

Global Employment Trends

January 2008

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Foreword

This year's Global Employment Trends are published at an essential point in time for, at least, three reasons:

Reason 1: Globalization and rapidly changing technical progress continues to impact labour markets around the world. Significant challenges accompany these changes, but the changing economic environment also brings with it greater opportunities for individuals striving to improve their way of life. For the first time, probably, turbulences in one economically strong region (namely, the Developed Economies & the EU region and upfront the United States as a result of higher oil prices and the US housing market turmoil) have, so far, not impacted on other regions. This can be attributed to the greater economic strength of other regions in the world, as a result of less dependence of any one region on another, as well as greater regional ties and, thereby, more independence. However, risks for the global economy in 2008 have to be carefully watched. A severe global slowdown is not expected, but the important question is how labour markets worldwide will react towards even slightly slower growth or possibly growing uncertainty.

Reason 2: Are all regions more integrated and stronger than they were? Yes, as recently even the poorest regions have been more involved in international markets, with a significant impact on their labour markets. Many researchers and politicians are even optimistic concerning the economic progress made in sub-Saharan Africa. However, as the analysis in this Global Employment Trends shows, the decent work deficit in the world is still enormous. With five out of ten people in the world in vulnerable employment situations and four out of ten living with their families in poverty, despite working, the challenges ahead remain daunting. Economic progress does not automatically lead to progress in the world of work. Active engagement and the proactive decision to put labour market policies at the centre of growth and macroeconomic policies are needed to ensure that economic progress is inclusive and does not lead to increasing inequality. And, only if countries use their labour markets to make growth inclusive, will their progress have a real chance of being sustained.

Reason 3: As a result of the increasingly widespread conviction that decent employment is the only route out of poverty, full and productive employment and decent work for all has been introduced as a new target under Millennium Development Goal (MDG) 1, to halve the share of people living in extreme poverty by 2015. The ILO developed a set of indicators to measure progress regarding this target. The Global Employment Trends 2008 takes this opportunity and analyses the set of labour market indicators selected to see where regions stand regarding this new target. The increasing importance of and commitment towards the ILO's decent work agenda is also reflected in intense inter-agency and inter-governmental activities. Amongst other activities, the UN Economic and Social Council (ECOSOC) approved in 2006 a Ministerial Declaration encouraging the UN system to develop a toolkit to promote decent work. Since then the ILO has worked closely with other agencies through the Chief Executives Board for Coordination (CEB) chaired by

Secretary General Ban Ki-moon. The final product, a CEB Toolkit for Mainstreaming Employment and Decent Work, is designed to help organizations throughout the multilateral system assess and improve employment and decent work outcomes of their own policies, programmes and activities.

This publication is a contribution to a better understanding of labour markets worldwide. By identifying each region's challenges regarding labour markets, governments and international organizations can better help develop and adopt labour market policies.

Global Employment Trends have been produced and published on a yearly basis since 2003. Special editions were published to analyse labour market trends for youth (2004 and 2006), women (2004 and 2007), for certain regions, for example Global Employment Trends Supplement for Europe & Central Asia, 2005 and African Employment Trends (2007) and, on special occasions, following events such as the Tsunami (2005) and the earthquake in Pakistan (2005). These publications have become a regular medium to inform the ILO constituents, and also a wider public, on labour market trends at the global and regional levels. Increasingly, the research community also uses the data published and the analysis provided for their publications and research projects.

The analysis of the Global Employment Trends is based on three econometric models: the working poor model; the labour force model; and, the global employment trends model. (For details on the estimation models see: <http://www.ilo/trends>.) These models are unique as they are the only ones to provide regional labour market information for all regions in the world. The ILO's Employment Trends team is constantly working to maintain, update and improve the model to obtain better estimates.

Acknowledgements

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The manuscript benefited greatly from the comments and suggestions of ILO Employment Sector management, including José Manuel Salazar-Xirinachs and Duncan Campbell, as well as from Stephen Pursey of the Policy Integration and Statistics Department and Rafael Diez de Medina from the Director-General's Office. Evelyn Ralph edited the report.

