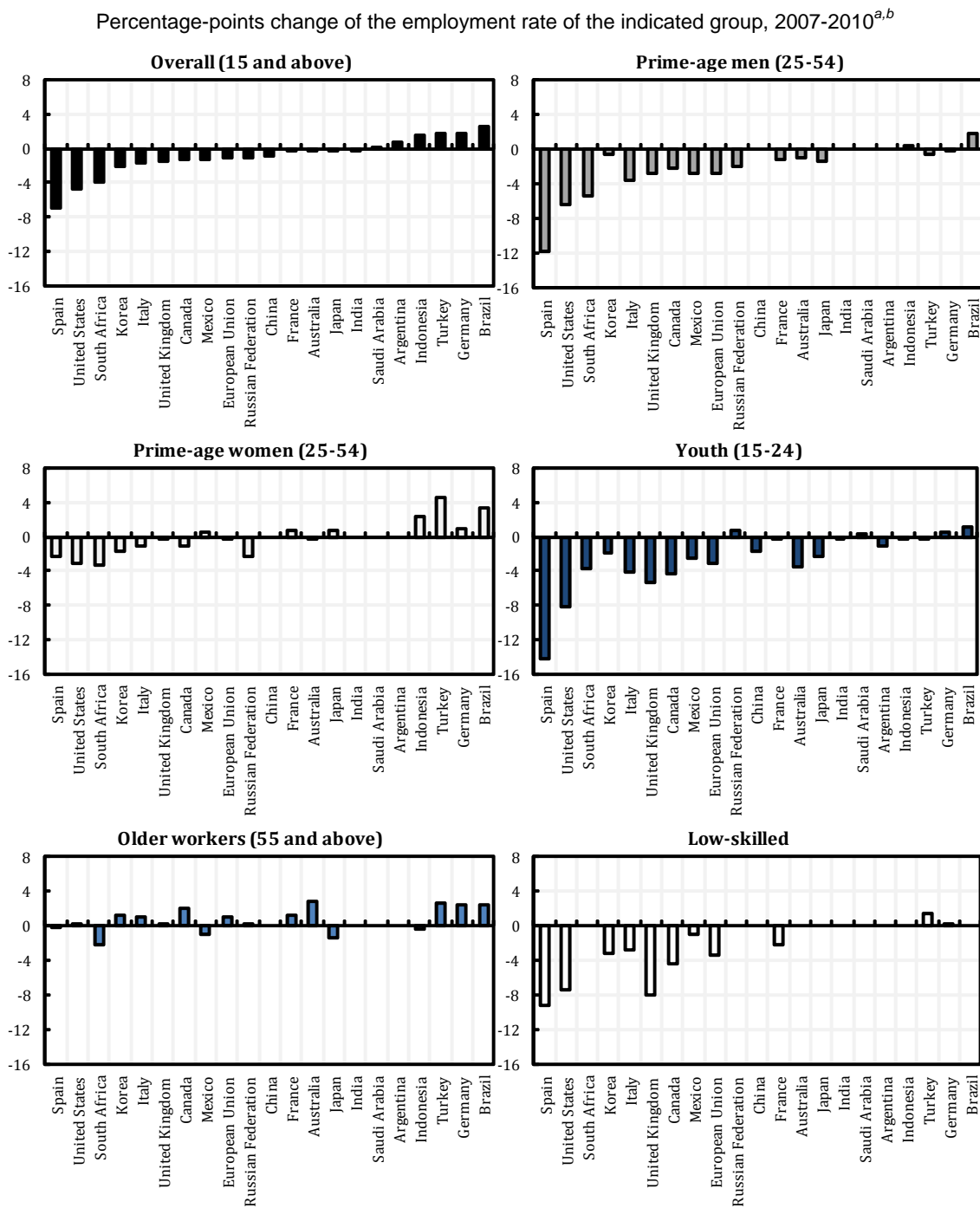
**Figure 13. Labour force participation rates by socio-demographic characteristics, G20 countries**



a) Countries are ordered by ascending order of the overall employment rates (15 and above).

Source: Calculations based on OECD Labour Force Statistics and ILO, Key Indicators of the Labour Market (KILM).

Figure 14. **Change in employment rates following the crisis by socio-demographic characteristics, G20 countries**



2007-2009 for Argentina, China, India, Indonesia, the Russian federation and Saudi Arabia; 2008-2010 for South Africa.

