3. Regional economic and labour market developments

Developed Economies and European Union

Unemployment remains elevated amidst fear of further deterioration

The macroeconomic situation deteriorated substantially over the summer months of 2011. As described in Chapter 1, mounting turbulence in sovereign debt markets, persistent difficulties in jump-starting the recovery, in order to boost output and employment growth, as well as high and rising uncertainties regarding the sustainability of banks, in particular in European countries, weakened whatever remained of the growth momentum that had developed at the beginning of the year. Economic activity has decelerated substantially, further lowering growth expectations, particularly for the more advanced economies in the region, some of which now risk falling back into recession, most notably Germany, the United Kingdom and Spain. The spillover effects on the rest of the region, as well as on the global economy, are substantial given that advanced economies and the European Union represent 50 per cent of global output. At best, recovery will have been put on hold before crisis conditions gradually dissipate at the end of the year; at worst, a further weakening and recession can be expected from the current gloom.

Among European economies, structural factors are further adding to recessionary risks. Large differences across countries regarding their external competitiveness have prevented countries at risk from benefitting from the recovery in world trade. In particular those with serious shortfalls of domestic demand due to housing and banking sector problems were hoping to turn to external demand to make up the difference. At the same time, growth spillover effects within the euro area have been weak despite the fact that some member countries have been doing relatively well as they recovered from the 2009 shock (see box 4). This has compounded the already difficult situation on European job markets and further deteriorated public finances. More importantly, it has forced several European countries into early austerity measures, seriously damaging job creation and employment prospects, in particular for younger people.

This bodes ill for reducing the jobs gap in the region (see table 4). Job losses during the crisis and the ensuing slow recovery resulted in a widening of unemployment gaps in developed economies and the European Union to historically high levels, reaching 45 million unemployed in 2010. With few exceptions, employment has dropped far below pre-crisis levels and this gap is unlikely to be closed in the short term (see country spotlight 1). Among developed economies, only Germany and Australia managed to increase employment in 2011 to above pre-crisis levels. In the remaining countries, despite the massive support of macroeconomic policies during the early part of the crisis, which helped push up aggregate demand, a highly uncertain outlook due to the recent international turmoil and a rebalancing of activities across different sectors has prevented the emergence of a sustainable job recovery. As a consequence, labour market slack remains high – the slow pace of job creation has failed to recover the job losses incurred during the crisis. The risk is that unemployment in the developed economies is becoming entrenched, and with long-term unemployment rates on the rise it is harder for jobseekers to return to gainful employment and for new entrants to quickly find adequate jobs.

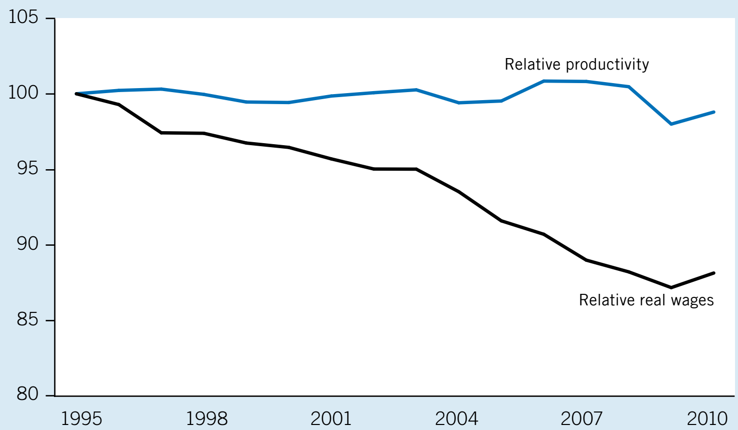
Box 4. German wage developments and euro area troubles

Rising competitiveness of German exporters has increasingly been identified as the structural cause underlying the recent difficulties in the euro area. As German unit labour costs were falling relative to those of competitors over the past decade, growth came under pressure in these economies, with adverse consequences for the sustainability of public finances. More importantly, crisis countries were barred from using the export route to make up for the shortfall in domestic demand as their manufacturing sector could not benefit from stronger aggregate demand in Germany. This box argues that the current problems are an inheritance from the past, when ill-designed policies during the period of German reunification led to a substantial increase in unemployment which subsequently was addressed by deflationary wage policies.

In the aftermath of German reunification, manufacturing industries suffered a substantial loss in competitiveness. Not only were East German companies less productive, the cash changeover rate was fixed at a rate 1:1 in comparison to an official exchange rate between the West and East German mark of around 1:4.3. As a consequence, inflation started to accelerate, in particular in the eastern part, pushing the Bundesbank to tighten monetary policy from 1991 onwards. In turn, the Deutschmark appreciated against the other European currencies leading to the demise of the European Monetary System in 1993 and a substantial loss in competitiveness with severe effects on Germany's domestic demand as well. In fact, German firms substantially reduced their investments during the second half of the 1990s, lagging the euro area average by almost 3 percentage points annually. At the same time, job creation fell dramatically, affecting wage growth and hence disposable income of households, who reduced their private consumption.

Under the impression of high and sticky unemployment, the Schröder Government initiated a series of labour market reforms starting in 2003, effectively reducing entry wages at the lower end of the labour market. Already starting in 2000, several tripartite negotiations had been undertaken in an attempt to lower wage growth and to restore price competitiveness. Partly, these reforms had been triggered by the fact that nominal exchange rates had been effectively fixed since 1995 in preparation for setting up the euro area three years later. This was also the year when the Deutschmark had reached a high point relative to currencies in main competing European countries as a result of the earlier policies enacted during reunification. Internal devaluation was, therefore, seen as the only means of restoring what was seen as a more equitable situation. However, most of the reforms essentially led to wage deflation in the services industries where new, predominantly low-wage jobs appeared. Such an approach substantially prolonged the adjustment period and until today, hourly wage costs remain among the highest in German manufacturing. At the same time, little was done to restore competitiveness through increases in productivity (see figure below). Indeed, productivity developments remained in line with other euro area countries.

Productivity and real wage developments: Germany versus the rest of the euro area (index, 1995 = 100)



Source: OECD, Economic Outlook database.

These wage deflation policies have not only impacted private consumption, which lagged behind that of other euro area countries by more than 1 percentage point over the period 1995 to 2001. They have also led to widening income inequalities, at a speed unseen even in the aftermath of reunification, when several million people lost their jobs in East Germany (see OECD, 2011). At the European level it has created conditions for a prolonged economic slump as other member countries increasingly see only even harsher wage deflation policies as a solution to their lack of competitiveness. This is all the more discomforting as it is unclear to what extent these wage deflation policies in Germany have contributed to higher employment levels, which in 2006 were barely higher than in 1991. As a matter of fact, recent export successes owe little to these wage policies and more to the geographical orientation of German exporters to dynamic emerging economies (see OECD, 2010). At the same time, low domestic demand has held back stronger services sector growth with adverse consequences for labour productivity in that sector and the aggregate economy as a consequence. Indeed, faster productivity growth in German services would not only allow an end to the current wage deflation policies – with positive spillover effects to the rest of Europe – it would also help restore a more equitable income distribution across wage earners.

Table 4. Labour market situation and outlook and GDP growth in the Developed Economies and European Union region (%)

		2008	2009	2010	2011p	2012p	2013p	2014p	2015p	2016p
GDP annual growth rate		0.1	–3.9	2.6	1.4	1.7	2.2	2.5	2.6	2.6
Labour force participation rate		60.8	60.5	60.3	60.3	60.2	60.2	60.1	60.1	60.0
Unemployment rate	Total	6.1	8.3	8.8	8.5	8.5	8.4	8.1	7.9	7.7
	Male	6.0	8.7	9.1	8.7	8.7	8.5	8.2	7.9	7.6
	Female	6.2	7.9	8.4	8.2	8.3	8.2	8.0	7.9	7.7
	Youth	13.3	17.3	18.1	17.9	17.5	17.0	16.5	16.0	15.6
	Adult	5.0	7.1	7.5	7.2	7.3	7.2	7.0	6.8	6.7
Employment annual growth rate	Total	0.6	–2.2	–0.2	0.8	0.4	0.5	0.6	0.6	0.5
	Male	0.3	–3.1	–0.4	0.8	0.5	0.5	0.7	0.6	0.5
	Female	1.1	–1.1	0.0	0.7	0.4	0.4	0.5	0.5	0.5
	Youth	–1.4	–7.4	–4.0	–0.1	0.0	–0.1	0.0	–0.1	–0.3
	Adult	0.9	–1.5	0.2	0.9	0.5	0.5	0.7	0.6	0.6

Notes: 2011 are preliminary estimates; 2012–16 are preliminary projections.

Source: ILO, *Trends econometric models*, October 2011 (see Annexes 4 and 5); IMF, *World Economic Outlook*, September 2011.

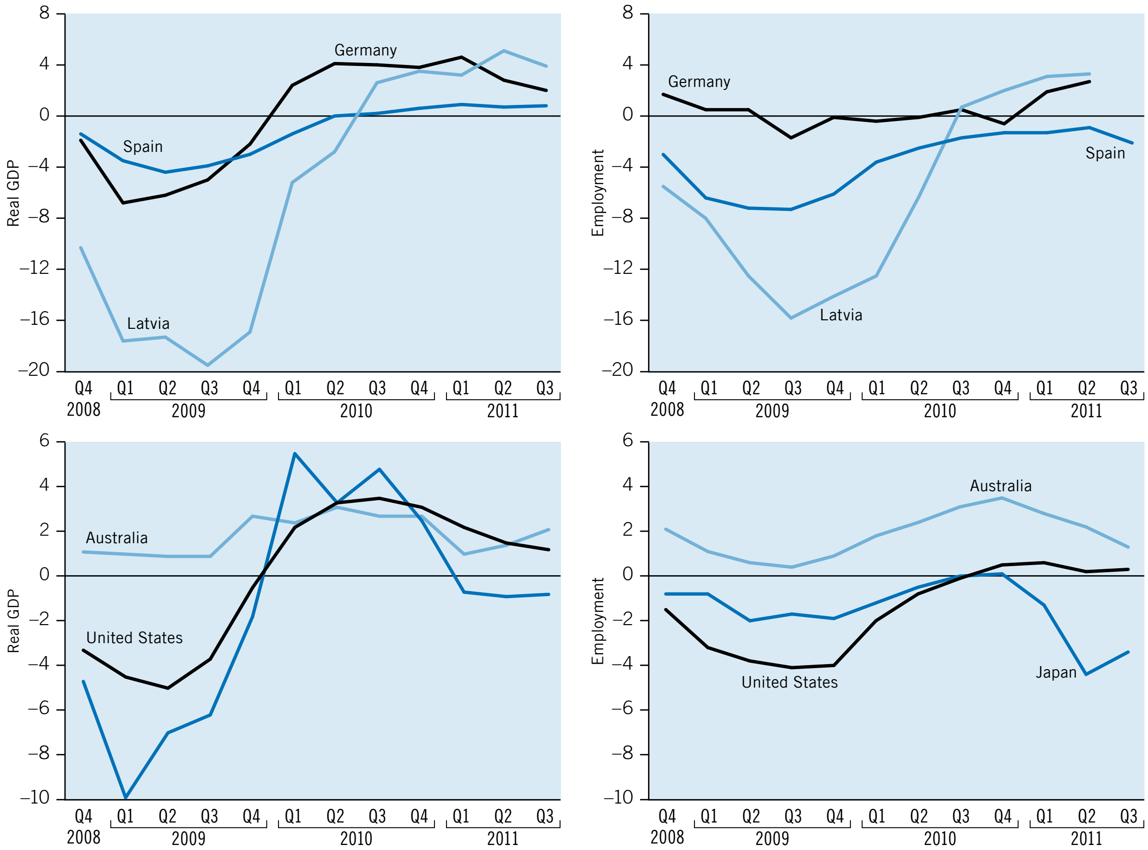
Young people have been particularly hard hit by the crisis. Prior to the crisis, in most advanced economies and European Union countries, youth unemployment rates were already higher than adult unemployment rates (see also ILO, 2011b). This situation worsened substantially with the onset of the crisis and has not been resolved since, in line with the persistent and high unemployment rates among adults. In Spain, Ireland and Greece, unemployment rates for youth almost doubled, reaching more than 40 per cent in the case of Spain and reversing all of the earlier positive trends experienced over the 2000s. In other countries, such as Sweden, the United Kingdom and Portugal, youth unemployment was already on the rise prior to the crisis, but the slowdown in activity further worsened employment opportunities for younger people. With the exception of Austria, Germany and Switzerland, none of the advanced economies saw a return of unemployment rates for younger people to pre-crisis levels in 2011. This will have substantial long-term consequences, lowering the career path expectations of young entrants into the labour market and diminishing the incentives for the coming generation to take up long and expensive studies.

Long-term consequences are also visible for the adult active population. With unemployment high and persistent, jobseekers remain unemployed for ever longer periods of time, further eroding their job chances. Currently, some 35 per cent of all jobseekers in the Developed Economies and European Union region have been unemployed for 12 months or longer. Many of those long-term jobseekers have actually given up looking for employment altogether, further worsening the labour market picture. Indeed, inactivity rates have increased since the beginning of the crisis by 2 percentage points in advanced economies and have so far not shown any signs of falling. Such developments worsen chances for a quick recovery: with ever more people being removed from the labour market and seeing their qualifications erode, it will be increasingly difficult for firms to find the right people. More importantly, policy-makers will find it increasingly difficult to bring unemployment rates down as reactivating long-term unemployed and inactive people entails substantial fiscal costs, often with only limited success.

Country spotlight 1. Growth and employment in Australia, Germany, Japan,* Latvia, Spain and the United States

Each country spotlight on growth and employment shows annual changes in real GDP (left-hand figures) and employment (right-hand figures) from the quarter listed on the x-axis versus the same quarter one year earlier. Positive growth is denoted as points above the zero line, whereas values below the zero line depict a contraction.

GDP and employment (% change versus same quarter, prior year)



Source: IMF, *World Economic Outlook*, September 2011; Australian Bureau of Statistics; Eurostat; OECD; Statistics Bureau, Japan; US Bureau of Labor Statistics.

GDP fell sharply in the Developed Economies and European Union region during the global economic crisis, culminating in a contraction of almost 20 per cent in Latvia in Q3 2009 (versus Q3 2008) and a drop of more than 4 per cent in Germany and Spain. All three economies registered positive GDP growth rates beginning in 2010. Growth rebounded sharply in Germany and Latvia toward the end of 2010, although growth decelerated in Germany in Q2 2011 and further in Q3 2011. The recovery in growth has been very weak in Spain, with positive growth rates beginning only in Q2 2010 and with levels below 1 per cent through Q3 2011.

In Japan and the United States GDP growth bottomed out in Q1 and Q2 2009, respectively, with contractions of 9.9 per cent and 5 per cent, and remained negative through Q4 2009. In both economies growth rebounded sharply, and has remained positive since Q1 2010. However, in the first half of 2011, GDP once again contracted substantially in Japan, a period which included the tragic Tohoku earthquake and tsunami. In mid-2010 the United States experienced a deceleration in output growth, which has been gradually decreasing through Q3 2011. The crisis had a less severe impact on Australia's GDP growth rate, with year-on-year quarterly growth rates remaining positive, although its current levels are modestly below the peak of 3.1 per cent registered in mid-2010.

Major contractions in employment occurred in Latvia and Spain, especially in Latvia, where employment declined by 15.8 per cent in Q3 2009 (versus Q3 2008). However, Latvia's employment growth turned positive in Q3 2010, the same quarter as GDP growth resumed. Employment losses were even greater than GDP losses in Spain, where a recovery in job creation has not yet taken hold, with year-on-year growth rates in employment remaining negative through Q3 2011. Based on pre-crisis trends, a gap of 2.2 million jobs has opened up in Spain. Germany did not experience a major contraction in employment levels, although employment growth in 2010 was far from robust. In the first half of 2011, employment growth accelerated to over 3 per cent in Latvia and reached 2.7 per cent in Q2 2011 in Germany.

Employment growth was already negative in Japan and the United States in Q4 2008, and remained negative through Q2 2010 in Japan and through Q3 2010 in the United States. In both economies, the recovery in job creation has been weak, with employment growth turning negative once again in Japan in 2011. Employment growth has remained positive in Australia, but has been decelerating moderately since the beginning of 2011.

*For Japan, employment figures in Q1 and Q2 2011 do not include the prefectures devastated by the Tohoku earthquake and tsunami (Iwate, Miyagi and Fukushima).

