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World of Work Report 2011

ILO says world heading for a new and deeper jobs recession, warns of more social unrest

GENEVA (ILO News) – In a grim analysis issued on the eve of the G20 leaders summit, the International Labour Organization (ILO) says the global economy is on the verge of a new and deeper jobs recession that will further delay the global economic recovery and may ignite more social unrest in scores of countries.

"We have reached the moment of truth. We have a brief window of opportunity to avoid a major double-dip in employment," said Raymond Torres, Director of the ILO International Institute for Labour Studies that issued the report.

The new "*World of Work Report* 2011*: Making markets work for jobs*"says a stalled global economic recovery has begun to dramatically affect labour markets. On current trends, it will take at least five years to return employment in advanced economies to pre-crisis levels, one year later than projected in last year's report.

Noting that the current labour market is already within the confines of the usual six-month lag between an economic slowdown and its impact on employment, the report indicates that 80 million jobs need to be created over the next two years to return to pre-crisis employment rates. However, the recent slowdown in growth suggests that the world economy is likely to create only half of the jobs needed**.**

The report also features a new "social unrest" index that shows levels of discontent over the lack of jobs and anger over perceptions that the burden of the crisis is not being shared fairly. It notes that in over 45 of the 119 countries examined, the risk of social unrest is rising. This is especially the case in advanced economies, notably the EU, the Arab region and to a lesser extent Asia. By contrast, there is a stagnant or lower risk of social unrest in Sub-Saharan Africa and Latin America.

The study shows that nearly two-thirds of advanced economies and half of emerging and developing economies with recent available data are once again experiencing a slowdown in employment. This comes on top of an already precarious employment situation in which global unemployment is at its highest point ever, surpassing 200 million worldwide.

The report cites three reasons why the ongoing economic slowdown may have a particularly strong impact on the employment panorama: first, compared to the start of the crisis, enterprises are now in a weaker position to retain workers; second, as pressure to adopt fiscal austerity measures mount, governments are less inclined to maintain or adopt new job- and income-support programmes; and third, countries are left to act in isolation due to lack of international policy coordination.

The report's other main findings include:

- Approximately 80 million net new jobs will be needed over the next two years to re-attain pre-crisis employment rates (27 million in advanced economies and the remainder in emerging and developing countries).

- Out of 118 countries with available data, 69 countries show an increase in the percentage of people reporting a worsening of living standards in 2010 compared to 2006.

- Respondents in half of 99 countries surveyed say they do not have confidence in their national governments.

- In 2010, more than 50 per cent of people in developed countries report being dissatisfied with the availability of decent jobs (in countries such as Greece, Italy, Portugal, Slovenia, and Spain, more than 70 per cent of survey respondents reported dissatisfaction).

- The share of profit in GDP increased in 83 per cent of the countries analyzed between 2000 and 2009. Productive investment, however, stagnated globally during the same period.

- In advanced countries, the growth in corporate profits among non-financial firms was translated into a substantial increase in dividend payouts (from 29 per cent of profits in 2000 to 36 per cent in 2009) and financial investment (from 81.2 per cent of GDP in 1995 to 132.2 per cent in 2007). The crisis reversed slightly these trends, which resumed in 2010.

- Food price volatility doubled during the period 2006-2010 relative to the preceding five years, affecting decent work prospects in developing countries. Financial investors benefit more from price volatility than food producers, especially small ones.

The report calls for maintaining and in some cases strengthening pro-employment programmes, warning that efforts to reduce public debt and deficits have often disproportionately focused on labour market and social measures. For example, it shows that increasing active labour market spending by only half a per cent of GDP would increase employment by between 0.4 per cent and 0.8 per cent, depending on the country.

The study also calls for supporting investment in the real economy through financial reform and pro-investment measures.

Finally, it says that the adage that wage moderation leads to job creation is a myth, and calls for a comprehensive income-led recovery strategy. This would also help stimulate investment while reducing excessive income inequalities.

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