The global employment trends model, which provides the basis for this publication, would not have been possible without the continuing collaboration of the ILO Bureau of Statistics (STAT). In addition, the econometric modelling for the world and regional estimates would not have been possible without the collection and preparation of data done by Philippe Blet, Isabelle Guillet and Alan Wittrup. The maintenance and development still profits from close collaboration with Steven Kapsos (ILO Regional Office for Asia). The responsibility for the current run was handled by Theo Sparreboom (ILO HQ) and Ina Pietschmann (ILO Pakistan).

The team continues to benefit from collaboration with ILO regional offices and subregional offices with a special mention of Steven Kapsos and Gyorgy Sziraczki (ILO Regional Office for Asia and the Pacific), Monica Castillo (ILO Regional Office for Latin America & the Caribbean) and Tariq Haq (ILO Regional Office for the Arab States, Beirut).

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Finally, we would like to express our thanks to Zohreh Tabatabai, Laetitia Dard, Karen Naets-Sekiguchi, Tom Netter and all our other colleagues in the Department of Communication and Public Information for their continued collaboration and support in bringing the Global Employment Trends to the media's attention worldwide.

1. Global employment situation

Strong global GDP growth continued in 2007 at a rate of 5.2 per cent worldwide.¹ Once again, this led to a stabilization of global labour markets with more people in work² in 2007: 3.0 billion people aged 15 years and older were in work, a 1.6 per cent increase from the previous year, and 17.4 per cent since 1997 (see Figure 1).³ Of the more than 45 million jobs created between 2006 and 2007, the majority was in South Asia (see Figure 2). Productivity levels increased more than employment levels, also a repeating trend from earlier years. The total of 189.9 million unemployed in 2007 was only slightly higher than the year before. The global unemployment rate remained constant at 6.0 per cent (see Figure 1).

And, the outlook for 2008? Will turbulence stemming from a crisis in the US housing sector, and the continuing threat of high oil prices, slow GDP growth and put labour markets worldwide at risk? The IMF⁴ reduced the GDP growth estimate for 2008 from 4.9 (April estimate) to 4.8 per cent for the world. This global downward revision is the result of a downward adjustment for the Developed Economies & European Union region where the earlier expected growth rate of 2.6 per cent was reduced to 2.2 per cent. However, with increasing globalization and the participation of more and more countries, probably for the first time, a slowdown in this important region has so far not had a negative impact on the economic and labour market performance of the rest of the world. And, according to the IMF, even in 2008 the risk of a slowdown in the world economy exists, but there is also a chance that other regions are strong and independent enough to offset this slowdown in the industrialized economies. As a result, other regions' GDP saw an upward adjustment in comparison with the April estimates. If it turns out to be true that worldwide growth no longer only depends on the performance of the industrialized world, the fact that, in the Developed Economies & European Union, 240,000 fewer jobs will be created as a result of slower growth – which motivated the IMF's downward revision – will be more than compensated for by job creation in the rest of the world. However, we still expect a total increase in jobs of 2 million for this region.

Overall, employment is expected to increase by around 40 million in 2008. Unemployment could further increase by 5 million. This would lead to a slight increase of the unemployment rate to 6.1 per cent in 2008.

¹ For a detailed analysis of the economic situation in 2007 see United Nations (UN), *World economic situation and prospects 2007*, New York, 2007, <http://www.un.org/esa/policy/wess/wesp.html>.