Countries are ordered by ascending order of the change in the overall employment rates (15 and above).

Source: Calculations based on OECD Labour Force Statistics and ILO, Key Indicators of the Labour Market (KILM).

**Further improvements in job quality are required**

**Improving job quality remains a major challenge for all G20 countries.** One major concern is growing duality in the labour market between those workers in decent work and those who are not. While concepts such as job quality and decent work encompass a range of characteristics, some of the more important ones can be captured by indicators of job characteristics in terms of earnings, contract-type (permanent/temporary) and sector (formal/informal) as well as coverage by social protection schemes.

*Increased labour market segmentation is an issue for both the advanced and emerging G20 economies*

In many of the advanced G20 economies, there has been a substantial rise over the past decade in the share of employees with a **temporary employment contract**, including in Canada, France, Germany, Italy and Japan (Table 3). In a number of countries, changes in employment protection legislation enabled employers to hire workers in temporary jobs to meet changing production needs. Not surprisingly, temporary employees were often the first to lose their jobs during the crisis but in some cases they have also been the first to be hired in the recovery.

A continuing major challenge in emerging economies is the high share of **informal and/or casual employment**. There is no single characterization of such employment, although it is generally admitted that informal and casual employment are lower productivity, less protected and more precarious relative to formal employment.

**Table 3. Shares of informal, casual and temporary employment**

| Country        | Informal employment<br>(% of non-agricultural<br>employment) | Casual/irregular wage<br>employment<br>(% of total employed) | Temporary employment<br>(% of wage employment) |                   |      |
|----------------|--|--|--|-------------------|------|
|                |  |  | 1997 <sup>a</sup>                              | 2007 <sup>b</sup> | 2010 |
|                | Around 2000  |  |  |                   |      |
| Argentina      | 53.3   | 27.7   | ..   | ..                | ..   |
| Australia      | ..   | ..   | 4.6  | 5.2               | ..   |
| Brazil         | 51.1   | 29.6   | ..   | ..                | ..   |
| Canada         | ..   | ..   | 11.3   | 12.9              | 13.3 |
| China          | ..   | 25.0   | ..   | ..                | ..   |
| European Union | ..   | ..   | ..   | 14.6              | 13.9 |
| France         | ..   | ..   | 13.1   | 14.4              | 15.1 |
| Germany        | ..   | ..   | 11.7   | 14.6              | 14.5 |
| India          | 83.4   | 42.7   | ..   | ..                | ..   |
| Indonesia      | 77.9   | ..   | ..   | ..                | ..   |
| Italy          | ..   | ..   | 8.2  | 13.2              | 12.6 |
| Japan          | ..   | 34.1   | 11.0   | 13.9              | 13.7 |
| Korea          | ..   | 33.8   | ..   | ..                | ..   |
| Mexico         | 50.1   | 40.7   | 22.3   | ..                | ..   |
| Russian Fed.   | ..   | ..   | 5.9  | 12.4              | ..   |
| South Africa   | 50.6   | 52.0   | ..   | ..                | ..   |
| Spain          | ..   | ..   | 33.6   | 31.7              | 25.0 |
| Turkey         | 33.2   | ..   | ..   | 11.9              | 11.4 |
| United Kingdom | ..   | ..   | 7.4  | 5.9               | 6.1  |
| United States  | ..   | ..   | 4.6  | 4.2               | ..   |

a) 1998 for Australia and 1999 for Russian Federation.

b) 2006 for Australia and 2005 for the United States.

Source: ILO, 2008; OECD, Labour Force Statistics; Kim J-Y, 2010.