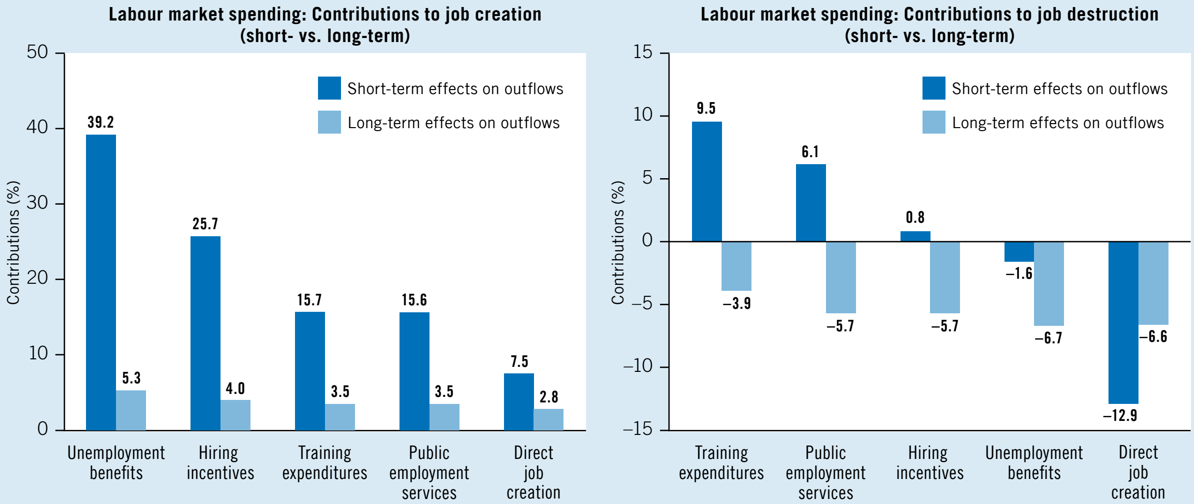
Box 5. The importance of unemployment benefits for an employment recovery

Reforms of passive income-support measures – such as unemployment benefits – have taken centre stage in the discussion on measures to strengthen both employment creation and fiscal sustainability. Indeed, at the onset of the crisis, several countries – including the United States, Canada and Japan – decided to lengthen unemployment benefit duration and to increase the coverage ratio (for instance, prior to the crisis only 50 per cent of jobseekers in Japan were eligible to receive benefits; see IILS, 2009). This triggered a lively debate as to the potential adverse effects that such increases in "generosity" might have on unemployment persistence and public finances. Indeed, earlier evidence presented by international observers such as the OECD and the World Bank had suggested that unemployment benefit rates have a strongly positive effect on average unemployment rates (Bassanini and Duval, 2006). In particular, some analysts have emphasized the adverse effects of extended unemployment benefits for job search incentives (Rothstein, 2011). Others have stressed that to assess the full impact of unemployment insurance on the level and duration of unemployment, the financing of the insurance scheme also needs to be taken into account (Spiezia, 2000). Moreover, recent evidence presented in IILS (2010) suggests that spending on passive income-support measures helped encourage labour market flows from unemployment into employment, in contrast to these earlier claims that were looking exclusively at benefit replacement rates.

Part of the problem in identifying properly the impact of passive income-support measures on the stock of unemployment lies with the fact that spending on benefits typically increases during downswings, in line with the unemployment rate. Often, this is accompanied by an increase in benefit replacement rates. This increase may be because countries choose to extend unemployment benefits in particularly severe downturns to prevent a dramatic deterioration of the social environment, such as in the United States, Japan and Canada. Alternatively, it may be due to a relaxation of job search requirements by public employment services, which have to take the overall macroeconomic situation into account when deciding whether or not job search efforts have been sufficient, such as in Germany. A simple statistical analysis is therefore likely to reveal a positive correlation between unemployment benefits and the unemployment stock, but for reasons unrelated to the presumed incentive effect (where higher benefits are presumed to reduce job search activities by the unemployed). As a consequence, austerity measures targeting income-support schemes for jobseekers are not only unlikely to lower the unemployment rate, they are also ineffective at maintaining or restoring long-term fiscal sustainability.

The assessment of policy instruments large enough to have sizeable aggregate spending effects always needs to take account of the macroeconomic interactions. In a recent study, Ernst (2011b) compared the effectiveness of different passive and active labour market policies on both job creation and job destruction rates in a panel of advanced OECD countries. All policy measures had spending effects of between 0.5 per cent and 2 per cent of GDP, depending on the measure and the country under consideration. Besides their microeconomic incentive effects on job search intensity and job matching quality, their aggregate demand effects were also taken into account. The results demonstrate that the overall effect can be sizeable both in the short term and over the long term, suggesting that passive income-support measures can strengthen job creation rates and limit job destruction, in particular during times of faltering aggregate demand (see figure below).

Policy contributions to job creation and destruction



Note: The charts present the contributions (in percentages) to job creation (measured by outflow rates out of unemployment) and job destruction (measured by inflow rates into unemployment) of different labour market policies in a panel of 14 OECD countries. Contributions are measured relative to the total variance of cross-country job creation/destruction rates and are calculated with respect to the average spending shock across the country sample for each individual policy. Each bar corresponds to a single estimate of the respective policy, taking several control variables into account. The estimates are based on a reduced-form macroeconomic model with an aggregate supply curve. Short-term effects describe the policy impact in the first year after implementation, long-term effects refer to steady-state policy contributions.

Source: Ernst, 2011b.

Box 6. Creating 2.4 million jobs and 7 million job-years in the United States through private investment

With the ongoing reduction in fiscal stimulus measures and increased austerity being enacted by governments in many developed economies, increasing private investment is an essential catalyst for forging a sustained jobs recovery. Investment in new plants and equipment could help pick up the slack of reduced public-support measures, boosting payrolls and providing a much-needed jolt to economic activity.

Yet, there is evidence that many companies are holding large amounts of excess cash reserves relative to historical patterns, rather than investing towards productive ends. This is perhaps not surprising, given the highly uncertain economic environment in which firms are currently operating, but the consequence of this behaviour when aggregated across companies and economies is a "paradox of thrift" – oversaving by large numbers of companies leads to low levels of investment, which, in turn, reduces prospects for economic growth and job creation and makes a further downturn more likely.

In the United States, there has been a great deal of media attention on the large cash reserves that have been built up by non-financial corporations. In aggregate, around US$2 trillion was held by non-financial companies in the United States at the end of June 2011. As this amounts to more than 13 per cent of total US GDP, it is expected that investment of even a fraction of the total cash reserves could provide a substantial boost to growth of output and employment.

To assess the potential impact of such an increase in investment, the ILO and the Interindustry Forecasting Project at the University of Maryland (Inforum) produced a series of scenarios using the Long-term Interindustry Forecasting Tool (LIFT), a 97-sector dynamic general equilibrium representation of the US national economy. Estimates and projections of impacts on output, employment and a number of other labour market and macroeconomic variables were generated for two scenarios:

- Scenario 1: Investment of a portion of each company's excess cash on hand in the industry in which the company operates, with funds being invested starting in 2012.
- Scenario 2: Introduction of an "Infrastructure Bank" into which companies would invest a portion of their available cash. Funds through the bank would support infrastructure investment projects throughout the economy starting in 2013.

It was estimated that there was a total of US$508 billion in *excess* cash holdings among US non-financial corporations averaged over the period from Q3 2010 and Q2 2011. This figure was derived utilizing Flow of Funds data published by the US Federal Reserve by calculating the ratio of liquid assets to current liabilities over this period and comparing this with the historical average ratio over the period from 2002 to 2007. The current ratio was found to be more than 14 percentage points greater than the historical average. Reversion back to the historical average gives the US$508 billion estimate of excess cash holdings.

Scenario 1

Utilizing annual non-financial corporate balance sheet data for 230 non-financial firms listed in the S&P 500 stock index and distributed across 37 industries, the proportion of total excess cash held by each industry was calculated as industry excess cash divided by total excess cash for all industries, where the total was calculated from balance sheet data. The aggregate excess cash calculated from the Flow of Funds data was then distributed accordingly across industries.

The impact of increased investment across the industries on overall GDP growth and employment was then estimated through simulations using the LIFT model. The results from two scenarios are presented in the figures below: (1a) expenditure of 100 per cent of the excess cash (US$508 billion), spread evenly over three years (2012–14); and (1b) expenditure of 50 per cent of the excess cash (US$254 billion), front-loaded with 50 per cent spent in 2012, and 25 per cent spent in both 2013 and 2014.

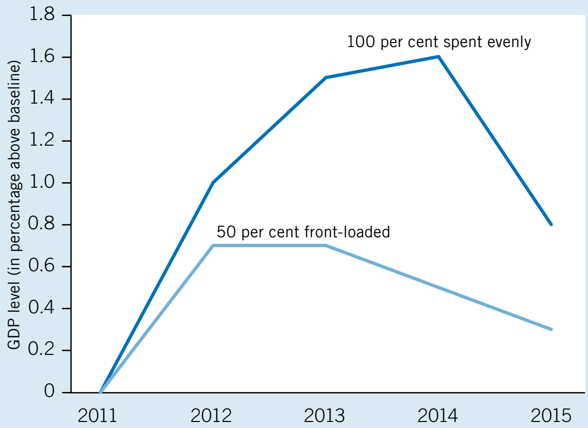
According to the results of the LIFT model scenarios, expenditure of 100 per cent of the estimated excess cash reserves spread evenly across the three years 2012 to 2014 would result in an increase in real GDP in the United States of 1 per cent in 2012, 1.5 per cent in 2013 and 1.6 per cent in 2014 compared with the baseline scenario, in which excess cash reserves would not be spent. In terms of employment impacts, under scenario 1a the employment impact would peak in 2014, whereby an additional 2.4 million jobs would be created relative to the baseline scenario. Aggregating the additional employment generated due to the increased investment over the period 2012 to 2015 results in an estimated 6.8 million job years created (total additional employment in excess of the baseline scenario

Austerity measures threaten to further harm labour markets and increase the long-term costs of the crisis

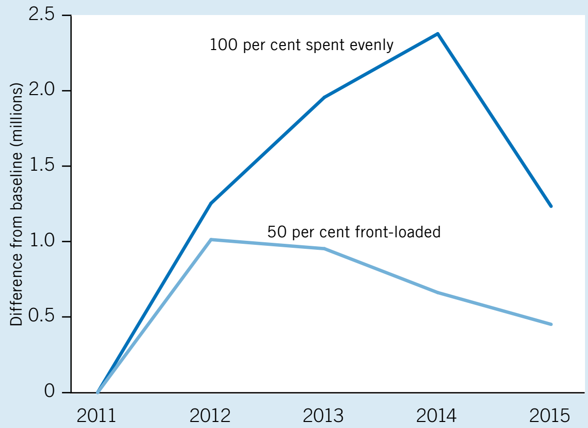
In this regard, the current move towards austerity policies and across-the-board cuts in public spending programmes that are observed in the region (see Chapter 1 for an overview) are unwarranted and are likely to compound the problems in the labour market. Indeed, past experience suggests that, in particular, labour market policies with income-support schemes have the potential for large and positive job creation effects (see box 5, previous page). In contrast, cutting down on such programmes will further entrench problems in labour markets in the region, making it more costly to reduce unemployment rates and creating a substantial drag on the recovery. Recently observed cuts in labour market spending, such as reduced support for programmes for young jobseekers in the United Kingdom, are therefore likely to come with substantial long-term adverse consequences for labour market prospects. Rather, policy-makers over the period). This would result in a 0.8 percentage point reduction in the unemployment rate in the country in 2012 compared with the baseline scenario, with a peak effect of a 1.5 percentage point reduction in the unemployment rate in 2014. According to the results, effective incentives to companies to deploy their excess capital into productive investment could yield large-scale benefits for growth and employment in the United States.

Even a more conservative assumption of expenditure of half of the excess cash reserves, with spending front-loaded in 2012 (scenario 1b), is projected to result in a large stimulus to growth and employment, with an estimated 1 million jobs created in 2012 and more than 3 million job years created between 2012 and 2015. The boost to output under this scenario would be around 0.7 per cent in both 2012 and 2013, with a smaller boost in 2014 and 2015.

Impact of increased investment on the level of real GDP in the United States, percentage difference, 2011–15



Impact of increased investment on employment in the United States, millions of jobs, 2011–15



Scenario 2

The second scenario introduces an "infrastructure bank" into which companies will invest a portion of their cash holdings. The basis for this scenario is a hypothetical introduction of a tax amnesty programme for companies' overseas cash, enacted with a requirement that companies invest repatriated funds in an infrastructure bank for three years. The bank will allocate its resources to a variety of public infrastructure improvement projects throughout the economy, starting in 2013. The assumption is that investment in state, local and federal structures would increase by a total of US$250 billion between 2013 and 2016, with US$50 billion spent in 2013, US$75 billion in 2014 and 2015 and US$50 billion in 2016.

This investment is projected to boost GDP by around 0.8 per cent in 2014 and 2015, with additional employment of around 1.1 million relative to the baseline scenario in each year. In aggregate, the infrastructure bank scenario would result in 3.9 million job-years created between 2013 and 2017.

Source: Casselman and Lahart, 2011; Interindustry Economic Research Fund, 2011.

in the region who are concerned with large budget deficits and unsustainable sovereign debt levels should aim at reorienting their spending outlays towards those areas with greatest potential to support job creation and to cut down on inefficient tax expenditures and subsidies.

A slowdown in productivity reduces investment, further depressing job growth

Part of the weak recovery prospects in the Developed Economies and European Union region has to do with long-term structural imbalances and a trend decline in productivity growth, as described in Chapter 1. This decline has gone hand-in-hand with a slowdown in investment, with adverse consequences for long-term employment growth. Even though a cyclical turnaround in productivity has been observed during the recovery in 2010, investment rates are still far below pre-crisis levels in most countries in the region, with the exception of Canada, Germany, Italy and Sweden, where investment shares exceeded those observed a year earlier. This can only partly be explained by the financial condition of enterprises, as especially large firms had amassed sufficient free cash flow to allow them to jump-start their investment programmes quickly. Indeed, estimates show that large reservoirs of unused funds lie in the business sector (see box 6, pp. 50–51), which could be mobilized to add substantially to job creation, particularly among those advanced economies that are currently suffering from severely depressed investment rates. High uncertainty regarding the future outlook of the economy and depressed aggregate demand are holding private companies back in investing more thoroughly. This could be stimulated through public policies, for instance the set-up of an infrastructure bank, to complement private with public investment and hence increase the investment returns for private businesses.

The outlook for employment creation has substantially worsened over the second half of 2011. With growth rates stalling and the return of recessionary conditions in some of the advanced economies, unemployment is on the rise again, projected to reach 43.6 million or 8.5 per cent of the region's labour force in 2012. Should growth prospects further deteriorate, already weak labour markets would take additional strain and unemployment rates could rise beyond 9 per cent by 2013, the highest rate on record. Even under more favourable macroeconomic conditions, however, and with a quicker return of recovery, it is unlikely that the region would revert to pre-crisis unemployment rates before the end of the projection period in 2016. The region is projected to experience faster reductions in male unemployment rates than female unemployment rates, but this follows a larger increase in unemployment for men than for women at the beginning of the crisis. Youth unemployment is expected to remain elevated, not falling back to pre-crisis rates before the end of the projection period, even if the more favourable conditions in the upside scenario were to prevail. Finally, the weak labour market situation continues to depress labour supply, with labour force participation rates dropping, in particular for adult males and younger workers. The ILO projects a further decline in the overall labour participation rate of almost 1 percentage point by the end of the projection period in the region.

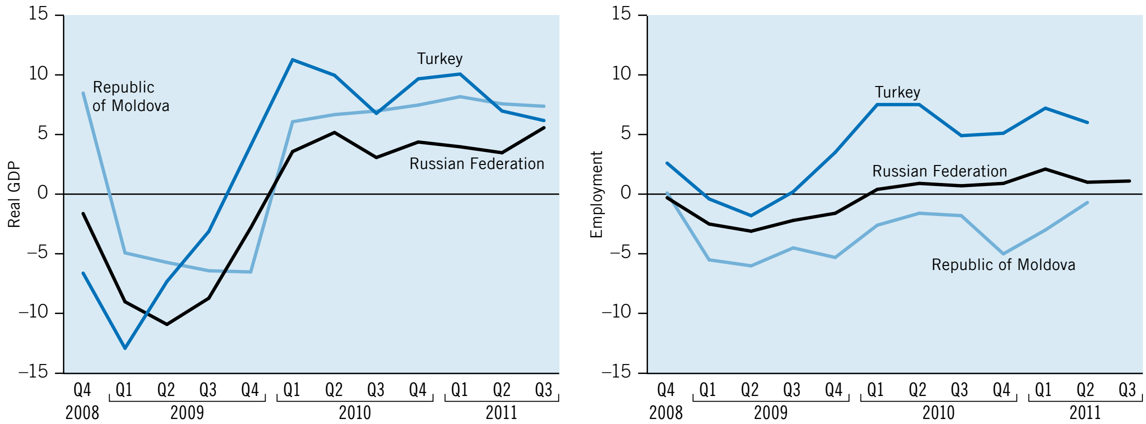
Central and South-Eastern Europe (non-EU) and CIS

Unemployment remained high in 2011 and is expected to show little change in 2012

The countries of Central and South-Eastern Europe (non-EU) and CIS experienced some of the most serious economic shocks during the global economic crisis, but also managed an exceptionally strong recovery. Between 2008 and 2009, regional economic growth dropped 10.2 percentage points to –5.9 per cent, but then recovered to reach 5.3 per cent in 2010 (a difference in annual growth rates of more than 11 percentage points in one year). Since then, the economic recovery of the region has slowed down. In 2011, regional growth was projected at 4.9 per cent, a decrease of 0.4 percentage points in comparison with the previous year. However, growth prospects vary significantly across the region. For the Russian Federation, growth is expected to be moderate, averaging 4.2 per cent during 2011 and 2012. At the other end of the spectrum, Belarus is expected to experience a sharp slowdown in growth, from 5.0 per cent to 1.2 per cent during the same period, due to contracting domestic demand caused by a currency crisis and a reversal in capital flows. For most of the energy-exporting economies in the region, growth is also projected to moderate as energy prices are expected to recede in 2012. Commodity prices significantly affect the economic prospects of the larger economies in the region (IMF, 2011a).

Country spotlight 2. Growth and employment in the Republic of Moldova, the Russian Federation and Turkey

GDP and employment (% change versus same quarter, prior year)



Source: IMF, *World Economic Outlook*, September 2011; Eurostat; ILO LABORSTA; OECD.