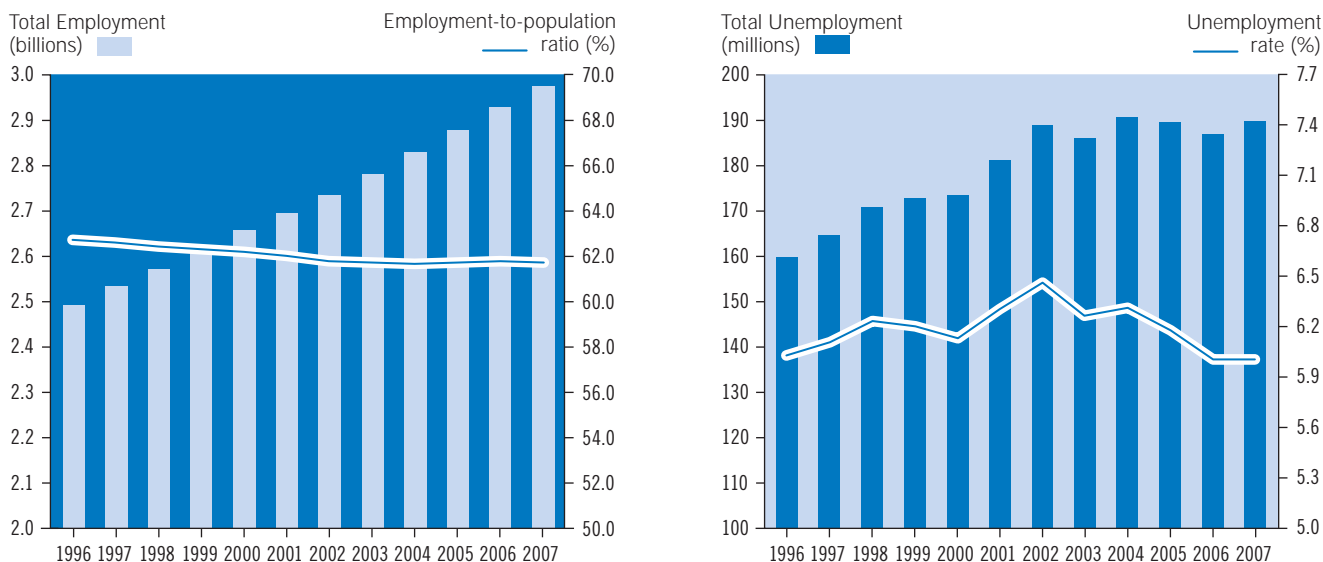
² The expression “in work” summarizes all people employed according to the ILO definition, which includes self-employed, employed, employers as well as unpaid family members. Thereby there is no distinction between formal sector employment and informal sector employment. The expressions “employed”, “in work”, “working” and “have a job” are used as synonyms in this publication.

³ Country-level labour market information needed for the world and regional estimates is taken from ILO, *Key Indicators of the Labour Market* (KILM), 5th Edition, Geneva, 2007, <http://www.ilo.org/public/english/employment/strat/kilm/index.htm>.

For methodological details on calculating world and regional estimates, see: <http://www.ilo.org/public/english/employment/strat/wrest.htm>.

⁴ International Monetary Fund (IMF), IMF, *World Economic Outlook, Globalization and Inequality*, Washington, October 2007, <http://www.imf.org/external/pubs/ft/weo/2007/02/index.htm>.

Figure 1. Global employment and unemployment trends, 1997-2007*

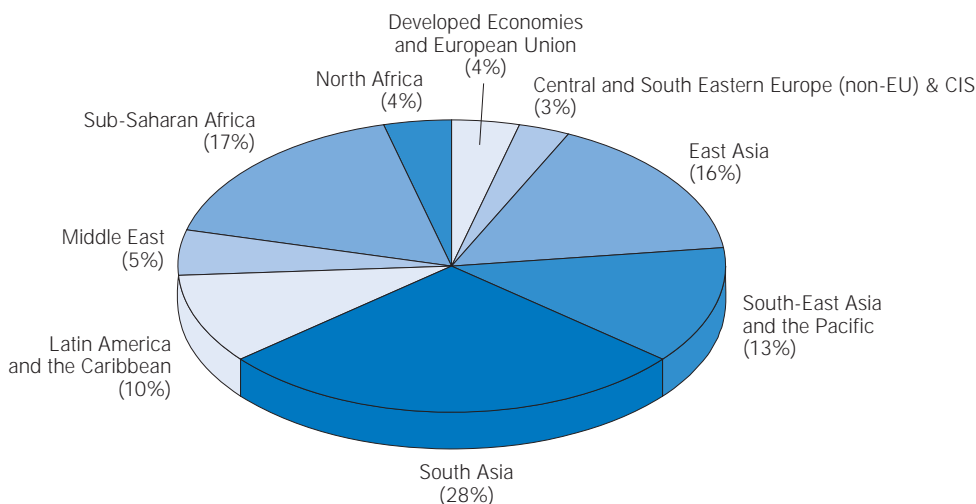


* 2007 are preliminary estimates.

Source: ILO, *Global Employment Trends Model*, November 2007; see also note to table 1.