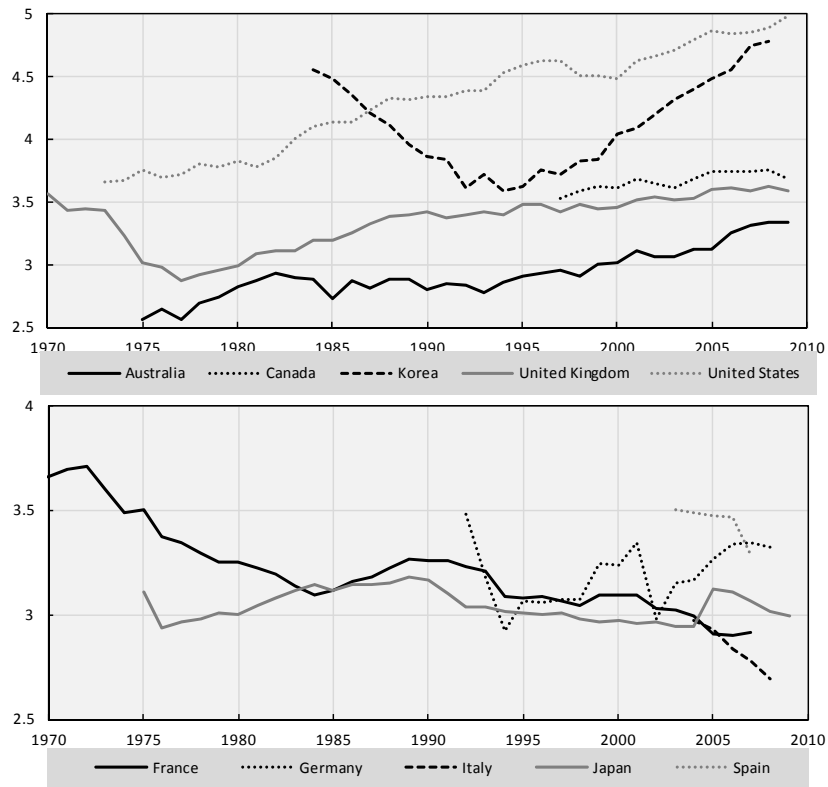
*Growing earnings inequality is a concern...*

**Improving the primary distribution of income is recognized as a priority in many countries.** In many G-20 countries, earnings inequality has increased over the past 10 years (Figure 15) and in some countries for which data are available this has occurred over an even longer period of time, e.g. the United States. With very few exceptions (France, Japan and Spain), earnings of the 10% best-paid workers have risen relative to those of the 10% least-paid workers. In most countries, wage disparities grew more in the upper half of the distribution than in the bottom half. The reasons for rising or high and often rising earnings inequality range from skill-biased technological changes giving a premium to better skilled workers, to greater competition in product markets and declining strength of trade unions and collective bargaining but also distortions of financial markets.



**Figure 15. Trends in earnings inequality**

Ratio D9/D1

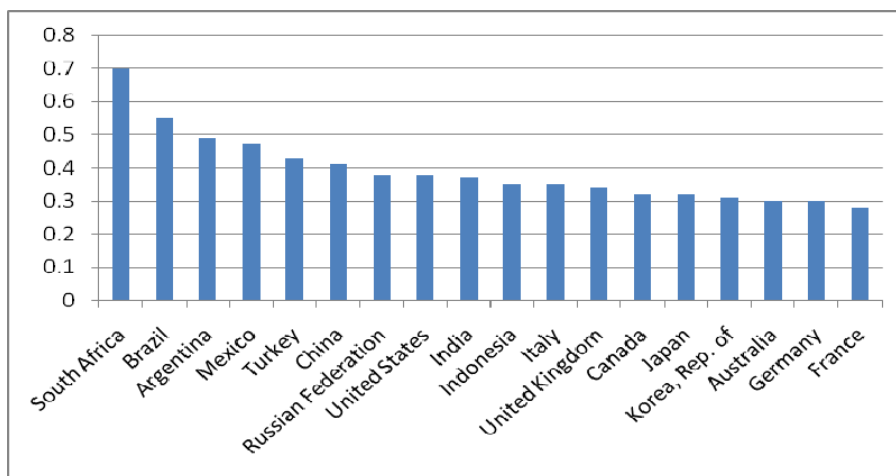


Source: OECD Earnings database.

...and rising (or high) income inequality in almost all countries

**Growing earnings inequality in most G-20 countries has often translated into growing household income inequalities** (Figure 16). Such inequalities are generally lower and increased by less than inequalities of market incomes, due to the redistributive effect of taxes and benefits. However, over the past decades, tax-benefit policies in many countries have been unable to *fully* offset growing market-income disparities.

