Executive summary

International Labour Organization

WORLD EMPLOYMENT SOCIAL OUTLOOK

TRENDS 2018

Global economic growth has rebounded and is expected to remain stable but low

Global economic growth increased to 3.6 per cent in 2017, after hitting a six-year low of 3.2 per cent in 2016. The recovery was broad based, driven by expansions in developing, emerging and developed countries alike. Future growth is likely to stay below 4 per cent, as economic activity normalizes in most major economies without significant stimulus and fixed investment remains at a moderate level.

Global unemployment remains elevated at more than 190 million

The latest developments in global unemployment are also mixed. According to the ILO's new estimation, based on improved data sets and methodologies, the global unemployment rate is expected to fall slightly to 5.5 per cent in 2018 (from 5.6 per cent in 2017), marking a turnaround after three years of rising unemployment rates. However, with a growing number of people entering the labour market to seek employment, the total number of unemployed is expected to remain stable in 2018, above 192 million. In 2019, the global unemployment rate is expected to remain essentially unchanged, whereas the number of unemployed is projected to grow by 1.3 million.

Vulnerable employment is on the rise

With these improvements in employment projected to be modest, the number of workers in vulnerable forms of employment (own-account workers and contributing family workers) is likely to increase in the years to come. Globally, the significant progress achieved in the past in reducing vulnerable employment has essentially stalled since 2012. In 2017, around 42 per cent of workers (or 1.4 billion) worldwide are estimated to be in vulnerable forms of employment, while this share is expected to remain particularly high in developing and emerging countries, at above 76 per cent and 46 per cent, respectively. Worryingly, the current projection suggests that the trend is set to reverse, with the number of people in vulnerable employment projected to increase by 17 million per year in 2018 and 2019.

The pace of working poverty reduction is slowing

Similarly, the global labour market has seen only weak progress in the area of working poverty. In 2017, extreme working poverty remained widespread, with more than 300 million workers in emerging and developing countries having a per capita household income or consumption of less than US$1.90 (PPP) per day. Overall, progress in reducing working poverty is too slow to keep pace with the growing labour force in developing countries, where the number of people in extreme working poverty is expected to exceed 114 million in 2018, or 40 per cent of all employed people.

Emerging countries, on the other hand, achieved significant progress in reducing extreme working poverty, which is expected to affect less than 8 per cent (around 190 million) of workers there in 2017. The incidence of extreme poverty should continue to fall, translating into a reduction in the number of extreme working poor by 10 million per year in 2018 and 2019. Nevertheless, moderate working poverty, in which workers live on an income of between US$1.90 and US$3.10 per day in PPP, remains widespread, affecting 430 million workers in emerging and developing countries in 2017.

Significant variations in employment outcomes continue to exist between regions and countries

The world continues to experience diverse trends in employment outcomes. Developed countries are expected to enter their sixth consecutive year of decreasing unemployment rates, falling to 5.5 per cent in 2018, the lowest rate since 2007. Yet many countries continue to report high rates of labour underutilization, with large shares of discouraged workers and growing incidence of involuntary part-time employment.

By contrast, emerging countries have experienced a significant increase in unemployment rates between 2014 and 2017, driven by major economic downturns, in part due to the commodity price slump in many large economies, such as Brazil and the Russian Federation. The year 2018 marks a turning point, as the unemployment rate is expected to fall to 5.5 per cent (from 5.6 per cent in 2017), which would translate into an increase in the number of unemployed in emerging countries of around 0.4 million in 2018 and 1.2 million in 2019.

Unemployment in developing countries is expected to increase by half a million per year in both 2018 and 2019, with the unemployment rate remaining at around 5.3 per cent. For many developing and emerging countries, however, persistent poor-quality employment and working poverty pose the main challenges.

Inequalities in labour market outcomes persist

Underlying these aggregate labour market and social trends are disparities across a number of demographic groups. Gender disparities are of particular concern. On average, women are less likely to participate in the labour market, facing a global gender gap in participation of over 26 percentage points, and are less likely to find a job when they do participate. These gaps are particularly wide in Northern Africa and the Arab States, where women are twice as likely to be unemployed as men. Once in employment, women face segregation in terms of the sector, occupation and type of employment relationship, resulting in restricted access to quality employment. For instance, 82 per cent of women in developing countries are in vulnerable forms of employment in 2017, compared to 72 per cent of men.

The lack of employment opportunities for youth (i.e. those under 25 years of age) presents another major global challenge. Young people are much less likely to be employed than adults, with the global youth unemployment rate standing at 13 per cent, or three times higher than the adult rate of 4.3 per cent. The challenge is particularly acute in Northern Africa, where almost 30 per cent of young people in the labour market are without a job. Importantly, gender inequalities are already established among young workers, rendering future progress in reducing gender gaps even more difficult.

Looking ahead, the projected structural shifts to the service sector could create complex pressures on job quality

Internal and external forces, such as technological progress, capital accumulation, globalization, demographics and government policies, are expected to continue to spur the reallocation of employment across sectors of production. Across all income groups, an ever-increasing number of workers are projected to be employed in the service sector, while the employment share in agriculture is set to continue its long-term downward trend. Furthermore, the share of manufacturing employment is expected to continue its decline in upper middle-income and developed countries, and to grow only marginally in lower middle-income ones. This confirms the ongoing trend of “premature deindustrialization”, whereby lower-income countries are seeing declining shares of industrial employment at earlier stages of development compared to developed countries.

This phenomenon could render the positive impacts of structural transformation in reducing informal and vulnerable employment smaller than commonly expected, given that most workers moving out of agriculture are anticipated to find employment in a range of market services, where the incidence of poor working conditions is higher than in industry. In developed countries, the projected increase of services employment could raise the incidence of part-time employment and time-related under-employment. Consequently, the anticipated path of structural transformation appears to have limited potential to lead to widespread improvements in working conditions. Thus, strong policy efforts to foster formalization and boost job quality and productivity in the service sector represent an important precondition for ensuring the decent work outcomes of structural transformation.

An ageing population will add further pressure to future labour market challenges

As a result of rising life expectancy and declining birth rates, global population growth has considerably decelerated and this trajectory is expected to continue over the next few decades. One immediate implication of this slowdown is that growth of the global labour force will not be sufficient to compensate for the rapidly expanding pool of retirees, putting pressure on both the pension system and the labour market as a whole. In developed countries, where population ageing is considerably faster, it is estimated that, by 2030, there will be close to five persons aged 65 and over for every ten persons in the labour force, up from 3.5 in 2017.

Meanwhile, population ageing will inevitably lead to an increase in the average age of those in the labour force, challenging workers' ability to keep up with the pace of innovation and structural changes in the labour market. Globally, the average age of the labour force is expected to rise from nearly 40 in 2017 to 41 in 2030, growing considerably faster in Europe and Eastern Asia, notably China.

Taken together, these trends pose several challenges, including keeping retirees out of poverty, promoting decent work outcomes for an increasingly ageing labour force and helping older workers adapt to changes in the world of work. Arguably, old-age poverty is inherently tied to existing labour market inequalities, as workers with inferior working conditions and incomes have less access and capacity to contribute to a retirement savings scheme. Therefore, ensuring adequate labour market opportunities for all, while also improving labour market outcomes, constitutes an important cornerstone to the goal of alleviating old-age poverty. In this regard, fostering the employability of workers through life-long learning is key to expanding their employment opportunities, also at an older age. Targeted actions are also needed to encourage older workers' participation in training and skills-updating schemes in order to help lower the risk of labour market detachment and early retirement which would put added pressure on pension systems.