The challenges facing the regions have remained relatively unchanged. Not only is there a rather low impact of growth on job creation, but there is also another concern: the ongoing (but, already slightly decreasing) growth does not have as substantial an impact as necessary to reduce the levels of working poverty, especially in the poor regions of the world. There are still 486.7 million workers in the world who do not earn enough to lift themselves and their families above the US\$1 a day poverty line and 1.3 billion workers do not earn enough to lift themselves and their family above the US\$2 a day line. In other words, despite working, more than four out of ten workers are poor. To make a long-term inroad into unemployment and working poverty, it is essential that periods of high growth are better used to generate more decent and productive jobs. Reducing unemployment and working poverty through creation of such jobs should be viewed as a precondition for sustained economic growth.

Figure 2. Regional shares in worldwide net job creation in 2007 *



* 2007 are preliminary estimates.

Source: ILO, *Global Employment Trends Model*, November 2007; see also note to table 1.

Looking at the share of employed people in the world's working-age population (aged 15 years and older) known as the employment-to-population ratio, a decline was observed between 1997 and 2007. It stood at 61.7 per cent in 2007, almost a percentage point lower than ten years earlier (see Figure 1 and Table 3). The decrease was larger among young people (aged 15 to 24 years). Within this group, the ratio decreased from 50.6 per cent in 1997 to 47.8 per cent in 2007. The increasing proportion of young people in education may, in part, explain this reduction. But, in some regions, increasing discouragement of young people to participate in labour markets also contributes to the decrease. The gap between men and women continued, with 49.1 per cent of women of working age employed in 2007 and 74.3 per cent of men.

The gender gap in labour force participation is another indication of women's more limited chances to take part in the world of work. In 2007, 52.5 per cent of all women of working age was either looking for work or working, which is what labour force participation rates measure. This was slightly less than ten years ago. This minimal change reflects two diverging trends: an increase in prime-age participation and a decrease in youth participation. The latter results mainly from more women participating in education which should, of course, improve their chances in labour markets. Male participation rates dropped from 80.4 per cent in 1997 to 78.8 per cent in 2007.

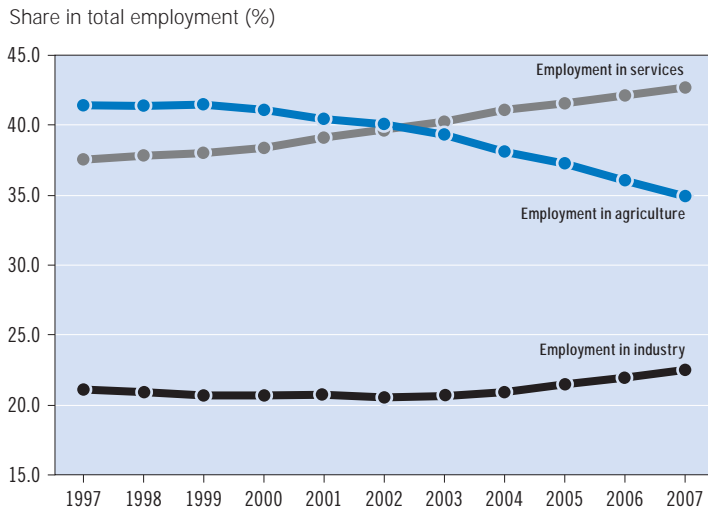
In 2007, the service sector pulled further ahead of agriculture in contributing to employment in the world. The service sector now provides 42.7 per cent of jobs in the world, whereas agriculture accounts for only 34.9 per cent. The industry sector, which had seen a slight downward trend between 1997 and 2003, has continued a rather slow upward trend in more recent years. In 2007, 22.4 per cent of jobs were found in this sector (see Figure 3 and Table 4).

In 2007, five out of ten people who worked were either contributing family workers or own-account workers. This vulnerable employment ratio⁵ was only slightly lower than ten years ago. Not even half of all those employed enjoy the possible security that wage and salary jobs could provide. Taking into account that a wage and salary job in poor regions may still not ensure all the components of a decent job, it becomes understandable that only a minority of working people have a job that is well paid, where their fundamental labour rights are respected, where they have a voice at work and some security in case of job loss.

As can be seen in Figures 4a and 4b, productivity increased in all regions with the exception of the Middle East. East Asia saw the highest relative increase, but also Central & South (non-EU) & CIS Europe saw strong growth. These regions have now reached the level of Latin America & the Caribbean. Figure 4 shows that the gap between the developing regions and the developed world is enormous and continues to grow, even for well-performing regions.