The experiences of the Republic of Moldova, the Russian Federation and Turkey exemplify the major shock to growth that occurred in the Central and South-Eastern Europe (non-EU) and CIS region. Growth in Turkey and in the Russian Federation plummeted to levels below 10 per cent; however, growth rebounded sharply and turned positive by Q4 2009 in Turkey and by Q1 2010 in the Russian Federation. Growth in Turkey has since decelerated, but remained around 6 per cent in Q3 2011. The Republic of Moldova experienced a more moderate drop in growth during the fourth quarter of 2009 before rebounding sharply and turning positive at the beginning of 2010. Each of these economies registered robust growth throughout 2010 and during the first three quarters of 2011.

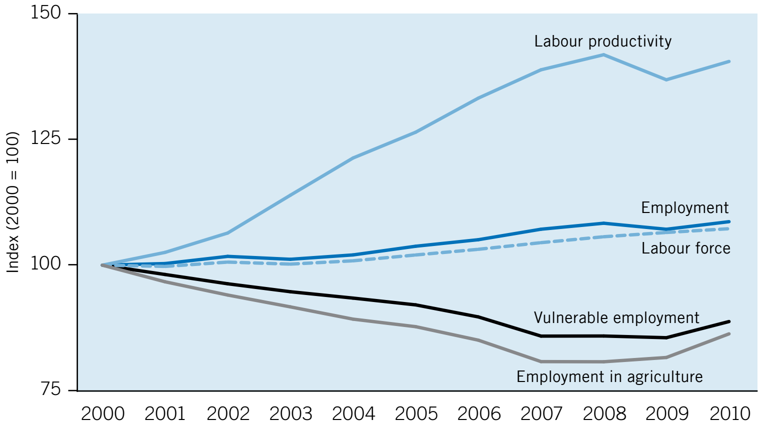
All three countries experienced the sharpest drop in employment in Q2 2009; however, the employment growth trajectories have since diverged. In Turkey, employment growth turned positive in Q3 2009 and accelerated strongly thereafter. In the Russian Federation, employment growth turned positive in Q1 2010; however, the recovery in employment growth has been less robust than the recovery in output growth. In both economies in Q2 2011 employment growth decelerated moderately. In contrast, employment growth in the Republic of Moldova has not recovered. When compared with GDP growth, a major gap in employment has emerged since Q1 2009, with the economy unable to create jobs and with year-on-year growth rates remaining negative through Q2 2011.

Despite a decrease of 0.9 percentage points, the unemployment rate in the region remained high at 8.6 per cent, which is 2.6 percentage points higher than the estimated global average of 6.0 per cent in 2011. During much of the past decade, the adult unemployment rate in Central and South-Eastern Europe (non-EU) and CIS has been the highest in the world. In 2011, it stood at 7.2 per cent, on par with the adult unemployment rate in developed economies, despite the more limited availability of social protection in countries in the region. The youth unemployment rate decreased by 1.7 percentage points, but remained high at 17.7 per cent in 2011. Such high levels of unemployment among young women and men in particular are likely to have adverse impacts, which might lead to lower levels of human capital, reduced wage rates and a weakened labour force participation in the years to come.

Limited wage employment opportunities and increasing vulnerable employment lead to growing labour migration

Following years of declining agricultural employment, the share of this sector in total employment increased in Central and South-Eastern Europe (non-EU) and CIS in the aftermath of the crisis – from 19.5 per cent in 2008 to 20.6 per cent in 2010. During the same period, the share of employment in industry dropped from 25.4 per cent to 24.4 per cent, reaching its lowest level since 1991, and the share of employment in the services sector remained at

Figure 17. Labour productivity and selected labour market indicators in Non-EU Europe and the CIS economies



Source: ILO, *Trends econometric models*, October 2011 (see Annex 4).

55.1 per cent. Several studies conducted by the World Bank and the ILO on the informal economy in the region indicate that most employment in agriculture in the region is informal employment. This suggests that employment losses in the aftermath of the crisis have been absorbed by the informal economy, and that the post-crisis labour market situation might have been worse than the unemployment figures suggest (see box 7).

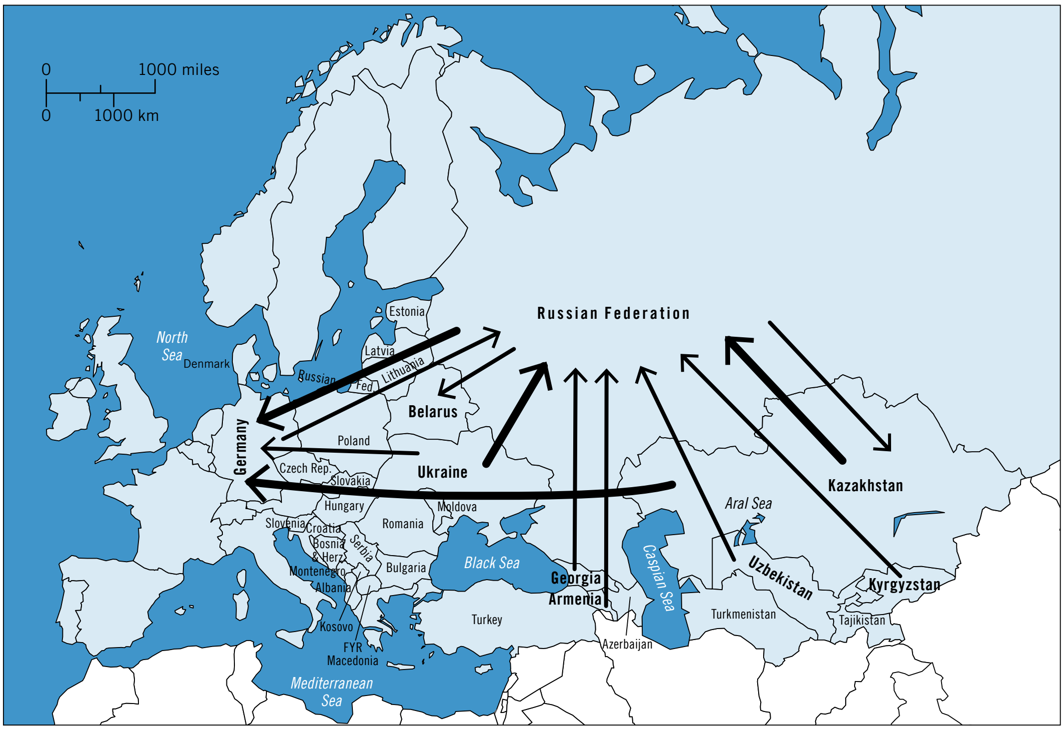
Furthermore, in line with the increased share of agricultural employment, the share of workers in vulnerable employment (the sum of own-account and contributing family workers as a proportion of total employment) increased slightly, from 20.4 per cent in 2008 to 20.9 per cent in 2010, and is more than twice as high as in the Developed Economies and European Union region. The increasing vulnerable employment rate points to significant challenges among economies in the region in terms of creating a sufficient number of quality jobs (see figure 17).

Despite the increase in vulnerable employment, the share of working poor living below the US$1.25 a day poverty line in total employment stood only at 1.4 per cent in 2010, the second lowest rate in the world. However, while necessary for international comparisons, the US$1.25 a day threshold is viewed by many researchers and analysts as inappropriate for measuring extreme poverty in this region. Due to the harsh climate, people need to spend more on housing, heating, food and clothing. Therefore, the World Bank has proposed a higher threshold of US$2.50 a day for the definition of extreme poverty. It should also be noted that the regional working poverty rate does not reflect disparities in working poverty rates across countries. For countries with national estimates available for 2008, working poverty at the US$1.25 a day level ranged from 10.7 per cent in Georgia to 0.7 per cent in Azerbaijan.

The slow recovery of employment opportunities together with increased vulnerability among those who are still employed has led many men and women to seek employment abroad, as is illustrated in figure 18. The Statistics Office of the Russian Federation (ROSSTAT) estimates that in 2010, out of all registered labour migrants in Russia, 17.6 per cent came from the Ukraine, 16.3 per cent from Uzbekistan and 14.8 from Kazakhstan (see figure 19). The Russian Federation remains the key receiving country for labour migrants in the region, followed by Kazakhstan and Azerbaijan. As foreign workers are often employed in precarious and/or informal work situations, they are frequently among the first to be laid off.

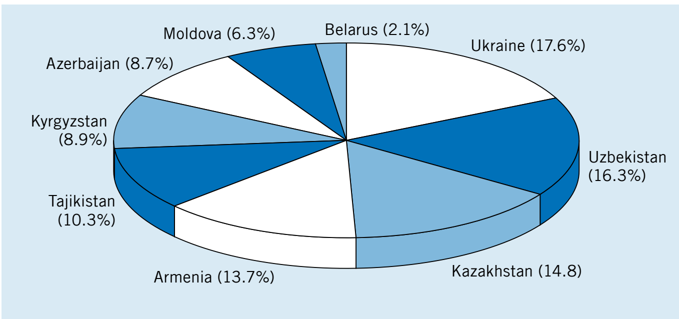
Significant efforts have been made by governments in the region to maintain employment levels and combat the effects of the global economic crisis, especially in Azerbaijan, Kazakhstan and the Russian Federation. According to the Ministry of Healthcare and Social Development of Russia, over 21.8 million persons benefited from active labour market programmes between 2009 and 2010.

Figure 18. Migration flows from CIS into the Russian Federation



Note: Arrows represent migration streams. Thick, 3000,000 persons; thin, 40,000 persons.
Source: World Bank: http://siteresources.worldbank.org/INTECA/Resources/257896-1167856389505/migration-pop-slide1.htm

Figure 19. Origins of labour migrants residing in the Russian Federation in 2010



Source: ROSSTAT, 2010: http://www.gks.ru/wps/wcm/connect/rosstat/rosstatsite.eng/

In accordance with the resurgence in output and declining unemployment rates since 2009, the growth rate of labour productivity in the region increased from –5.0 per cent in 2009 to 3.6 per cent in 2010 (see figure 17). However, preliminary estimates for 2011 show little change, with productivity growing steadily at between 2.5 and 3.6 per cent.

Looking ahead, the region's economic growth is expected to slow to 3.8 per cent in 2012, while the unemployment rate is expected to show little change at 8.6 per cent. The moderation in growth reflects the region's increased economic vulnerability, brought about by the global slowdown.

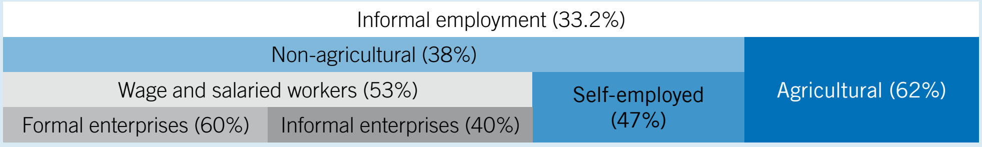
Box 7. Informal employment in Kazakhstan

According to World Bank estimates based on the latest available labour force survey in Kazakhstan, informal employment* represented 33.2 per cent of total employment in 2009. Out of all informal workers in the country, the majority (62 per cent) were employed in the agricultural sector. Therefore, informal employment was mainly a rural phenomenon and agricultural employment and informal employment largely overlapped.

Four out of ten informal workers held a job outside the agricultural sector in 2009. Just more than half of these were wage and salaried workers, who predominantly work in formal enterprises (60 per cent), and the remainder in informal enterprises (40 per cent). The self-employed represent just below half of non-agricultural informal employment (47 per cent). This finding confutes the common perception that all informal employment in Kazakhstan equates to self-employment.

Nevertheless, the incidence of informal employment is indeed much higher among the self-employed than among wage and salaried workers. Only 12 per cent of wage and salaried employees worked informally, compared with as much as 44 per cent of the self-employed, in 2009.

Informal employment in Kazakhstan



Source: *Labour Force Survey 2009*; World Bank staff calculations.

* For a comprehensive description of the conceptual framework of employment in the informal economy, see http://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/presentation/wcms_157467.pdf

Source: Report produced for the World Bank: *Promoting Formal Employment in Kazakhstan* (May 2011): http://www.iza.org/conference_files/InfoETE2011/rutkowski_j1928.pdf

Latin America and the Caribbean

Employment opportunities are expanding, in particular for women

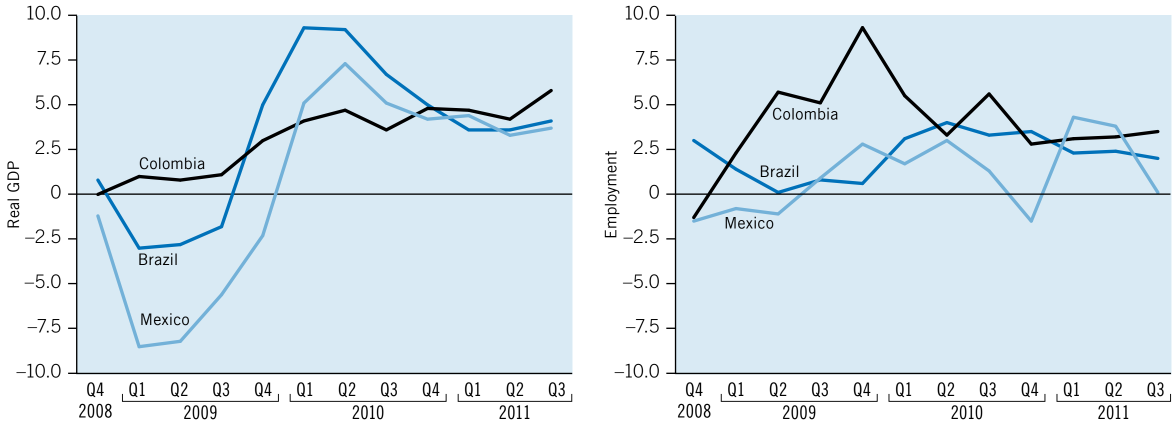
The Latin America and the Caribbean region returned to pre-crisis economic growth rates in 2010 and continued its strong performance in 2011, albeit at a slower pace. Economic growth for the region is estimated at 4.5 per cent in 2011, compared with 6.1 per cent in 2010 and an average annual rate of 3.6 per cent for the period 2000 to 2007 (see table A1). The highest economic growth rate in the region was registered in Argentina, which achieved 8.0 per cent in 2011. Other large Latin American economies, including Brazil, Colombia and Mexico, also achieved growth rates at or above pre-crisis trends, while Venezuela returned to positive territory in 2011 at 2.8 per cent economic growth, after two consecutive years of negative growth. In contrast, many of the Caribbean economies continue to struggle, with a range of countries registering growth rates below 2 per cent, including Barbados, Dominica, Jamaica, Saint Kitts and Nevis and Trinidad and Tobago. Saint Vincent and the Grenadines was the only economy in the region with negative economic growth in 2011. Economic growth in the Caribbean is constrained by its linkages with the slowly growing economy of the United States, as well as the slow recovery in remittances and tourism.

Nevertheless, short-term labour market indicators, such as monthly and quarterly unemployment rates, show positive trends in many countries in Latin America and the Caribbean. The unemployment rate measured in Brazil's monthly survey of six metropolitan areas dropped by 0.7 percentage points between August 2010 and August 2011, reaching 6.0 per cent in the latter month. In Argentina, the quarterly unemployment rate decreased to 7.4 per cent in the first quarter of 2011, compared with 8.3 per cent in the first quarter of 2010.[8] However, in other countries, including Mexico, unemployment rates have remained above pre-crisis levels (see country spotlight 3).

[8] See ILO, *Short term indicators of the labour market*: http://laborsta.ilo.org/sti/sti_E.html

Country spotlight 3. Growth and employment in Brazil*, Colombia and Mexico

GDP and employment (% change versus same quarter, prior year)



Source: IMF, *World Economic Outlook*, September 2011; Departamento Administrativo Nacional de Estadística, Colombia; Instituto Brasileiro de Geografia e Estatistica; ILO LABORSTA; OECD.

Owing to its close ties with the United States' economy, Mexico was hard hit by the global economic crisis, with GDP contracting severely, by almost 9 per cent (versus the prior year) in Q1 2009. The shock to growth was also significant in Brazil, where growth bottomed out in Q1 2009 and remained negative through Q2 and Q3 2009. Both economies began a gradual recovery that accelerated at the end of 2009 and into 2010; however, since Q3 2010 the recovery has decelerated sharply to more modest growth rates. The crisis had a less severe impact on Colombia's growth rate, with year-on-year quarterly growth rates remaining positive and accelerating during 2011.

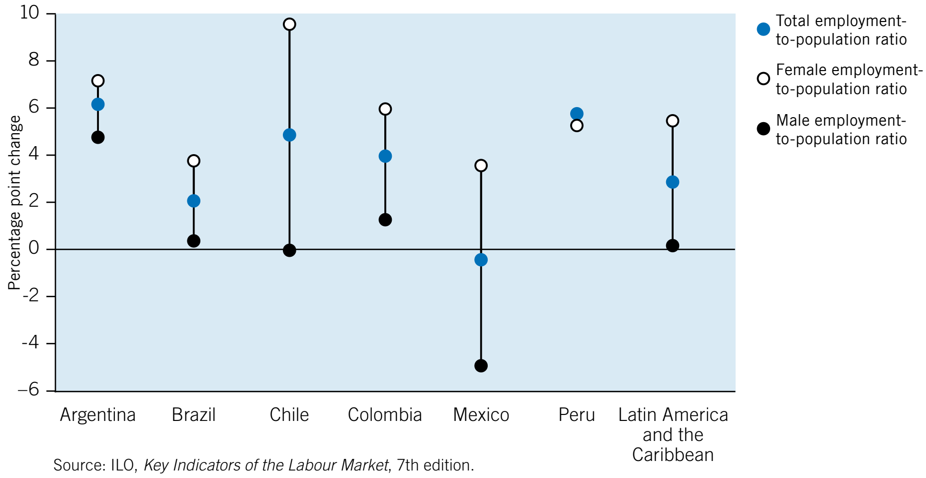
Employment growth was already negative in Mexico in Q4 2008, and remained negative through the second quarter of 2009. Colombia saw a significant increase in employment growth in 2009, which has somewhat moderated in 2010 and 2011. The urban areas of Brazil have experienced year-on-year quarterly positive growth rates since Q3 2009; however, employment growth decelerated in the first three quarters of 2011.