**Figure 16. Income inequality (Gini coefficient, most recent year)**

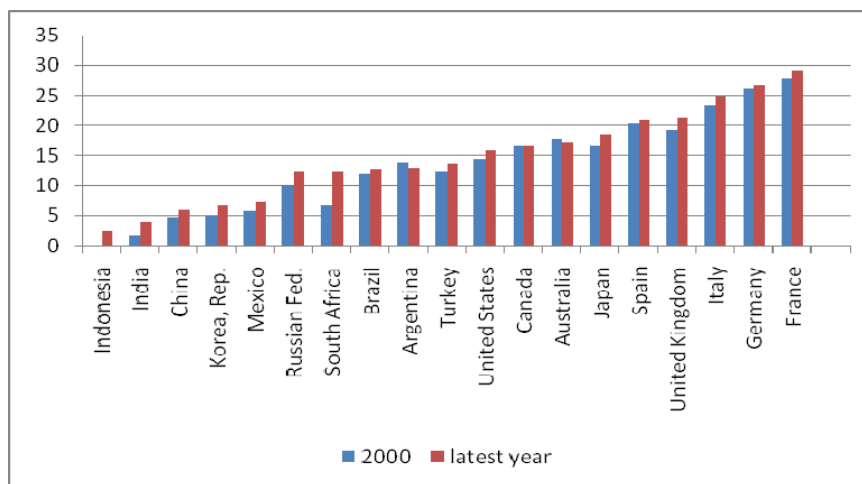


Source: OECD.Stat Database 2010, World Bank Development Indicators, 2010

*Rising public social security expenditure, albeit from low levels in emerging economies*

Public social security expenditure varies from 5 per cent to close to 30 per cent across G-20 countries (Figure 17). In half of G20 countries public spending ranges between 12 and 21 per cent of GDP. More important is the rising trend in those emerging economies where spending and hence coverage is currently low. This trend continued in all such economies over the decade since 2000.