⁵ The newly defined indicator of vulnerable employment calculates the sum of own-account workers and contributing family workers as a share of total employment. Contributing family workers and own-account workers are less likely to have formal work arrangements, which allows for the usage of the indicator on vulnerable employment to confirm or refute claims of an increasing informalization of labour markets. If the proportion of vulnerable workers is sizeable, it may be an indication of widespread poverty. The poverty connection arises because workers in the vulnerable statuses lack the social protection and safety nets to guard against times of low economic demand and often are incapable of generating sufficient savings for themselves and their families to offset these times. These two groups carry a higher economic risk. Some limitations of the indicator are: 1) that there might be people that carry a high economic risk despite the fact that they have a wage and salary job 2) that unemployed people are not covered even though they are vulnerable 3) that there could be people in the two vulnerable status groups who do not carry a high economic risk. Despite these limitations, vulnerable employment shares are indicative for informal economy employment, especially for the less developed economies and regions. However, vulnerable employment numbers should be interpreted in combination with other labour market indicators such as unemployment and working poverty. For more details see ILO, *Key Indicators of the Labour Market*, 5th Edition, Geneva, 2007.

Figure 3. Sectoral employment shares (%) in the world, 1997 to 2007



* 2007 are preliminary estimates. Estimates done for last year's Global Employment Trends publication showed that the service sector overtook the agricultural sector in 2006. Due to data revision in some big Asian economies, this year's estimates show that this happened already in 2003.

Source: ILO, *Global Employment Trends Model*, November 2007; see also note to table 1.

At the Millennium Summit in 2000, the international community, under the leadership of the United Nations, introduced the Millennium Development Goals (MDGs). The first MDG focuses on the eradication of poverty and hunger. Following the widespread conviction that poverty can only be reduced if people have a decent and productive job, a new target was added under MDG 1 in 2006: *Reaching full and productive employment and decent work for all, including women and young people*. A complex concept such as “full and productive employment and decent work for all” is not easily captured in a set of indicators that should fulfil strict criteria. Four indicators have been selected. These are: (i) employment-to-population ratios; (ii) vulnerable employment; (iii) the share of working poor (US\$1 a day) in total employment; and (iv) growth in labour productivity.⁶ These indicators can be used to assess progress in the context of MDG 1. In combination with other common labour market indicators (including unemployment rates, wages, sectoral employment rate) they can also be used to make a detailed labour market analysis for countries and regions and help identify the key labour market challenges. This is why, in this year's Global Employment Trends, each indicator of the MDG set is analysed together with trends in unemployment for each region.

⁶ For a detailed description and discussion of the indicators see Chapter 1 “Decent Employment and the Millennium Development Goals: Description and analysis of a new target”, ILO, *Key Indicators of the Labour Market*, 5th Edition, Geneva, 2007. <http://www.ilo.org/public/english/employment/strat/kilm/download/chap1a.pdf>.

Figure 4a. Labour Productivity measured as output per person employed in world regions, levels 1997 to 2007