* For Brazil, employment figures correspond to urban areas, while GDP figures are national.

Turning to longer term trends in Latin America and the Caribbean as a whole, employment opportunities have expanded considerably in the past ten years (see table A5). Despite the negative impact of the global economic crisis on the employment-to-population ratio in 2009, this indicator increased by 2.9 percentage points between 2000 and 2010, which is the largest increase of all regions during this period. The male employment-to-population ratio in Latin America and the Caribbean increased slightly between 2000 and 2010 (by 0.2 percentage points), but, as discussed in Chapter 2, the expansion of employment opportunities mostly benefited women. The increase in the female employment-to-population ratio was much greater, at 5.5 percentage points, which reduced the gender gap in employment-to-population ratios to 26.7 percentage points (compared with 32.0 percentage points in 2000).

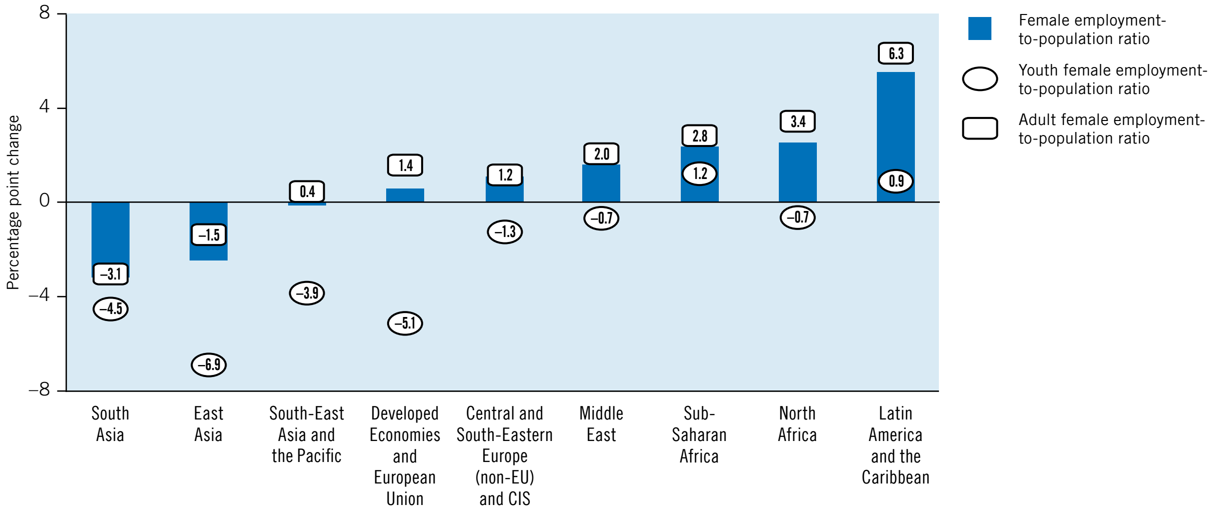
Figure 20 illustrates the increase in female employment-to-population ratios for selected countries in Latin America and the Caribbean. The female employment-to-population ratio in Brazil, which due to the size of its population is an important driver of regional movements in indicators, increased by 3.8 percentage points between 2000 and 2010. In Chile, the increase was 9.6 percentage points. In contrast to Brazil and Chile, the male employment-to-population ratio also increased strongly in Argentina and Peru. In terms of age groups, the increase in female employment-to-population ratios in Latin America and the Caribbean is driven by adult ratios more than by youth ratios. The regional increase in the female adult employment-to-population ratio was 6.3 percentage points, more than twice the movement observed in the region with the second largest increase, i.e. North Africa (see figure 21).

Figure 20. National employment-to-population ratios by sex, 2000–10



Source: ILO, *Key Indicators of the Labour Market*, 7th edition.

Figure 21. Female employment-to-population ratio by region and age group, 2000–10



Source: ILO, *Trends econometric models*, October 2011.

Declining vulnerable employment and continued progress towards reducing working poverty

The quality of employment, as captured by the vulnerable employment rate, has also improved in Latin America and the Caribbean. In contrast to the limited progress during the 1990s, when the vulnerable employment rate increased, the proportion of own-account workers and contributing family workers has been on a decreasing trend since 2003. Following the interruption by the global crisis in 2009, the vulnerable employment rate continued to decrease in 2010, and during the whole 2000 to 2010 period the rate decreased by 4.0 percentage points. It reached 31.9 per cent in 2010, a level that is estimated to have remained steady in 2011 (see table A12). This is the fourth lowest regional vulnerable employment rate, higher only than Central and South-Eastern Europe (non-EU) and CIS, the Developed Economies and European Union and the Middle East.

Progress towards reducing working poverty was also much better in the period 2000 to 2010, with a reduction of 3.6 percentage points in the working poverty rate at the US$1.25 a day level, compared with a reduction of 1.6 percentage points during the 1990s. An estimated 3.3 per cent of the employed were living in poverty in 2011 at this level. At the US$2 level, the proportion was 8.8 per cent in 2011, making Latin America and the Caribbean one of only three regions with a working poverty rate at the US$2 level of below 10 per cent (the other two regions are Central and South-Eastern Europe (non-EU) and CIS and North Africa).

Latin America and the Caribbean experienced an increase in the share of industrial employment during the period 2004 to 2008, but this trend was interrupted by the global economic crisis. Between 2008 and 2011, industrial employment decreased by 0.8 percentage points, and during the period since 2000 the share of employment in industry registered only a small increase, 0.7 percentage points. Most of the new jobs in Latin America and the Caribbean continue to be created in the services sector. Between 2000 and 2011, the share of services in total employment increased by 3.6 percentage points, to 62.0 per cent in 2011. This is the highest share of services in total employment of all regions except the Developed Economies and European Union.

Despite the fact that Latin America and the Caribbean has a similar share in industrial employment to the Developed Economies and the European Union, output per worker is less than one-third of the level in the developed economies. This is not only due to a much larger share of employment in agriculture, but also to lower average productivity levels in the services sector. Improved employment quality and lower rates of vulnerable employment are certainly contributing to higher productivity levels, but an important concern remains the lack of convergence with productivity levels in the developed economies, which stems from a lack of convergence in services sector productivity levels (see figure 13 in Chapter 2). There are also important differences in productivity levels and growth rates within the region, with Brazil's productivity level considerably lower than levels in other large economies, such as Argentina and Venezuela, and with very low levels in some of the countries in the Caribbean (see ILO, 2011d, Ch. 1, sec. C). Although recent years have seen productivity growth (except in 2009) in many countries in Latin America and the Caribbean, convergence requires further improvements in education and skills of the regional labour force.

Continued growth is expected for 2012, albeit at a lower rate of 4.0 per cent. The unemployment rate is projected to remain steady at 7.2 per cent. Despite the favourable economic environment, young people face relatively high unemployment rates. The regional youth unemployment rate may even slightly rise in 2012, while the adult unemployment rate may decrease, in particular for adult men. In accordance with longer term trends, adult women will continue to benefit from new employment opportunities, resulting in a further rise of the female employment-to-population ratio. However, due to the growth of the female adult labour force, this is not likely to be reflected in a lower unemployment rate for this group.

East Asia

Economic activity in 2011 remained strong and labour market performance was also notable

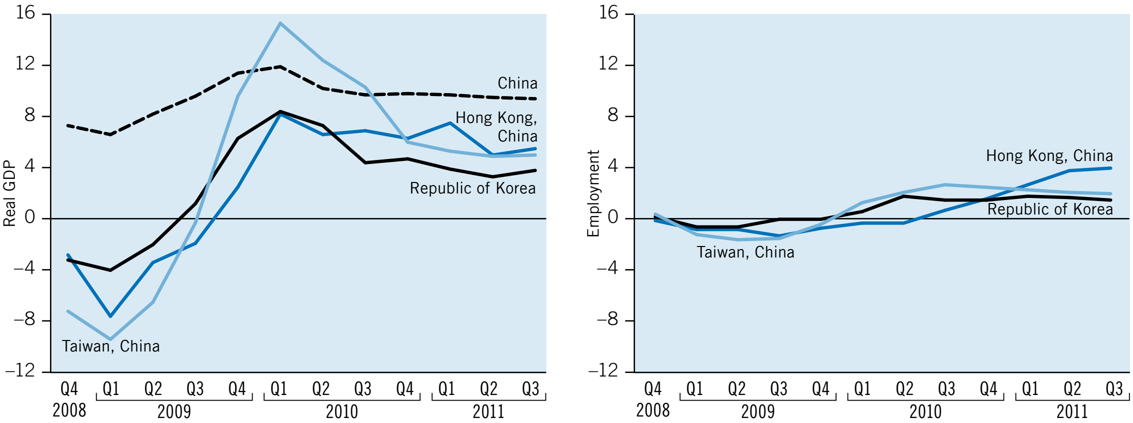
Following a remarkable rebound in 2010 (9.8 per cent), economic activity in East Asia in 2011 decelerated but remained robust (8.5 per cent), led by Mongolia (11.5 per cent), China (9.5 per cent), Hong Kong, China (6.0 per cent) and Taiwan, China (5.2 per cent). However, high consumer price inflation in much of East Asia was a significant concern for policy-makers, particularly in China (6.1 per cent in September), Hong Kong, China (5.7 per cent in August), the Republic of Korea (4.3 per cent in September), Macau, China (6.1 per cent in September) and Mongolia (10.5 per cent in September).[9]

Strong economic growth has continued to fuel employment growth. In 2011, employment in East Asia increased by an estimated 6.5 million, or 0.8 per cent, consisting of 4.1 million

[9] All figures on economic activity are from the CEIC Global Database: http://www.ceicdata.com/Regional.html

Country spotlight 4. Growth and employment in China, Hong Kong (China), Republic of Korea and Taiwan (China)

GDP and employment (% change versus same quarter, prior year)



Source: IMF, *World Economic Outlook*, September 2011; Census and Statistics Department, Hong Kong (China); Korean Statistical Information Service; National Statistics, Republic of China (Taiwan).

The shock to economic growth in the East Asia region was sharp but brief in comparison with the Developed Economies and European Union region. Economic growth in the Republic of Korea, Hong Kong (China) and Taiwan (China) bottomed out in Q1 2009, with steep declines registered in that quarter, particularly in Taiwan (China), at –9.4 per cent versus Q1 in the prior year, and in Hong Kong (China), where growth was –7.6 per cent versus the prior year. China registered positive growth throughout the crisis, with the lowest growth rate also occurring in the first half of 2009. Growth rebounded sharply in these economies, with Taiwan (China) growing more than 15 per cent in Q1 2010 (versus Q1 2009) and Hong Kong (China) and the Republic of Korea both registering growth in excess of 8 per cent in the same quarter. Since Q2 2010 the pace of growth has slowed sharply, especially in Taiwan (China) and the Republic of Korea; both economies were adversely affected by deteriorating demand conditions in the United States and the European Union, however consistent economic growth in China should attenuate this factor.

Employment losses were far less severe in percentage terms than the declines in economic growth, though negative employment growth rates persisted through Q4 2009 in Hong Kong (China) and Taiwan (China). Both the Republic of Korea and Taiwan (China) saw a notable pickup in employment growth in Q2 2010 and fairly constant employment growth since then. Robust GDP growth in Hong Kong (China) continues to support rapid employment growth.

additional men and 2.4 million additional women in employment. The most recent data available from national statistical offices show year-on-year employment growth of 5.5 per cent in Macau, China in July; 4.0 per cent in Hong Kong, China in July (5.8 per cent for women and 2.4 per cent for men); 2.0 per cent in Taiwan, China in August (1.5 per cent for women and 2.4 per cent for men); and 1.1 per cent in the Republic of Korea in September (0.8 per cent for women and 1.3 per cent for men).

The unemployment rate remained constant and relatively low at 4.1 per cent as employment creation kept pace with slow labour force growth, but male jobseekers (4.7 per cent) were more affected than female jobseekers (3.4 per cent). However, the unemployment rate among East Asian youth (8.8 per cent) remained high in 2011, particularly for young men (10.3 per cent), but also for young women (7.1 per cent). As such, young jobseekers were 2.7 times more likely than their adult counterparts to be unemployed. The most recent data available from national statistical offices indicate elevated youth unemployment rates: 16.6 per cent in Hong Kong, China in August (17.2 per cent for women and 16.0 per cent for men); 13.3 per cent in Taiwan, China in August; 8.0 per cent in the Republic of Korea in September (7.1 per cent for women and 9.5 per cent for men); and 6.7 per cent in Macau, China in May (4.9 per cent for women and 8.5 per cent for men).

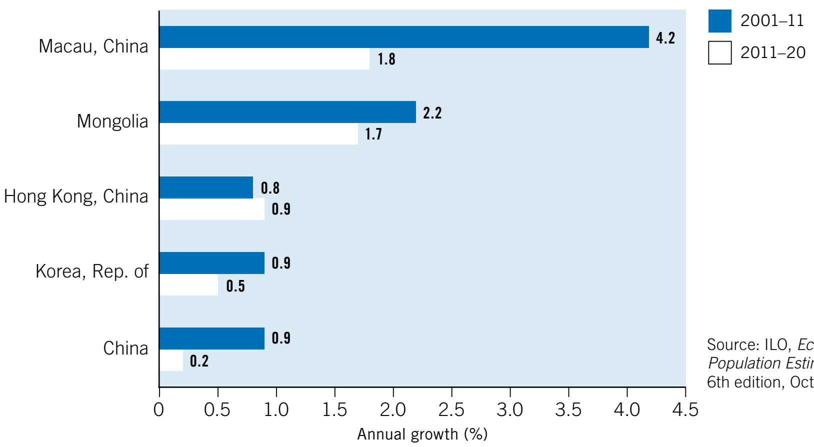
In 2010, an estimated 48.6 per cent of East Asia's workers were engaged as wage or salaried earners (51.4 per cent for men and 45.1 per cent for women), a slight increase from 47.4 per cent in 2009. However, the share of workers classified as vulnerable (own-account and contributing family workers) remained high, at 48.7 per cent in 2011, although this was down slightly from 49.6 per cent in 2010. As in previous years, vulnerable employment disproportionately affected women (52.7 per cent) compared with men (45.4 per cent). Working poverty rates, which have been on a declining trend for East Asia, continued to decrease moderately in 2011 as compared with 2010: the numbers of working poor fell from 67 million to 64 million at the US$1.25 a day poverty rate, representing an estimated 7.8 per cent of total employment in 2011. With regard to the US$2 poverty line, the numbers of working poor in East Asia declined from 157 million to 149 million in 2011, the latter representing an estimated 18 per cent of total employment in East Asia in 2011.

Wages and incomes continued to rise in 2011, particularly in China, which aimed at rebalancing growth and strengthening domestic demand. A total of 13 Chinese provinces raised minimum wages in Q1 2011, by an average 21 per cent (according to the Ministry of Human Resources and Social Security), per capita urban disposable income rose 13.2 per cent in the first half of the year and rural cash incomes climbed 20.4 per cent (according to the China National Bureau of Statistics).[10] Further wage increase can be expected over the medium term as labour force growth starts to slow down due to demographic ageing.

East Asia must also prepare for imminent demographic and labour force challenges

East Asia is rapidly ageing. By 2030, the old-age dependency ratio (the population aged 65 years and over divided by the population aged 15–64) is projected to jump from 15.9 per cent in 2011 to 37.3 per cent in the Republic of Korea, and in China from 11.6 per cent to 23.9 per cent.[11] Due to the ageing population, labour force growth is projected to be flat during the next decade, notably in China and the Republic of Korea, where the increase in the workforce will slow to 0.2 per cent and 0.5 per cent, respectively, between 2011 and 2020 (see figure 22 and box 8). To the extent that current difficulties in the world economy are short-lived, this will bring about a demographic dividend as younger cohorts can benefit from vastly larger capital equipment, driving up labour productivity and wages. This dividend should help countries in the region to prepare for increased public and private costs of taking care of the elderly before the old-age dependency ratio is set to increase sharply.

Figure 22. Labour force growth, ages 15+ (annual average, %)



Source: ILO, *Economically Active Population Estimates and Projections*, 6th edition, October 2011.

[10] Bloomberg News: "China's manufacturing growth exceeds estimates", 1 August 2011: http://www.bloomberg.com/news/2011-08-01/china-manufacturing-exceeds-estimates.html

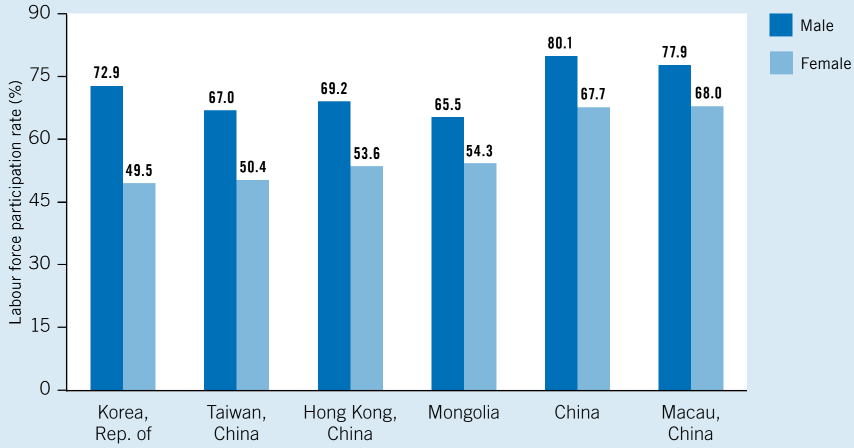
[11] Author's calculations based on Department of Economic and Social Affairs (2011). Also, see: ILO: *Asia-Pacific Labour Market Update* (Bangkok, October 2011, forthcoming).