Figure 17. **Public social protection expenditure (% of GDP)**

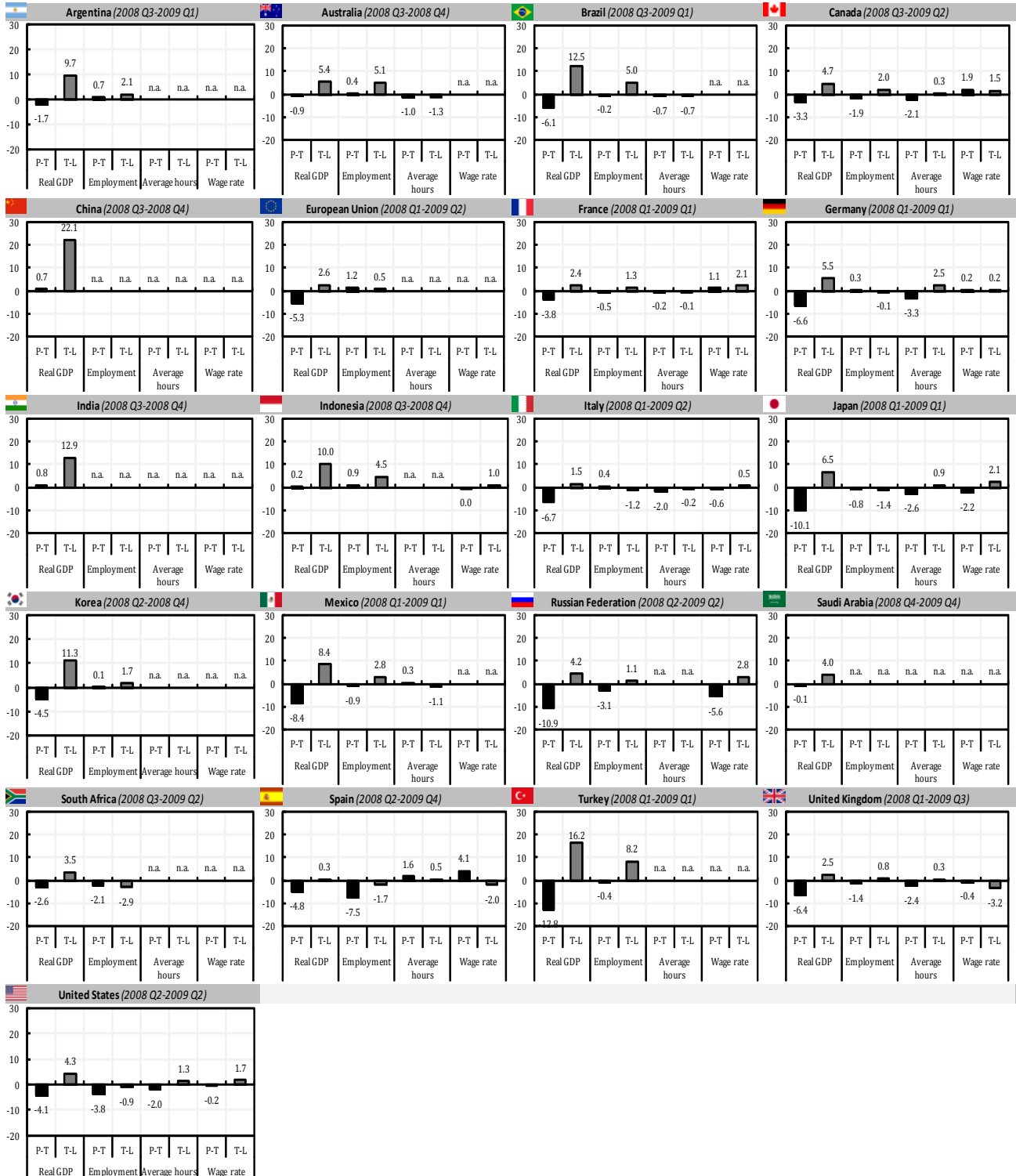


Source: ILO *World Social Security report*, 2010

**SUPPLEMENTARY MATERIALS**

Figure A.1. Three margins of labour market adjustment during the crisis and early recovery

Percentage change between the real GDP peak and between trough and the real GDP trough to the latest available quarter



n.a.: Not available. P-T: from Peak to Trough (based on the quarterly real GDP); T-L: from Trough to Last available quarter.

Source: Estimates based on various national sources.

Table A.1 Annual data, selected variables

| Countries | Unemployment Rate |      |      |      | Labour Force Participation |      |      |      | Employment to Population |      |      |      |
|-----------|-------------------|------|------|------|----------------------------|------|------|------|--------------------------|------|------|------|
|           | 2007              | 2008 | 2009 | 2010 | 2007                       | 2008 | 2009 | 2010 | 2007                     | 2008 | 2009 | 2010 |
| Argentina | 8.6               | 7.9  | 8.7  | 7.7  |                            |      |      |      |                          |      |      |      |
| Australia | 4.4               | 4.2  | 5.6  | 5.2  | 65.2                       | 65.5 | 65.5 | 65.5 | 62.4                     | 62.7 | 61.8 | 62.1 |
| Brazil    | 9.3               | 7.9  | 8.1  | 6.7  | 56.9                       | 57.0 | 56.7 | 57.1 | 51.6                     | 52.5 | 52.1 | 53.2 |
| Canada    | 6.0               | 6.1  | 8.3  | 8.0  | 67.4                       | 67.7 | 67.1 | 67.0 | 63.4                     | 63.5 | 61.6 | 61.6 |
| France    | 8.0               | 7.4  | 9.1  | 9.3  | 56.5                       | 56.6 | 56.9 | 56.9 | 52.0                     | 52.4 | 51.7 | 51.6 |
| Germany   | 8.6               | 7.5  | 7.7  | 7.2  | 59.4                       | 59.7 | 59.9 | 59.4 | 54.3                     | 55.3 | 55.3 | 55.1 |
| Indonesia | 9.4               | 8.4  | 8.0  | 7.3  | 66.8                       | 67.3 | 67.4 | 67.8 | 60.5                     | 61.6 | 62.0 | 62.8 |
| Italy     | 6.1               | 6.7  | 7.8  | 8.3  | 48.9                       | 49.3 | 48.7 | 48.4 | 45.9                     | 45.9 | 44.9 | 44.3 |
| Japan     | 3.9               | 4.0  | 5.1  | 5.1  | 60.4                       | 60.2 | 59.9 | 59.6 | 58.1                     | 57.8 | 56.9 | 56.6 |
| Korea     | 3.2               | 3.2  | 3.6  | 3.7  | 61.8                       | 61.5 | 60.8 | 61.0 | 59.8                     | 59.5 | 58.6 | 58.7 |
| Mexico    | 3.7               | 4.0  | 5.5  | 5.4  | 58.9                       | 58.7 | 58.7 | 58.8 | 56.7                     | 56.4 | 55.5 | 55.6 |
| Russia    | 6.1               | 6.3  | 8.5  | 7.5  | 67.1                       | 67.7 | 67.8 | 67.7 | 63.0                     | 63.4 | 62.1 | 62.7 |
| S. Africa | 22.3              | 22.9 | 24.0 | 24.9 |                            | 57.8 | 55.8 | 54.3 |                          | 44.6 | 42.5 | 40.8 |
| Spain     | 8.3               | 11.3 | 18.0 | 20.1 | 58.2                       | 59.1 | 59.3 | 59.3 | 53.4                     | 52.4 | 48.6 | 47.4 |
| Turkey    | 10.2              | 10.9 | 14.0 | 12.1 | 46.3                       | 46.8 | 47.9 | 48.9 | 41.6                     | 41.7 | 41.2 | 43.0 |
| U.K.      | 5.3               | 5.6  | 7.6  | 7.8  | 62.5                       | 62.8 | 62.6 | 62.4 | 59.2                     | 59.3 | 57.9 | 57.5 |
| U.S.A.    | 4.6               | 5.8  | 9.3  | 9.6  | 66.0                       | 66.0 | 65.4 | 64.7 | 63.0                     | 62.2 | 59.3 | 58.5 |