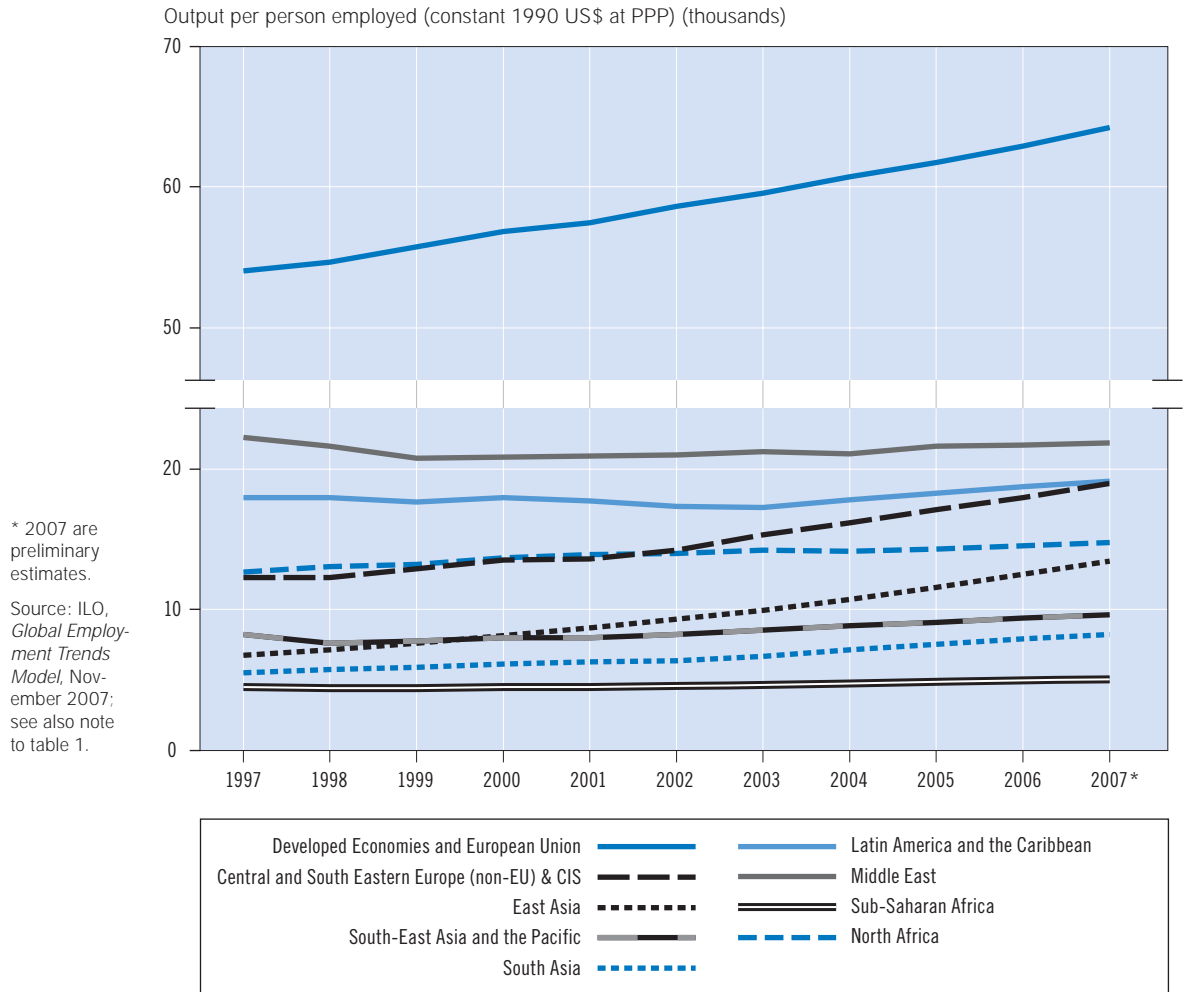
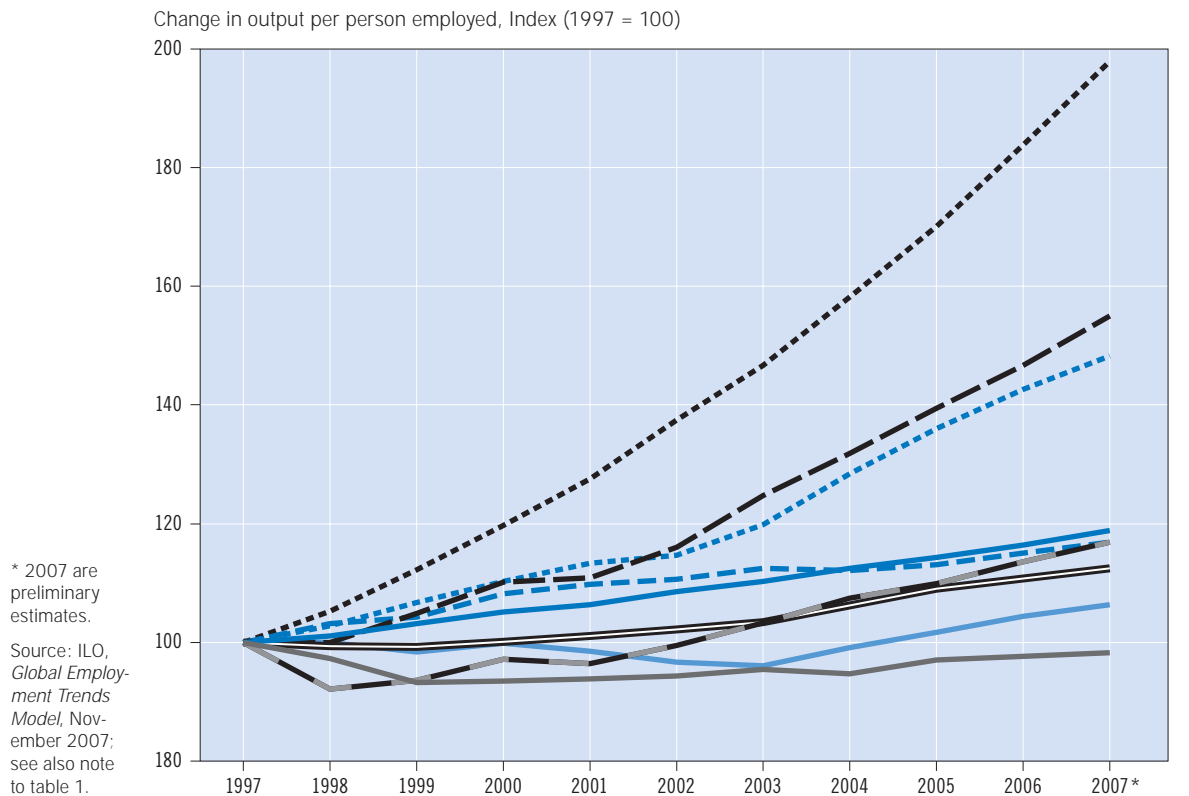