Box 8. Policy options for East Asia to prepare for a greying population

As labour force participation rates decline in East Asia on the back of the steadily greying population, countries need to consider a number of policy priorities. Key among them are the following:

- Develop the appropriate skills policies for a greying population and the related structural changes in the economy, and nurture life-long learning.
- Create the right incentives for increasing labour force participation among women – particularly in the Republic of Korea, where the gap between male and female labour force participation rates is more than 23 pe.rcentage points (see figure below), as well as among older workers through delayed retirement schemes. This should include policies to eliminate workplace discrimination and to ensure equal remuneration for equal work.
- Accelerate labour productivity growth in order to counterbalance projected low employment and workforce growth rates. This will be a difficult challenge as labour productivity growth in the region was already an impressive 8.7 per cent in 2010 and projected to remain robust at 7.4 per cent in 2011 and 7.3 per cent in 2012. To this end, continued productivity increases in employment in agriculture – which still engages approximately 36.5 per cent of all workers in East Asia – and rural industrialization will be critical, along with encouraging enterprises to adopt progressive workplace practices and innovative technologies and to move up in regional and global production chains.
- Improve the management of labour migration regimes to help address labour shortages, while ensuring full protection of the rights of migrants.
- Develop fiscally sustainable social protection systems in East Asia. In this regard, China has made significant progress in strengthening its healthcare system and access in rural areas.

Labour force participation rate by sex, ages 15+, 2011 (%)



Source: National statistical offices; ILO: *Economically Active Population, Estimates and Projections*, 6th edition, October 2011.

Economic and job growth in the manufacturing sector decelerated

Behind robust growth in East Asia, however, signs of stress appear as weak global demand has been hitting the region's export-oriented industries. By mid-2011, various production and trade indicators for these economies started to show clear signs of slowdown:[12]

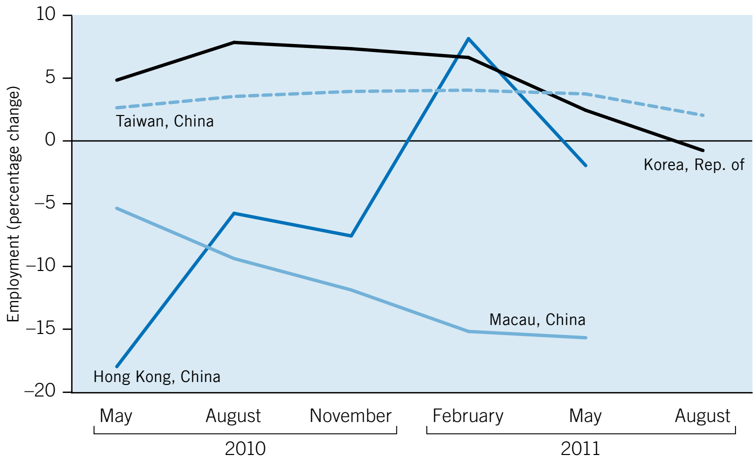
- After annualized growth of more than 5 per cent in Q3 and Q4 2010, manufacturing production in Hong Kong, China slowed to 1.9 per cent in Q2 2011. Moreover, exports contracted by 3.0 per cent in September 2011, following robust and steady growth since December 2009.
- Macau, China's export sector continued to struggle. After contracting by 17.3 per cent in April, exports picked up by 13.8 per cent in May and 3.3 per cent in June (year-on-year growth), but then declined again by 4.6 per cent and 0.2 per cent in August and September, respectively.

[12] CEIC Global Database.

- In the Republic of Korea, manufacturing production decelerated to 3.9 per cent in July and 4.9 per cent in August year-on-year, after reaching double-digit annualized growth throughout Q4 2010 and more than 9 per cent growth during Q1 2011.
- Manufacturing activity in Taiwan, China gradually decelerated to merely 2.0 per cent annualized growth in September 2011 from more than 14 per cent growth throughout Q1 2011.
- However, China's manufacturing exports remained resilient as of September, growing year-on-year by 16.7 per cent, although down from a growth rate of 24.4 per cent in August.

Against this context, employment growth in manufacturing also slowed (see figure 23). After expanding by 8.2 per cent in Q2 2011, manufacturing employment in Hong Kong, China again contracted by 1.9 per cent, a sign that the job recovery in this sector remains tenuous. In the Republic of Korea, manufacturing employment decreased by 0.7 per cent in August and further by 1.2 per cent in September, following strong and steady growth since mid-2010. Manufacturing job growth in Taiwan, China slowed to 2.1 per cent in August 2011, the first month below 3.0 per cent since May 2010. In line with weak manufacturing production, manufacturing employment in Macau, China continued to decline at a rapid pace, falling by 15.6 per cent in May 2011.

Figure 23. Employment in manufacturing (% change, year-on-year)



Note: Ages 15+, except Macau, China (ages 16+).

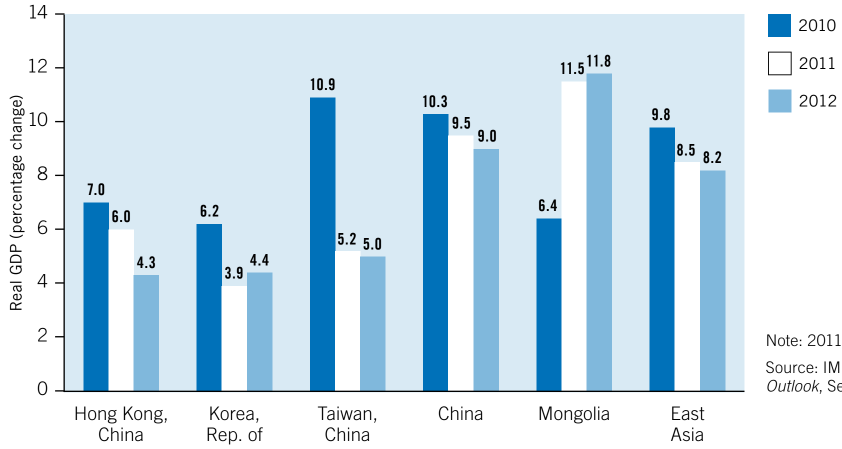
Source: ILO: LABORSTA; National statistical offices.

Facing global headwinds, economic activity and employment growth could slow further in 2012, underscoring employment challenges, particularly for youth

Over the short term, labour market outcomes will be determined by the world trade markets. Given the reliance on key trade and investment partners in the United States, where the labour market and consumer confidence remain weak, and in the euro area, where the sovereign debt crisis is hindering the economic recovery, economic activity in East Asia is forecast to decelerate further, but it is expected to remain strong, at 8.2 per cent in 2012, led by Mongolia (11.8 per cent), China (9.0 per cent), Taiwan, China (5.0 per cent), Republic of Korea (4.4 per cent) and Hong Kong, China (4.3 per cent) (see figure 24).

Against this background, employment growth in East Asia is forecast to decrease from a rate of 0.8 per cent in 2011 to 0.6 per cent in 2012, with little change projected in the employment-to-population ratio (from 70.2 per cent in 2011 to 70.1 per cent in 2012), while the unemployment rate in East Asia is projected to remain unchanged at 4.1 per cent (4.7 per cent for men and 3.4 per cent for women) in 2012. However, youth unemployment is expected to remain elevated, reaching 8.9 per cent in 2012 (10.5 per cent for young men and 7.1 per cent for young women).

Figure 24. Real GDP (% change, year-on-year)



Note: 2011 and 2012 are forecasts.

Source: IMF, *World Economic Outlook*, September 2011.

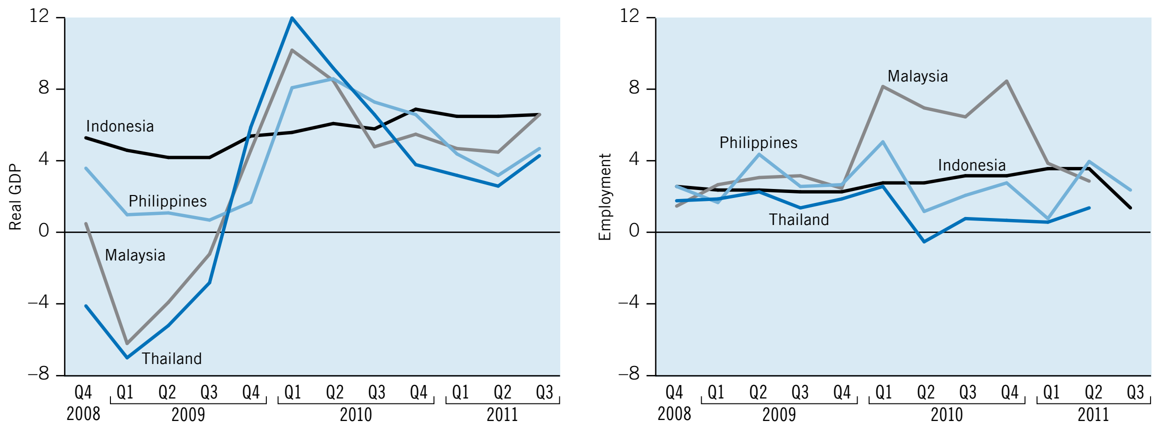
South-East Asia and the Pacific

Slowing growth begins to weigh on labour markets

Economic growth in South-East Asia and the Pacific decelerated in 2011, growing by an estimated 5.3 per cent compared with 7.5 per cent in 2010. The moderation reflects in part the phasing out of stimulus packages introduced at the height of the global economic crisis, the tightening of monetary policies in many countries in the region and, in particular, heightened global uncertainty in the midst of weak economic growth in the United States and debt turmoil in the European Union. In light of such developments, GDP growth slowed considerably

Country spotlight 5. Growth and employment in Indonesia, Malaysia, the Philippines and Thailand

GDP and employment (% change versus same quarter, prior year)



Source: IMF, *World Economic Outlook*, September 2011; ILO LABORSTA; Department of Statistics, Malaysia; National Statistics Office, Thailand; Statistics Indonesia.

The global economic crisis caused sharp contractions in growth in Malaysia and Thailand. The Philippines and Indonesia, which also saw a slowdown in economic activity, managed to maintain positive growth. There was a strong rebound in growth in the early part of 2010, with both Malaysia and Thailand growing more than 10 per cent in Q1 2010 (versus Q1 2009). Growth moderated between Q3 2010 and Q2 2011 in Malaysia. In terms of economic growth, Indonesia was not affected strongly by the crisis, experiencing persistently positive output growth levels exceeding 4 per cent.

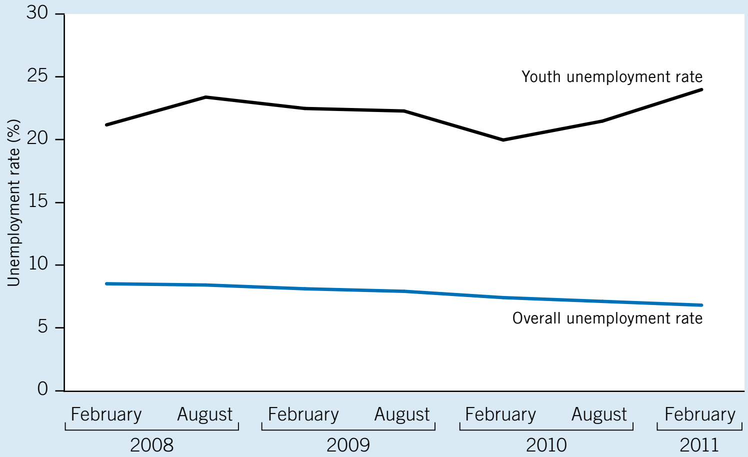
Employment growth remained positive in all four countries throughout the crisis, with the exception of Thailand in Q2 2010. Malaysia saw a major upturn in employment growth in Q4 2009, but the growth rate decreased sharply in the first half of 2011. Indonesia and Thailand registered fairly modest employment growth rates in comparison with GDP growth. In the Philippines, employment growth has remained positive, although it is volatile as a result of fluctuations in GDP growth stemming in part from major tropical storms that damaged agricultural production and displaced large numbers of workers.

Box 9. Youth unemployment in Indonesia

In the midst of robust economic growth, the unemployment rate in Indonesia has decreased consistently in recent years, including during the global economic crisis, when it fell from 8.5 per cent in February 2008 to 6.8 per cent in February 2011. During the same period, the unemployment rate for women saw a relatively steeper fall, from 9.3 per cent to 7.4 per cent (a difference of 1.9 percentage points), compared with a decline from 7.9 per cent to 6.4 per cent (a difference of 1.5 percentage points) for men.

Youth (aged 15–24) unemployment rates, however, have not followed the overall unemployment rates, indicating that adults have benefited most from falling unemployment in Indonesia. As shown in the figure below, the youth unemployment rate rose between February 2008 and the same period in 2009, and while the rate fell between February 2009 and the same period in 2010, it rose again rapidly between February 2010 and the same period in 2011, from 19.9 per cent to 23.9 per cent. Between February 2008 and the same period in 2011, the unemployment rate for young women increased by 2.7 percentage points, while the corresponding rate for young men increased by 2.8 percentage points. Such trends are a stark reminder of the challenges young women and men face in the labour market, as has been highlighted in ILO's *Global Employment Trends for Youth*.

Overall and youth unemployment rates in Indonesia, 2008–11 (%)



Source: ILO calculations based on BPS Statistics Indonesia.

in most countries in the region in the second and third quarters of 2011 compared with the same period a year earlier. The slowdown was particularly noteworthy in Thailand, as the country suffered not only from the above factors but also from disruptions in supply-chain production activities following the Tohoku earthquake and tsunami in Japan and flooding in large parts of the country. In October 2011, the Bank of Thailand significantly revised down its GDP growth projection for 2011 to 2.6 per cent from 4.1 per cent. Amidst the global uncertainties and softening growth, the Philippines in October 2011 introduced an economic stimulus package totalling 72.1 billion Philippine pesos (US$1.7 billion), while Indonesia has prepared a stimulus package that the country might implement in the first half of 2012 if needed (Yap, 2011).

The labour market in the region started to recover in 2010, but faltering domestic growth amidst the weak global economic environment has put that recovery under additional strain. The regional unemployment rate is estimated to have changed little in 2011, standing at 4.7 per cent compared with 4.8 per cent in 2010 (see table A2). In Malaysia, for example, the unemployment rate remained in the 3.0–3.2 per cent range for most of 2011, after seeing large declines during the height of the recovery (Malaysia Department of Statistics, 2011). In the Philippines, the unemployment rate rose slightly in the second quarter of 2011 to 7.1 per cent, from 7.0 per cent the same quarter the previous year (Philippines Bureau of Labor and Employment Statistics, 2011). In contrast, in Indonesia, the largest economy in the region, the unemployment rate decreased from 7.1 per cent in August 2010 to 6.6 per cent in August 2011 (BPS Statistics Indonesia, 2011).

Unemployment rates for women in the region continue to remain higher than for men, estimated at 5.1 per cent for women in 2011 compared with 4.4 per cent for men. A number of countries in the region where data are available buck this trend, however, with men being more likely to be unemployed than women in the Philippines and Thailand. Youth unemployment also continues to remain a major challenge in the region; the youth unemployment rate of 13.4 per cent in 2011 is five times higher than that for adults. In Indonesia, for instance, youth unemployment increased in recent years against an overall downward trending unemployment rate (see box 9, previous page). The youth employment challenge in the region is explained in part by the inability of education and training systems in the region to keep pace with the rapid structural transformation taking place and hence the changing skills requirements. The changes in this region are illustrated by the fall in the share of workers in agriculture from 49.7 per cent in 2000 to 42.5 per cent in 2010, while the share of workers in services during this period increased from 33.9 per cent to 39.2 per cent. The share of workers in industry saw a more modest increase, from 16.4 per cent to 18.2 per cent during the same time (see table A10).

Employment in the region is estimated to have increased by 1.8 per cent in 2011, slower than the 2.2 per cent increase in 2010, and the employment-to-population ratio is estimated to have remained largely unchanged at 66.8 per cent in 2011. The employment-to-population ratio for women is significantly lower than that for men (with a gap of 22.5 percentage points in 2011).