Source: ILO Statistics – STI Database; Data for Argentina and Brazil are Urban.

Table A.2 Recent labour market statistics

(non-seasonally adjusted data)

| Country       | Last Date Available* | Unemployment rate | Male UR | Female UR | Youth UR | Labour Force Participation (%) | Employment to Population Rate (%) |
|---------------|----------------------|-------------------|---------|-----------|----------|--------------------------------|-----------------------------------|
| Argentina*    | 4th Q                | 7.3               |         |           |          |                                |                                   |
| Australia     | Jan                  | 5.4               | 5.1     | 5.8       | 12.8     | 65.4                           | 61.9                              |
| Brazil*       | Jan                  | 6.1               | 4.8     | 7.5       | 15.3     | 56.4                           | 53                                |
| Canada        | Jan                  | 8.1               | 9       | 7.1       | 14.7     | 66                             | 60.6                              |
| France        | Jan,4th Q            | 10.1              | 10.1    | 10.1      | 23.3     | 56.6                           | 51.3                              |
| Germany       | Jan,3rd Q            | 6.7               | 7.4     | 5.9       | 7.5      | 59.5                           | 55.6                              |
| Indonesia     | 3rd Q                | 7.1               |         |           |          | 67.7                           | 62.9                              |
| Italy         | Jan,3rd Q            | 8.9               | 8.2     | 9.9       | 32.5     | 47.8                           | 44.2                              |
| Japan         | Jan                  | 4.7               | 5.2     | 4.1       | 7.7      | 58.9                           | 56.1                              |
| Korea         | Jan                  | 3.8               | 3.9     | 3.6       | 11.4     | 59                             | 56.8                              |
| Mexico        | 3rd Q                | 5.4               | 5.7     | 4.9       | 10.8     | 57.8                           | 59.0                              |
| Russia        | Dec                  | 7.2               | 7.7     | 6.7       | 16.3     | 67.3                           | 62.5                              |
| South Africa  | 4th Q                | 24                | 21.8    | 26.6      | 49.4     | 53.6                           | 40.8                              |
| Spain         | Jan,4th Q            | 20.9              | 20.7    | 21.2      | 43.1     | 59.3                           | 47.3                              |
| Turkey        | Nov                  | 11                | 10.3    | 12.6      | 20.8     | 47.9                           | 43.2                              |
| U.K.          | Dec,3rd Q            | 7.7               | 8.4     | 6.8       | 19.4     | 62.9                           | 58                                |
| United States | Feb                  | 9.5               | 10.5    | 8.4       | 18.2     | 63.9                           | 57.8                              |

\* Data for Argentina and Brazil are Urban.

\*\* For European Countries, First date on Last Data available corresponds to Monthly Unemployment rate adjusted, and second date to all the rest of the variables, taken from the Quarterly LFS.

\*\*\* Data on México for Unemployment Rate Corresponds to the 4th Quarter

Source: ILO Statistics, Short term indicators database.