Figure 4b. Labour Productivity measured as output per person employed in world regions, percentage change in comparison to 1997, (Index, 1997 = 100)



2. Sub-Saharan Africa

The recent optimism concerning economic development in Africa has only been partially reflected in the region's labour markets.⁷ This is true for many reasons, among them the fact that it is often resource rich countries that see increases in growth; extractive industries are usually not very employment intensive, unless they are used as a basis for further processing. The little impact on labour markets is also the result of volatile GDP growth in many countries, hindering improvements in labour markets. In addition, it takes time until growth translates into employment growth and the positive economic trends only occurred very recently in many countries. Also, development policies often still focus on macro economic variables and not enough on labour market issues. Finally, the lack of effective labour market institutions continues to be a constraint in reducing the decent work deficit in the region.

Sub-Saharan Africa continues to have high employment-to-population ratios (the second highest in the world) despite a slight decrease between 1997 and 2007. This high level is strongly related to the elevated incidence of poverty, which often forces poor people to work regardless of the quality of that work. In addition, the lack of educational alternatives forces a large proportion of young people into work.

It is argued that all poor people have to work to survive. Nevertheless, there is still an unemployment challenge the region has to face. In 2007, 8.2 per cent of all those active in labour markets were, unsuccessfully, looking for work. This rate did not change between 2006 and 2007. It is only slightly lower than ten years ago (when it was 8.5 per cent), but a remarkable 0.8 percentage points lower than at its peak in 2002, when many countries in the region saw a turning point in the development of their unemployment rates. Nevertheless, in 2007 there were 24.3 per cent more unemployed people in the region than ten years ago.⁸

However, even those that do find work struggle to find decent work. The share of people in vulnerable employment situations (either as an unpaid contributing family worker or a self-account worker) is still above 70 per cent and the share of those in wage and salaried work is only one fourth of all those employed. The situation is worse for women, who have a vulnerable employment share of 81.7 per cent, meaning that less than two out of ten women have a job with a regular income and lower economic risk. The picture does not look much brighter for men: only three out of ten belong to the group of wage and salaried workers. At least, unlike women, they are not trapped as unpaid contributing family workers with no income at all. The female share in this status group is 34.7 per cent compared to 18.4 per cent for men. Taking the overall vulnerable employment shares over time the situation improved considerably between 1997 and 2007, but from high starting levels.

⁷ See for a detailed analysis: World Bank, Africa Development Indicators, Washington, 2007, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:21548806~menuPK:258657~pagePK:2865106~piPK:2865128~theSitePK:258644,00.html>.

⁸ It is important to note that unemployment rates in the region vary tremendously between countries, and they are often higher when there is some type of social security system in place. The range goes from less than 1 per cent in Malawi to exceeding 30 per cent in Botswana.