Rising vulnerable employment and slowed progress towards reducing working poverty

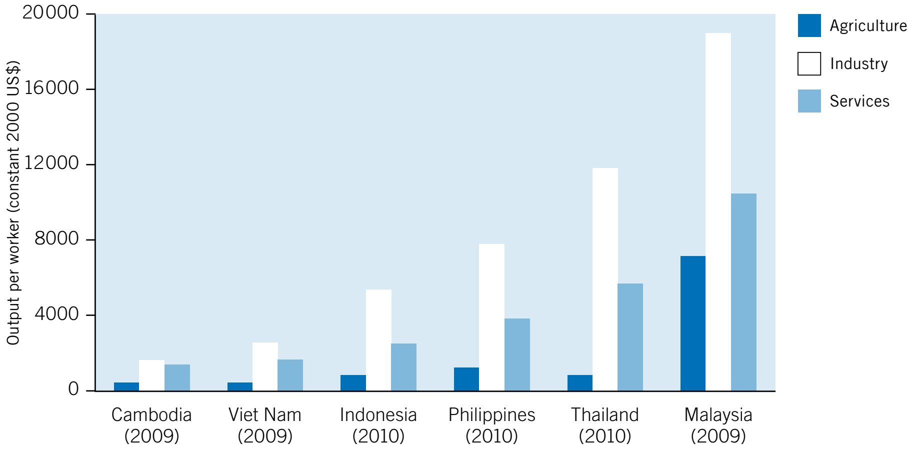
Another critical challenge in the region remains the large number of workers who are in poor quality and low-paid jobs, with intermittent and insecure work arrangements and poor working conditions, including in the informal economy. Some 181 million people, or 62.3 per cent of the region's workers, were in vulnerable employment in 2010. This represents an increase of 6.2 million workers from the levels in 2009 and a 0.8 percentage point increase in the share of vulnerable workers between 2009 and 2010. The share of workers in vulnerable employment in the region ranges from 20.8 per cent in Malaysia to 40.2 per cent in the Philippines, 53.2 per cent in Thailand and 60.7 per cent in Indonesia.[13]

The South-East Asia and the Pacific region has made tremendous progress in recent years in reducing working poverty. While some 75 million workers in the region (accounting for 31.1 per cent of the region's workers) were living with their families on less than US$1.25 a day in 2000, the corresponding number in 2011 is estimated to have fallen to 33 million (11.1 per cent of the region's workers). The share of workers living on less than US$2 a day is also estimated to have fallen from 60.5 per cent in 2000 (146 million workers) to 32.3 per cent in 2011 (96 million workers). The key challenge for the region, however, is that the pace of decline has slowed considerably in recent years: between 2004 and 2007 the number of working poor at the US$1.25 a day level fell by around 27.6 per cent, but between 2008 and 2011 the number is estimated to have fallen by a comparatively modest 10.1 per cent.

In 2012, economic growth in the region is projected to pick up slightly to 5.5 per cent (from 5.3 per cent in 2011) and the unemployment rate is projected to remain unchanged at 4.7 per cent. As countries in the region seek to sustain the recovery amidst an uncertain and fragile global economic environment and protect the crucial gains made in recent decades, a number of challenges are likely to come to the forefront of the policy agenda. The first of these is increasing labour productivity, the gains from which can be translated into better quality jobs, including better wages and working conditions. While labour productivity in

[13] Figures refer to the latest official monthly/quarterly data for 2011 available as of October 2011.

Figure 25. Output per worker by sector



Source: ILO calculations based on World Bank, *World Development Indicators*, 2011 and national statistical offices.

the region grew at an annual average rate of 4.1 per cent between 2002 and 2007 and an annual average rate of 2.6 per cent between 2008 and 2011, these rates have been much slower than in other Asian regions (see table 3). The productivity level in South Asia was only 65 per cent of the level in the South-East Asia and the Pacific region in 2000, but stood at 81 per cent in 2011. The ratio of the productivity level in East Asia to that of South-East Asia and the Pacific is projected to widen from 1.4 in 2011 to 1.7 in 2016. A starting point in this regard is to focus on sectors in which productivity levels are lowest. In all countries in figure 25, productivity levels are significantly lower in agriculture than in services – in Thailand, the productivity level in agriculture was only 15 per cent of that in services. Furthermore, productivity levels in industry dwarf those in services – in Indonesia, Philippines, Thailand and Malaysia, levels of productivity in industry are more than or close to double the levels in services.

Another key challenge for the region will be to find new sources of growth to drive employment creation and productivity growth, which can be facilitated by sector or industry policies. For the least developed countries in the region, facilitating structural transformation, export diversification and employment growth remains a key challenge (ILO, 2011e). In Samoa, for example, two products, "insulated wire and cable, optical cable" and "fish , frozen, whole", accounted for 83.7 per cent of Samoa's total exports, while 88.1 per cent of Samoa's exports go to only two countries: Australia and New Zealand (United Nations Statistics Division, 2011). In Fiji, exports are relatively more diversified in terms of products, with the two top products accounting for 35.4 per cent of all exports, but the proportion of exports that go to Australia and New Zealand is nearly the same as for Samoa (United Nations Statistics Division, 2011).

South Asia

Strong economic growth due to improving labour productivity, but considerable divergence within the region

Following a temporary slowdown during the global financial crisis, growth in the South Asia region bounced back in 2010, averaging 9.2 per cent, which was only surpassed by East Asia. Overall, South Asia has averaged almost 8 per cent growth over the past five years (7.9 per cent for 2006 to 2010). However, in line with deteriorating global economic conditions, growth is estimated to have slowed down to 7.2 per cent in 2011.

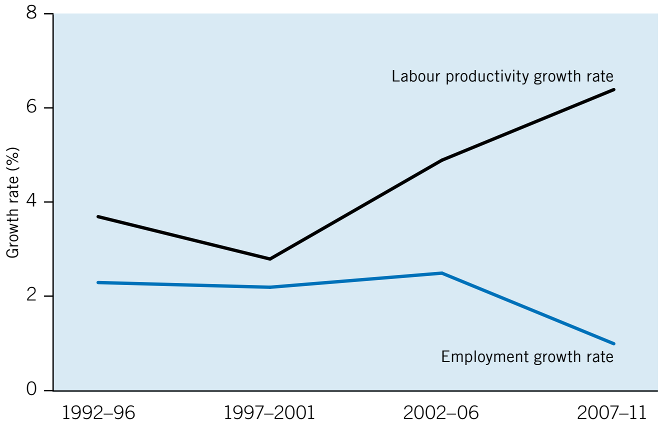
Behind these aggregate figures, there are considerable disparities within the region: growth has been most robust in India, Sri Lanka and Bangladesh, which are estimated to have expanded by 7.8, 7.0 and 6.1 per cent in 2011, respectively. The Maldives has also recovered from the substantial contraction in 2009 (–7.5 per cent), reaching growth figures of 7.1 and 6.5 per cent in 2010 and 2011. In contrast, Pakistan is estimated to have grown by only 2.6 per cent in 2011, which was due to the impact of the floods (both in 2010 and 2011), political instability, growing security concerns and high inflation, along with long-term challenges such as inadequate infrastructure. Political factors have also hampered recovery in Nepal, which was hit relatively hard during the global financial crisis as a result of weakening trade and remittances; consequently, the Nepalese economy grew by just 3.5 per cent in 2011.

The robust growth witnessed in the region, driven largely by India, has been mostly associated with a rapid rise in labour productivity rather than an expansion in employment. Until the 2000s, employment and labour productivity grew at similar rates (see figure 26). However, in the past decade, as global and domestic economic conditions improved, increased labour productivity took over as the driver of growth in the region. Between 2007 and 2011, labour productivity increased by 6.4 per cent on average, while employment expanded by just 1.0 per cent. This situation is prominent in India, where total employment grew by only 0.1 per cent over the five years to 2009/10 (from 457.9 million in 2004/05 to 458.4 million in 2009/10), while labour productivity grew by more than 34 per cent in total over this period (Chowdhury, 2011).

A major reason for the slow growth in employment in recent years is the fall in female labour force participation that has occurred in the region. This has been most pronounced in India, where the participation rate for women fell from 49.4 per cent in 2004/05 to 37.8 per cent in 2009/10 for rural females and from 24.4 per cent to 19.4 per cent for urban females. This drop in participation can only partly be explained by the strong increase in enrolment in education because it has been evident across all age groups.

The main labour market challenges in South Asia are therefore twofold and consist of achieving the twin goals of increasing labour productivity, to ensure that incomes are rising and poverty is falling, and creating enough jobs for a growing working-age population, which is expanding by around 2 per cent each year. With almost 60 per cent of the population under the age of 30, governments are seeking to take advantage of this demographic dividend and not let it become a cause of poor labour market outcomes and, ultimately, conflict and insecurity (Department of Economic and Social Affairs, 2011).

Figure 26. Divergence in labour productivity and employment growth in South Asia, five-year averages (1992–2011)



Source: ILO, *Trends econometric models*, October 2011 (see Annex 4).

The main challenge is not unemployment, but rather the high degree of informality that persists despite strong growth

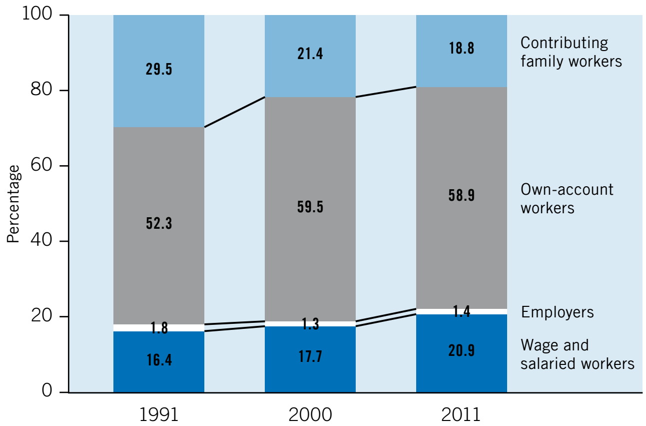
As stressed in the 2011 *Global Employment Trends* report, unemployment is not the main labour market challenge in the region. The unemployment rate in South Asia is estimated to have been just 3.6 per cent in 2011, down from 3.8 per cent a year before. Similar to other regions, the unemployment rate is higher for youth (9.9 per cent in 2011) and women (4.8 per cent). At the country level, the unemployment rate fell fastest in Sri Lanka in recent years, from 8.5 per cent in 2004 to 4.9 per cent in 2010, reflecting a peace dividend (see Sri Lanka Department of Census and Statistics, 2011, various issues).

Far more important in the South Asian context is the persistence of low-productivity, low-pay jobs, which are mostly located in the agricultural and urban informal sectors. In this respect, most of the population in South Asia continues to derive a livelihood from agriculture. In 2010, this sector accounted for 51.4 per cent of employment, although this is down by almost 11 percentage points from the share in 1991 (62.2 per cent). In comparison, the share of workers in agriculture in East Asia fell from 56.9 per cent to 34.9 per cent over the same period. As of 2010, industry and services accounted for just 20.7 and 27.9 per cent of workers in South Asia, respectively. Structural transformation is taking place in some countries: for example, in India the share of employment in agriculture decreased from 59.8 per cent in 2000 to 51.1 per cent in 2010. In Bangladesh, this share has come down even faster, from 62.1 per cent in 2000 to 48.1 per cent in 2006. Therefore, accelerating the movement of poor people out of agriculture into more productive jobs in the non-farm sector remains one of the most critical priorities for the region.

Reflecting the high share of employment in agriculture, working poverty persists at very high levels. Indeed, based on the US$2 a day international poverty line, South Asia has globally the highest proportion of working poor at 67.3 per cent (estimate for 2011), down from 86.0 per cent in 1991 (in absolute terms, the number of working poor according to the US$2 a day definition has gone up from 361 million in 1991 to 422 million in 2011). The fall in working poverty in South Asia is due in part to a rise in real wages over the past decades. For example, real wages in India have increased between 2004/05 and 2009/10 for males and females in both rural and urban areas in India; moreover, wages have improved not only for regular wage and salaried workers but also for casual ones. However, due to the unprecedented drop in poverty in East Asia over the past decades (the share of working poor decreased from 83.4 per cent to 18.0 per cent over this period), South Asia now accounts for almost half of the world's working poor (estimated to be 46.2 per cent in 2011).

Other decent work deficits are looming large in the region as well. South Asia has the highest rate of vulnerable employment (own-account workers plus contributing family workers)

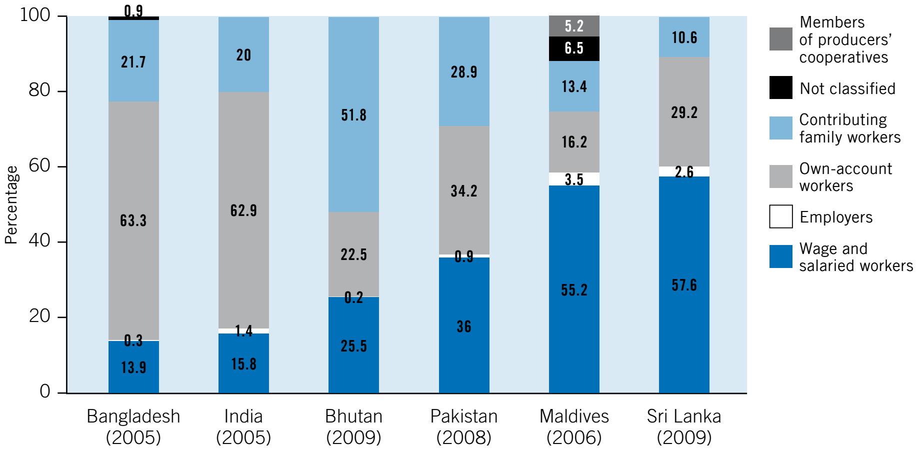
Figure 27. Persistence of vulnerable employment in South Asia, 1991, 2000 and 2011



Note: 2011 are preliminary estimates.

Source: ILO, *Trends econometric models*, October 2011 (see Annex 4).

Figure 28. Distribution of employment status in South Asian countries, latest year



Note: Year of data is indicated in parentheses. Totals may differ due to rounding.

Source: ILO, *Key Indicators of the Labour Market*, 7th edition; national sources.

of any region. In 1991, own-account workers and contributing family workers made up 52.3 and 29.5 per cent of employment in South Asia, representing a vulnerable employment rate of 81.8 per cent (see figure 27). In 2011, the overall rate of vulnerable employment had only come down to 77.7 per cent. Over the past two decades, contributing family workers decreased to 18.8 per cent in 2011, but this was offset by a rise in own-account workers to 58.9 per cent. Thus, the share of wage and salaried employment has barely changed in the region during this era of strong economic growth. Moreover, gender disparities continue as the vulnerable employment rate reaches 83.8 per cent for South Asian women versus 75.5 per cent for men (2011 estimates).

Employment status patterns vary considerably within the South Asian region (see figure 28). Based on the latest available data, vulnerable employment, especially own-account workers, dominates in Bangladesh and India (63.3 and 62.9 per cent of total employment, respectively). In Bhutan, contributing family workers are in a majority, representing 51.8 per cent of workers, while in Pakistan, the shares of wage and salaried workers, own-account workers and contributing family workers all account for around one-third of employment. The proportion of wage and salaried workers is higher (55.2 and 57.6 per cent, respectively), and thus the vulnerable employment rate lower, in the Maldives and Sri Lanka. This situation is due to the dominance of such sectors as tourism in the Maldives and the public sector in Sri Lanka.

Prospects for 2012 are clouded by global uncertainties

The global uncertainty stemming from the euro area sovereign debt crisis and the continuing weakness of the United States' economy has negative implications for all countries, including those in the South Asia region, particularly those dependent on remittances and tourism (such as the Maldives, Nepal and Sri Lanka). Afghanistan is facing the prospect of further NATO troop withdrawals, which may undermine security and so hamper economic activity and job creation. Similarly, Pakistan continues to address a range of complex challenges, including political and macroeconomic instability and the impact of the devastating floods. With its large domestic economy, India is likely to weather the latest global slowdown better than most, but it is struggling with stubborn levels of inflation despite monetary tightening. Overall, the worsening economic conditions will make it more challenging for the South Asia region to promote the creation of productive jobs in the non-farm sector and continue the battle against the persistence of informality, vulnerable employment and specific barriers for women and youth in the labour market.

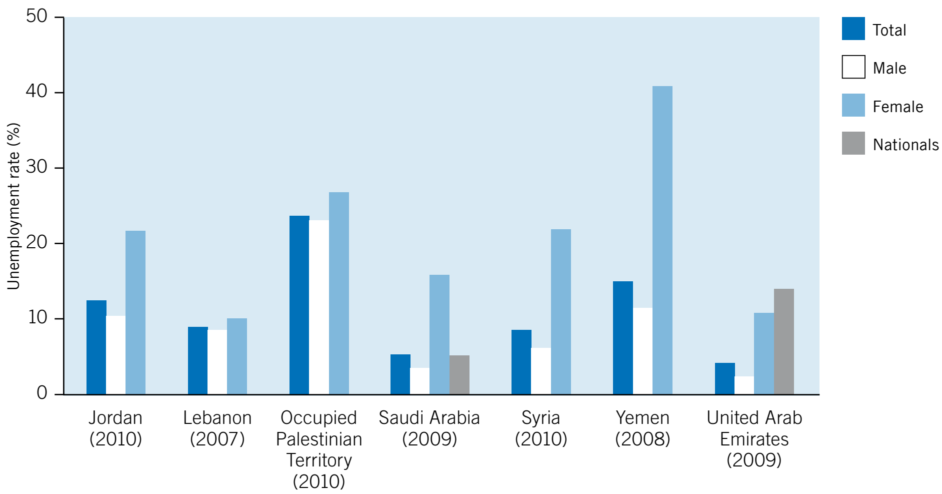
Middle East

Despite rapid economic growth, the regional unemployment rate remains above 10 per cent

Regional economic growth in 2011 in the Middle East is estimated at 4.9 per cent, compared with 4.4 per cent in 2010 and 2.2 per cent at the height of the global economic crisis in 2009 (see table A1). Oil-exporting economies, in particular Iraq, Saudi Arabia and Qatar, have led the region's economic rebound. Iraq reached near double-digit economic growth in 2011 (9.6 per cent), and Qatar continued the double-digit economic growth registered during much of the past decade, growing at 18.7 per cent in 2011. In all three countries economic growth is substantially above the annual average growth rate during the pre-crisis period of 2000 to 2007. However, the wave of uprisings that started in Tunisia and Egypt at the beginning of the year also spread across the West Asian Arab States in 2011, restraining growth in a number of other countries. In the Syrian Arab Republic and in Yemen, where popular demonstrations have turned into violent conflict, economic growth was negative in 2011 amidst the political and social turmoil. Even though these two countries are the only countries in the region which registered negative economic growth in 2011, spillover effects threaten their neighbours. Social unrest remains the principal downside risk for the region as a whole (IMF, 2011a). Another downside risk is weaker than projected economic growth in the developed economies, which would have depressing effects on income from exports of oil and natural gas.

Unemployment continues to be a major concern in the Middle East (see figure 29). In the past decade the unemployment rate reached a high of 12.6 per cent in 2003, and thereafter trended downward to 10.3 per cent in 2007. This incrementally positive trend stagnated in 2008, with the onset of the global financial and economic crisis, but the unemployment rate continued its slow downward path in 2009 and 2010. In 2011, the downward trend again reversed, and the unemployment rate is estimated at 10.2 per cent in this year, an increase of 0.3 percentage points in comparison with 2010. Together with North Africa, the Middle East is one of only two regions in which the aggregate unemployment rate is estimated to exceed 10 per cent.

Figure 29. Unemployment rate (%), selected countries, latest year



Source: ILO, *Key Indicators of the Labour Market*, 7th edition; national sources.

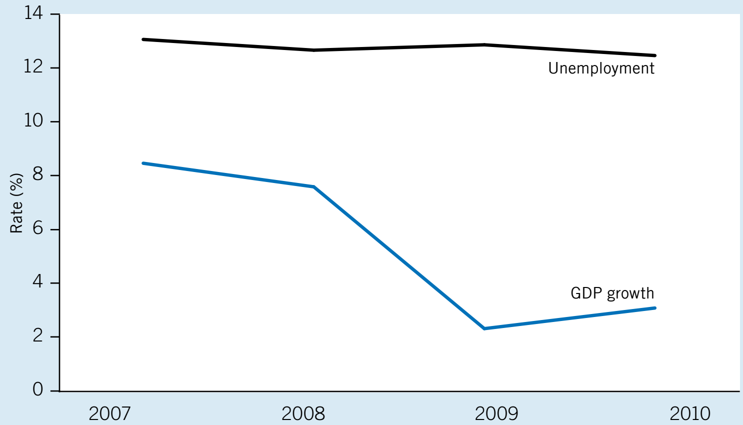
More than one in four youth in the labour force are unemployed

Youth continue to bear the brunt of the unemployment problem. The ratio of youth to adult unemployment in 2011 was an exceptionally high 4.0; in comparison, the ratio at the global level stood at 2.8. This resulted from a youth unemployment rate of 26.2 per cent and an adult rate of 6.6 per cent. In other words, more than one in every four economically active young people in the Middle East are unemployed. Despite relatively high levels of educational attainment, employers frequently cite the lack of employable skills among the region's youth as a barrier to employment. At the same time, a large proportion of the jobs created in the region continue to be for migrant workers, at wages and conditions incompatible

Box 10. Tackling high and pervasive unemployment in Jordan

Following a period of robust growth, in the aftermath of the global economic slowdown and in the wake of the Arab uprisings, the Jordanian economy is now wavering. This will take its toll on the labour market. Despite the government's efforts to promote the private sector and increase employability, unemployment remains high, particularly among youth (see figure below). The Jordanian labour force grew by 11 per cent between 2007 and 2009, reaching 2 million in 2009; yet only 49.3 per cent of the working age population is economically active. This is in large part due to the very low rate of participation of women in the labour force, 23.3 per cent in 2009, less than one-third that of men (73.9 per cent). Total unemployment in Jordan was 12.9 per cent in 2009, falling marginally to 12.5 per cent in 2010. According to the Jordanian Department of Statistics, this rate had risen to 13.1 per cent by the third quarter of 2011. Unemployment in Jordan is by and large a youth phenomenon, with youth unemployment totalling 27 per cent in 2009, 23 per cent for young men and a staggering 45 per cent for young women. Young graduates are particularly affected.

GDP growth and unemployment in Jordan, 2007–10



Source: IMF, 2011a; Department of Statistics, Jordan.

Numerous projects and programmes have been implemented in an attempt to improve the labour market prospects of young Jordanians. One such programme is *Injaz*, a non-profit organization founded in 1999 under the patronage of HE Queen Rania. It aims to improve young people's leadership, business entrepreneurship and problem-solving and communication skills through implementing a range of curricular and extracurricular programmes. In so doing, *Injaz* partners with the Ministry of Education and the King Abdullah II Fund for Development, and also to a large network of private and public sector bodies. In the academic year 2010/11, *Injaz* operated in 175 public schools, 34 universities and community colleges and 13 social institutions across the country, reaching 112,529 beneficiaries.

Focusing on better provision of employable skills will help to address concerns that the educational system is not equipping young Jordanians with the skills required in the labour market. However, in response, demand for labour must ultimately be boosted by a private sector that is able to create jobs that are of a quality acceptable to Jordanian jobseekers. To support this effort, the Government of Jordan has in recent years adopted a range of active labour market policies, including, among others, targeted temporary wage subsidies and sectoral employment promotion programmes. The latter aim to improve conditions and encourage the employment of Jordanians in the Qualified Industrial Zones and in agriculture, sectors with an otherwise heavy concentration of migrant workers. The impact of these schemes on Jordanian unemployment is yet to be determined.

Source: Department of Statistics, Jordan; *Injaz*, Fact Sheet 2010–2011.

with the expectations of the national labour forces. As a result, labour market dualities are prominent in the region, raising questions about the quality of employment that the region is generating and the attendant need to create jobs that are acceptable to jobseekers. Lack of economic opportunity for young people cannot be decoupled from the wave of social unrest sweeping the region.

Women face a particularly difficult labour market situation. The ratio of female to male unemployment rates in most regions exceeds 1.0, but in the Middle East the regional ratio was as high as 2.3 in 2011. Such an elevated ratio is only matched by that in North Africa. The large discrepancy between male and female labour market indicators is not just limited to unemployment rates. Indeed, women's participation in the labour force is projected at a mere 18.4 per cent in 2011, the lowest such aggregate rate in the world, compared with 74 per cent for men. The compounding of cultural, social and economic gender divisions represents a substantial loss of economic potential in the Middle East.

Levels of vulnerable employment and working poverty in the Middle East are relatively low. The vulnerable employment rate was just below 30 per cent in 2010, which is the second lowest level among the developing regions, higher only that that in Central and South-Eastern Europe (non-EU) and CIS. Nonetheless, the rate was significantly higher for women (at 42.7 per cent) than for men (27.3 per cent). During the period 2000 to 2008 the vulnerable employment rate decreased by 3.7 percentage points, but the rate has stabilized since 2008 at around 30 per cent of employed workers (see table A12). Working poverty at the US$1.25 a day level was around 1 per cent in 2010, but working poverty at the US$2 a day level affected a far greater proportion of the employed, and stood at 6.8 per cent in 2010 (see tables A14a and A14b).

Economic growth in 2012 is projected to reach 4.0 per cent, subject to the downside risks in the global economy. The outlook for unemployment is a slight rise to 10.3 per cent in 2012. The combination of continued political turmoil, slowing economic growth and a less than healthy labour market situation in the Middle East underlines the urgent need for inclusive decent work policies.

North Africa

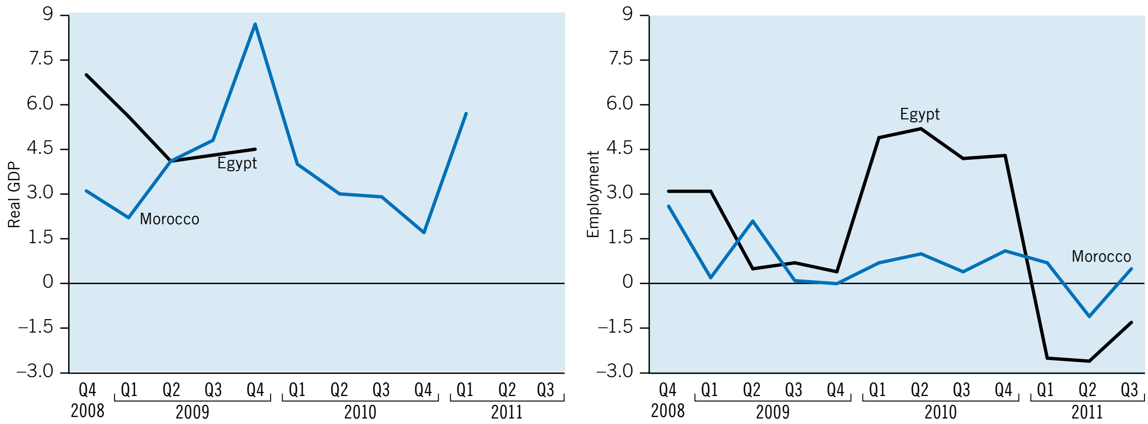
Despite the Arab Spring, long-standing labour market challenges remain – such as high unemployment and low female labour market participation

The world was taken by surprise when, at the end of 2010, the suicide of a young Tunisian brought thousands of young people on the streets of Tunis. These people were willing to defend their rights and called for the end of a regime that for years had been acting without having to face any major opposition – or, rather, was able to suppress any opposition and keep people under tight control. This was the starting point of what is now called the Arab Spring. In January 2011, Egyptians (mainly young people from various backgrounds) started their revolution, and Libyans followed. Under this rising pressure governments of other countries in the North Africa region immediately acted to avoid revolutionary developments and social uprisings. Morocco, for example, adopted a new constitution which introduced more freedoms and gender equality.

Important questions concern the underlying causes of the Arab Spring and why so many people remained silent for so many years. Why have so many young people been participating, suddenly becoming politically engaged and active and willing to defend their rights, even with their lives? The answers to these questions are manifold, but one common factor can be identified across all countries in the region: young people are feeling that their future

Country spotlight 6. Growth and employment in Egypt and Morocco

GDP and employment (% change versus same quarter, prior year)



Source: IMF, *International Financial Statistics*, November 2011; Central Agency for Public Mobilization and Statistics, Egypt; Statistics Morocco.

In the North Africa region, quarterly employment data are only available for Egypt and Morocco. In Egypt, GDP growth slowed markedly in the first two quarters of 2009, but remained positive and began to improve throughout the remainder of the year. In contrast, Morocco experienced a slowdown only in Q1 2009 (versus Q1 2008); growth accelerated thereafter, reaching nearly 9 per cent in the final quarter of the year, but declined sharply throughout 2010, bottoming out at 2 per cent in Q4 2010. Growth then rebounded sharply in the first quarter of 2011.

Employment growth declined in both countries during 2009, with the lowest growth rates recorded in the last quarter of 2009. Egypt saw rapid employment growth throughout 2010, followed by a sharp decline in the first quarter of 2011 which persisted in the second quarter, reaching nearly –3 per cent during the period of heightened political turmoil in the country. The latest available data, for Q3 2011, show continued employment losses. In Morocco, employment growth declined in the beginning of 2009 and employment has not recovered to pre-crisis levels. In Q2 2011 (versus Q2 2010) the employment growth rate in the country turned negative, but rebounded to positive rates again in Q3 2011.

prospects look very grim because their chances to get a satisfying job are (and will continue to be) very limited. Despite the fact that they are better educated than previous generations, job opportunities for them are limited and therefore their chances of living an economically independent life are very small. The ILO has on many occasions called for attention to this situation, insisting that a lack of decent employment opportunities can lead to social unrest and declining confidence in government and society (IILS, 2011).

The North Africa region has seen important progress in human development. Education and health services have improved considerably, and extreme poverty has declined. Despite this progress, some challenges have remained, most importantly with regard to inequality and exclusion. These challenges are reflected in gender discrimination, large regional disparities in economic development within countries and unequal access to services, including education. Increasing inequality and continuous exclusion were among the driving forces behind the dissatisfaction of people in the region. Dissatisfaction was also fuelled by limited freedom, lack of social justice and democracy and lack of transparency in decision-making processes, all of which contributed to making societies in which people did not feel safe. In many ways, the deficiencies in these societies are related to labour markets and the limited access to and availability of decent work in the region. Therefore, addressing labour market issues through the provision of decent jobs can help to meet the aspirations of people and will help to build the basis for democratic, peaceful regimes.

Young people face serious labour market challenges in North Africa

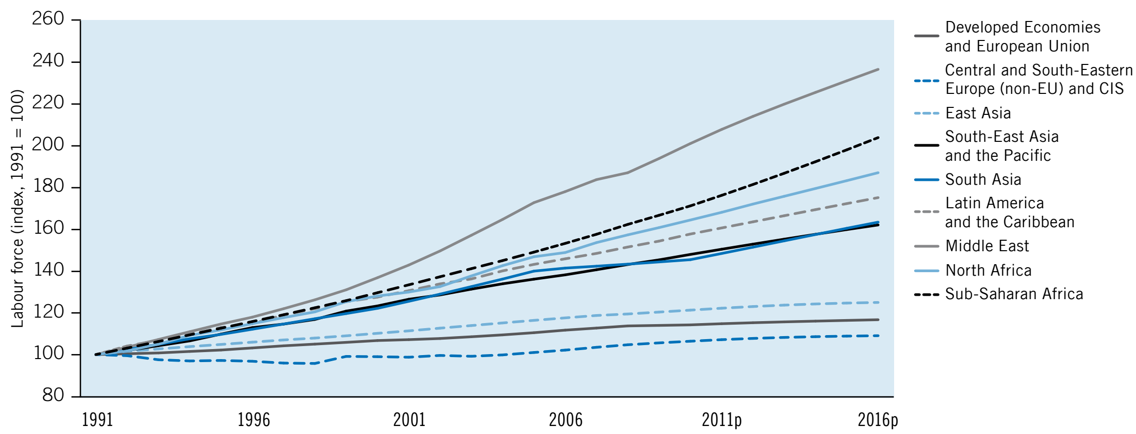
What are the challenges affecting labour markets in the region, and why are they so persistent?[14] Preceding the global economic crisis, most countries in the region saw solid growth rates and economic reforms that were successful in some areas. But this growth did not translate into sufficient job creation, and the jobs that were created were often of low productivity, which did not provide a realistic option for the increasing share of well-educated young people in the labour force. The analysis that follows sheds more light on this.

Labour force growth in North Africa is the third highest in the world (see figure 30). Over the past two decades, the number of jobs needed to match this fast-growing labour supply almost doubled. Whereas 20 years ago the labour force had a size of 43.5 million people, the number of economically active increased to 72.4 million in 2011.

Some people might claim that this is due to the increasing labour force participation of women – an argument that is often used against efforts in many countries to increase women's participation in the region – but this is not the case. It is the result of high rates of population growth during the 1980s and 1990s, which has led to large cohorts of young people entering labour markets in recent years. Yet it would not be accurate to put all the blame on population growth, given that other regions managed to turn a rapidly expanding labour force into increasing economic growth, thereby starting a virtuous cycle of employment creation and economic development. In North Africa however, the large inflow of young people into the labour force has led to a situation in which young people face high unemployment rates and high rates of inactivity.

Following a period of slowly decreasing unemployment rates between 2000 and 2008, progress stalled in 2009 and 2010, and the rate increased from 9.6 per cent 2010 to 10.9 per cent in 2011. For 2012 an additional slight increase is projected, with the rate projected at 11.0 per cent. However, if the economic recovery of Egypt, Libya and Tunisia continues at the slow pace observed in 2011, this rate may well increase further. Unemployment is predominantly an issue for youth and women. The unemployment rate for young people in the region was 27.1 per cent in 2011, the rate for women stood at 19.0 per cent and young women faced an unemployment rate of 41.0 per cent. All three of these unemployment rates are the highest for any region. The situation for young women is particularly worrisome, given that there are only very few who are actually either working or looking for work. On ILO estimates, female youth labour force participation rates in North Africa in 2010 ranged from not more

Figure 30. Labour force, 1991–2015 (index, 1991 = 100)



Source: ILO, *Trends econometric models*, October 2011; ILO EAPEP (see Annex 4).

[14] For more detailed analyses, see Tzannatos et al. (2011) and Schmidt and Hassanien (2011).

than 8.9 per cent in Algeria to a still very low 26.9 per cent in (former) Sudan (ILO, 2011d). It is also important to note that unemployment is similar across income groups. Given that educational level and income per household are closely linked, this suggests that those with a higher level of educational attainment are not protected from unemployment. In some countries in the region, unemployment among the high-skilled is even higher than among those with lower levels of skills.

Low labour force participation rates for women, and generally high unemployment rates across all population groups, have resulted in low employment-to-population ratios. The employment-to-population ratio, which is an indicator of how effective a country utilizes its productive potential, stood at 43.6 per cent in North Africa in 2011 (compared with a world average of 60.3 per cent). Even though some of those who are not employed may be engaged in education, such a low employment-to-population ratio creates an unnaturally high employment dependency ratio, which means that too many people are economically dependent on those few who have secured a job.

Unemployment and inactivity are only part of the labour market challenges facing North African countries. An additional major challenge is the reduction of decent work deficits among the employed. Almost four in ten employed persons in North Africa in 2011 were in vulnerable employment, either working as an own-account worker or an unpaid family worker. In all countries the vulnerable employment rate is considerably higher for women than for men. Similarly, the share of working poor at the US$2 a day level stood at 27.2 per cent in 2011. An important cause of the shortfall in high-quality jobs has been the limited increase in productivity. Over two decades labour productivity in the region (measured as output per person employed) increased by only around 20 per cent, whereas in East Asia, the region that saw the highest increase during the same period, productivity grew by more than 300 per cent. East Asia's level of productivity has almost reached the level of North Africa, and is expected to overtake this level in the next five years (see figure 13). In turn, productivity gains are constrained by limited structural change in the region. Agriculture continues to play a major role, accounting for 28.4 per cent of the employed in 2011. The largest sector is the services sector, which accounts for close to half of employment. For the majority of countries, working in this sector is not at all a guarantee of decent employment as many services sector jobs are of very poor quality and with low salaries, such as informal jobs in the tourism sector and domestic workers. Furthermore, services sector jobs such as teachers, nurses and other education and healthcare jobs are very poorly paid compared with international standards. Given that these jobs are predominately occupied by women, this has become another

Box 11. The impact of the revolutions and political change

It is widely recognized that labour market challenges in North Africa are structural in nature rather than cyclical. However, recent events have put additional pressure on labour markets through their negative impact on economic growth. In Libya and Tunisia, production sites and infrastructure were destroyed and need to be rebuilt. In these countries, as well as in Egypt, serious disruptions in production and exports took place and are still continuing. Stock market turbulence, weakening of currencies, inflation and capital flight took their toll on economies, and so did the outflow of people that resulted from the events. It was initially anticipated that the economic disruption would quickly be resolved, but it has become clear that it will impact on growth at least until mid-2012. The greatest concern is that, due to both economic disruption and continuing security concerns, investors' confidence will remain low for a long period. This would be challenging in particular for Egypt and Tunisia, countries which heavily depend on foreign direct investment and receipts from tourism. Lack of investment would further limit job creation, and unemployment may continue to increase, as was the case in the first half of 2011.

Despite these short to medium-term challenges, there remains hope that the unfolding political transformation processes will lay the foundations for improved employment and labour market policies, especially in the areas of social dialogue, the inclusion of vulnerable groups through improved social protection systems and greater economic and social empowerment of women.

area of gender concerns. Another contributing factor to the slow increases in productivity is the continuously high share of public sector employment (which in some countries has even increased due to the events of the Arab Spring).

Other challenges which hinder the development of decent work include weak social security systems and weak performance of public employment services and other labour market institutions. In addition, the environment is not favourable for small and medium-sized business development in most countries, which limits options for many young people to create new businesses. Prior to the Arab Spring, social dialogue was either weak or non-existent, and until now has not been strong enough to have a clear impact. Finally, the limited availability of solid analyses of labour markets and labour market policies impedes good policy-making.

A favourable factor in North Africa's socio-economic position at the beginning of the twenty-first century is the maturing of the region's age structure. Between 1990 and 2020, the growth of the economically active population (aged 15–64) far exceeds that of the economically dependent population. This potential demographic dividend provides the region with an opportunity to accelerate economic growth, particularly in view of the fact that the current younger generation is the best educated ever. However, unless the creation of decent work keeps up with the increase in labour supply, this opportunity will increasingly become a burden and will continue to threaten social peace. The detrimental economic impact of recent political events has further aggravated the outlook for the region in the short term (see box 11). However, hope remains that in the long run a process towards democracy will have a positive impact on reducing decent work deficits in North Africa.

Sub-Saharan Africa

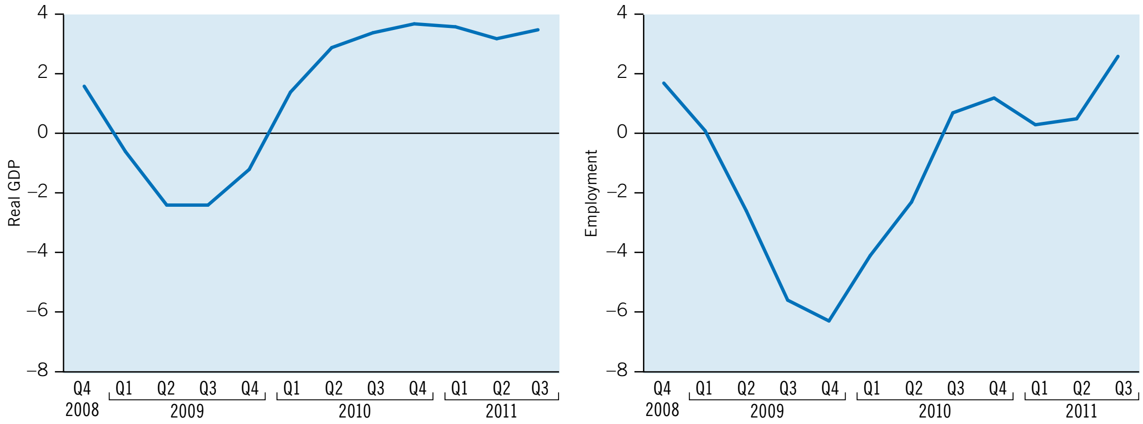
Lack of structural transformation and high population growth limit opportunities for decent work

Economic growth in the Sub-Saharan Africa region slowed down to 2.8 per cent at the height of the economic crisis in 2009, but rebounded strongly to 5.4 per cent in 2010. The region continued its recovery in 2011, growing at 5.2 per cent. Many low-income countries, which make up the majority of the region's economies, weathered the crisis well, mainly due to their more limited trade and financial linkages with the global economy, but also thanks to larger fiscal space, which was used for countercyclical measures (see IMF, 2011a, figure 2.14; IMF, 2010b). Several countries showed a marked acceleration of growth rates to above pre-crisis levels, including Eritrea, Ghana and Zimbabwe. Economic growth in Eritrea accelerated from 2.2 per cent in 2010 to 8.2 per cent in 2011, while growth in Zimbabwe is estimated at 6.0 per cent in 2011, following 9.0 per cent in 2010. Both countries registered several years of negative growth during the 2000s, and in the case of Zimbabwe growth was negative for all years from 2002 to 2008. Ghana is one of only three countries globally with an estimated double-digit growth rate in 2011, together with Mongolia and Qatar. Economic growth in Ghana reached 13.5 per cent in 2011, far exceeding the average during 2000 to 2007 of just above 5 per cent.

In all three countries with double-digit economic growth in 2011, this growth has been boosted by oil exports, which started in Ghana in 2011 and has helped lift the country from low-income to lower middle-income status according to the World Bank country classifications. Most of Sub-Saharan Africa's higher middle-income economies also registered economic growth in excess of pre-crisis trends, with the exceptions of Namibia and the region's largest economy, South Africa. Economic growth in South Africa accelerated from 2.8 per cent in 2010 to 3.4 per cent in 2011, but remained below the pre-crisis trend of 4.3 per cent. Similarly, economic growth in Namibia, at 3.6 per cent in 2011, was well below the pre-crisis trend of 5.2 per cent.

Country spotlight 7. Growth and employment in South Africa

GDP and employment (% change versus same quarter, prior year)



Source: IMF, *World Economic Outlook*, September 2011; Statistics South Africa.

In the Sub-Saharan Africa region, quarterly employment data are only available for South Africa. GDP growth was negative throughout 2009, and bottomed out in Q2 and Q3 2009, at –2.4 per cent (versus Q2 and Q3 2008). Growth subsequently rebounded, reaching its highest level in Q4 2010, but has since moderated.

Employment losses were far more severe and persistent in percentage terms than the declines in economic growth. Employment growth rebounded sharply in Q1 2010, becoming positive again in Q3 2010. The country experienced robust employment growth in Q3 2011.

The acceleration of economic growth in Sub-Saharan Africa during the 2000s has not resulted in a strong improvement in labour market performance, despite some progress in comparison with the 1990s. During the 2000s, the vulnerable employment rate decreased by 3.8 percentage points, compared with a decrease of 1.4 percentage points during the 1990s. This improved performance during the 2000s was accomplished despite an increase of the vulnerable employment rate by 0.4 percentage points in 2009, the only increase since the early 2000s. Nevertheless, the vulnerable employment rate in the region remains very high, at 76.6 per cent in 2011. More significant progress was made with regard to the working poverty rate at the US$1.25 a day level, which decreased by 15.7 percentage points during the period 2001 to 2010, following an increase by 1.3 percentage points during the 1990s. Nonetheless, progress with regard to the reduction of working poverty is not sufficient to achieve the target of halving working poverty under the first Millennium Development Goal (MDG). Together with South Asia, Sub-Saharan Africa is one of the two regions which are unlikely to achieve the working poverty target, and at 38.1 per cent of the employed population the working poverty rate at the US$1.25 a day level remains the highest of all regions in 2011. In turn, given the linkages between decent work and other areas, such as healthcare and education, the attainment of many other MDG targets is at risk as well.

The limited progress in improving labour market outcomes in Sub-Saharan Africa has been analysed in recent reports, including those produced for the ILO's 12th African Regional Meeting in October 2011 (ILO, 2011f, 2011g). Important among the factors explaining the limited progress are the lack of structural transformation in the region and the continued high rate of population growth.

The lack of structural transformation is reflected in the distribution of employment by aggregated sector, even though the share of industrial activity in GDP has been rising. Excluding Nigeria and South Africa, the share of industrial activities in GDP in Sub-Saharan Africa increased from 25.1 per cent in 1990 to 30.2 per cent in 2010, boosted by economic activity in the extracting industries and construction in the years leading up to the global economic crisis. However, the share of manufacturing activities in GDP decreased during the same period, from 12.2 per cent to 9.8 per cent (World Bank, 2011). Employment in industry accounts for not more than 8.5 per cent of the employed in Sub-Saharan Africa, and the share slightly decreased during the 1990s. The 2000s witnessed some growth in this share, 0.6 percentage points in ten years, but the level remains very low in comparison with other regions. Only in South-East Asia and the Pacific is this share below 20 per cent of the employed. This means that the decrease in the share of employment in agriculture in Sub-Saharan Africa, by 5.8 percentage points since the early 1990s, translated almost fully into an increase of employment in services. The services sector accounted for almost 30 per cent of employment in Sub-Saharan Africa in 2010.

The growth rate in Sub-Saharan Africa's working-age population averaged 2.8 per cent during the 2000s, and is projected to remain at this high level between 2010 and 2015. During this period, Sub-Saharan Africa is overtaking the Middle East as the region with the highest rate of growth in the working-age population. Population growth puts strong pressure on labour markets for youth, and in particular in an environment in which decent work opportunities are in short supply. In addition, youth often have more difficulties in securing decent work than adults for reasons including their more limited experience and professional networks. This is reflected in the relatively high working poverty rates for youth in comparison with adults in the large majority of countries for which working poverty rates are available. For example, in Senegal, Sierra Leone and the Democratic Republic of Congo the difference between youth and adult working poverty rates at the US$1.25 a day level exceeds 8 percentage points, and in each of these countries more than half of the youth are counted among the working poor. In Burundi and Liberia more than 85 per cent of the employed youth are among the working poor, but in these countries the differences between youth and adult rates are small. In other words, labour market challenges in Sub-Saharan African countries are not necessarily specific to youth, but youth tend to be affected disproportionally in an already extremely difficult labour market.

In much of Sub-Saharan Africa the quality of employment is a more important issue than the quantity (the lack of employment altogether). As was mentioned before, the share of the working poor in total employment is 39.1 per cent, and is slightly lower if the working poverty rate is calculated as a proportion of the labour force (35.9 per cent). The latter percentage may be compared with the proportion the labour force that is unemployed, which at 8.2 per cent is much lower. In some countries, unemployment rates are indeed low, such as Benin (2002), Burkina Faso (2006) and Uganda (2005). In these countries both the youth and adult unemployment rates were below 5 per cent in the year of measurement. However, in other countries unemployment is as important as the quality of employment in terms of the number of economically active persons affected. In several countries, unemployment rates exceed 25 per cent of the labour force, including Djibouti (2002), Lesotho (2008), Mauritania (2004) and Namibia (2008). In South Africa, the unemployment rate in 2010 reached 24.9 per cent, up from 22.3 per cent preceding the global economic crisis. In the same year, more than half of the economically active youth were unemployed in this country. To mitigate the impact of the crisis the government introduced new measures to bring down levels of poverty and inequality through social transfers, and launched a new policy framework at the end of 2010. The so-called New Growth Path (NGP) builds on previous initiatives, and seeks to promote economic transformation and inclusive growth that translates into sustained job creation (ILO, 2011h). The NGP aims to reduce the unemployment rate by 10 percentage points by 2020.

The conclusions of the 12th African Regional Meeting highlighted the need for the adoption of pro-employment macro-economic frameworks and the setting of explicit and quantitative employment targets in national and international policies (ILO, 2011i). The Regional Meeting also noted that government had a paramount role in designing policies that accelerate economic growth and transform the quality of that growth. In many countries, incorporation

Box 12. LMIA systems and the use of DySAMs to assess employment creation in Mozambique

Labour market information and analysis (LMIA) systems are often weak in Sub-Saharan Africa, in part due to the more limited availability of labour market data in the region. This hampers the monitoring of labour markets and restricts the use and applicability of more advanced analytical methods, including econometric models. Such methods and models are used to inform policy decisions around the world, but the quality of the results hinges on the availability of high-quality statistics, in particular on time series data for labour market indicators. For example, the LIFT model that was used to assess the employment effects of additional investment in the United States is highly data-intensive (see box 6), although more limited models based on similar techniques have been used for developing economies.

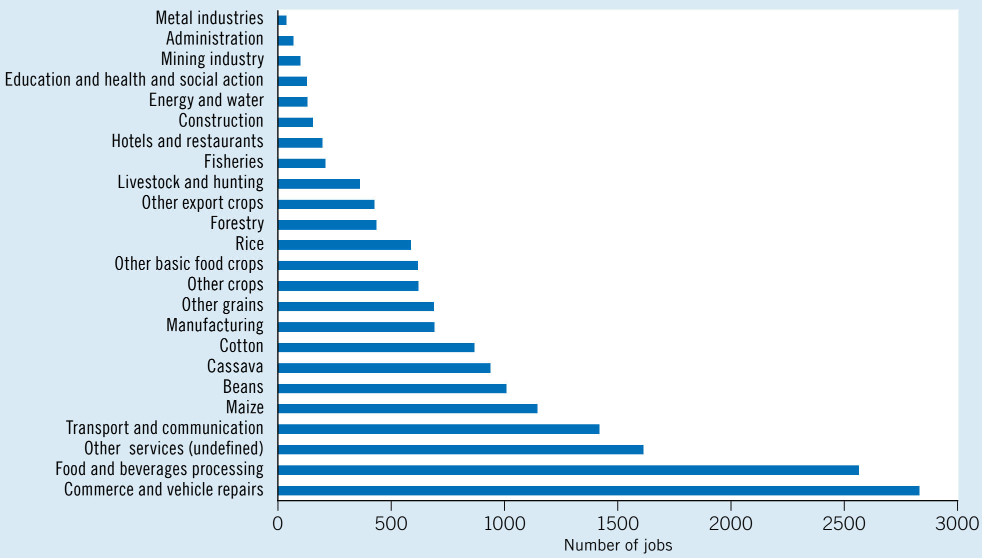
One way to analyse labour markets in the presence of data limitations is by making use of a so-called dynamic social accounting matrix (DySAM). A social accounting matrix (SAM) traces all transactions and transfers that take place across different market participants within an economy, and in particular the sales of products and services from any one industry to other industries, final consumers and the government. While the usual SAM gives a snapshot of the economy for a single year, a DySAM shows developments for several years. This allows DySAMs to illustrate the effects of changing relationships between sectors of the economy or alternative developments of prices. More importantly, DySAMs allow assessments of the impact of economic and policy changes on both the level of job creation and the distribution of employment across different industries and occupations.

With the aim of analysing the employment impact of public policies, the ILO has developed a DySAM for Mozambique. This DySAM includes 27 groups of activities (production of commodities, goods and services), 33 factors of production and 43 institutions, and allows for breakdowns by rural/urban area and a separate breakdown for Maputo, the capital. The DySAM also includes an employment account with data from the 2004/05 labour force survey. Employment–output multipliers have been calculated to improve understanding of the importance of particular activities for job creation. These multipliers show the combined effect of the integration of the production of goods and services with the rest of the economy (i.e. the economic multiplier) and the labour-intensity of the production process.

The figure below shows that the production of goods and services dominated by informal and low productivity activities such as commerce and vehicle repairs and subsistence farming-products (e.g. cassava, beans, maize) are relatively labour intensive. The employment–output multipliers are high for these activities, even though their economic multipliers (which reflect forward and backward linkages with the economy) are rather low. Formal jobs are mostly found in the production of goods and services among the top bars of the figure, such as in metal and mining industries, administration and education. However, the employment-output multipliers for these activities are low, even though they have a higher economic multiplier than primary activities such as agriculture.

The DySAM has been used to examine how deforestation could best be reduced while taking social and economic concerns into account. Based on this analysis, a twofold strategy was proposed: (1) sustainable forestry management, including more labour-intensive forestry management, which creates jobs mostly for rural unskilled workers; and (2) installation of solar panels, which have stronger backward linkages in the economy in the long run and help create jobs for more highly skilled workers. This strategy would take the weak labour market position of unskilled workers into account and simultaneously contribute to a reduction in carbon emissions and reduced vulnerability to natural disasters.

Employment multipliers by sector in Mozambique



Note: An employment–output multiplier is defined as employment per unit of output times the economic multiplier.
The economic multiplier shows how much a sector is integrated with the rest of the economy through forward and backward linkages.
Example: An injection of 1 billion meticais would generate 2,829 jobs in commerce and vehicle repairs and 36 jobs in metal industries.

Source: Based on Ernst and Iturriza, 2011; National Centre for Labour Market Forecast and Information, 2011; Sparreboom and Albee, 2011.

of employment policy objectives and targets is, however, hampered by limitations in labour market data and analysis, as labour market information and analysis systems in Sub-Saharan Africa are often weak. Box 12 provides an example of a tool to assess the impact of economic and social policies on the creation of decent work, which can be also be used if only limited labour market information is available.

Economic growth in 2012 in Sub-Saharan Africa is projected at 5.8 per cent, which is close to the pre-crisis average during 2000 to 2007, but – as in other regions – this benign outlook depends to a large extent on the dynamics of the global economy and, in particular, on growth in middle-income countries and oil exporters. Current projections of the unemployment rate show little change between 2011 and 2012 (8.2 per cent in both years; see table P1 and Annex 5 on the methodology underlying unemployment projections).