Box 1. The importance of agriculture for the development process in sub-Saharan Africa

An increasing number of economists agree (again) that neglecting the agricultural sector during the process of structural change and economic development turns into a constraint for the developing process. The recent World Development Report "Agriculture for Development" confirms this view, a view that the ILO has been supporting for many years. Economic development needs structural change, but this change is not possible without development of the agricultural sector. The poorer a country or a region and the more dependent on agriculture it is, the more important is the focus on this sector as agriculture is *the* sector in rural areas and rural areas are where most poor people live. Sub-Saharan Africa is such a region:

- 64.7 per cent of all people employed, a total of 192 million, work in agriculture;
- Only 32 per cent of GDP growth is created in this sector;
- 64.1 per cent of all people live in rural areas;
- 229 million extremely poor live in rural areas.

What makes this sector so important for poverty reduction, and does the sector fulfill its role in sub-Saharan Africa?

Agriculture provides labour force for the modern sectors. This is a necessary precondition for the development process. The healthier and more skilled the workforce that moves to urban areas, the better it is for kicking off the development of the industry and service sector. In sub-Saharan Africa, health conditions in rural areas are worse than anywhere else. And education has only seen slow progress during recent years, especially in the poorest countries. In its recent report "Education for All by 2015: Will we make it" UNESCO states that from 25 countries that are far away from achieving education for all, 16 are in sub-Saharan Africa.

Agriculture provides food. The demand for food is expected to double by 2015 in sub-Saharan Africa from its level in 2000. But, the food production in the region already falls short of being able to feed the population. At early stages of the development process it is difficult to become dependent on food imports as the imported goods are usually more expensive than those produced within the country (because of transportation costs and due to monopolistic market structures).

Agriculture contributes to modern sector development and/or exports. In many recent country cases, the agricultural sector produces a commodity required as an input in other sectors or an independent export good. This is seen in some African countries. For example, the development of the leather industry in Ethiopia advanced to the second largest component of export earnings in the country (ILO, 2007, page 2).

Agriculture is a demand sector. If the agricultural sector develops in parallel to the modern sectors, it also has the potential to increase the demand for goods produced in the modern sectors, thereby supporting these sectors and avoiding the dependence of these modern sectors on exports. With the high proportion of poor people in the rural areas in sub-Saharan Africa the contribution as a demand sector is very limited.

Agriculture is a catalyst for local economic development and off-farm activities. Non-farm activities play an increasing role in the income generation of rural areas. But, they only develop if the agricultural sector is in good shape. As long as rural areas are stuck in extreme poverty they will neither attract nor develop non-farm activities. This again is what is observed in many countries in sub-Saharan Africa.

Agricultural sector can contribute to financial sector. If the agricultural sector develops in parallel to the modern sector, it increases savings within this sector that can be offered to the industrial sector. It thereby contributes to the necessary accumulation of capital in the modern sector, again making it less dependent on foreign capital.

Agriculture as a last resort in times of crisis. In many developing countries without social safety nets, the agricultural sector is a last resort for those who seek work in times of economic slowdown. This function is well observed in many countries with civil conflicts, but given the poor state of rural areas, their potential help to people is very limited.

As has been shown, the potential the agricultural sector offers for development is not used effectively in sub-Saharan Africa. However, with growing productivity in the sector, increases in education and health investment in rural areas and especially the renewed attention the international community pays to agriculture and rural development, the sector could, in the future, help to reduce poverty in the region. The ILO has put rural development at the top of its discussion agenda at its International Labour Conference 2008, to find out more about the role of rural labour markets in supporting the sector's contribution to development.

Source: ILO, World Employment Report 2004-05 "Employment, Productivity and Poverty Reduction", Chapter 3 "Why agriculture still matters", Geneva 2005. ILO, African Employment Trends, Geneva, 2007. UNESCO, Education for All Global Monitoring Report, "Education for All by 2015: Will we make it?", Paris 2007. World Bank, World Development Report 2008, "Agriculture for Development", Washington 2007.

As productivity changes have been positive in recent years, there is hope of improvement, but the average yearly growth rate of productivity was only lower in the Middle East, a region which has a much higher level to start from. In sub-Saharan Africa, the promising labour productivity growth rates in 2004 and 2005 (above 2 per cent) were not repeated in 2006 and 2007 when growth rates were below 2 per cent.

The gap between sub-Saharan Africa and other regions remained large and increased in most cases, as can be seen from Figures 4a and b. Today, the value added per worker in sub-Saharan Africa is 13 times lower than that of a worker in the developed world. The low starting level, as well as the slow and volatile growth rates of labour productivity, prevents the increase of incomes for many people. A simple calculation proves this point: if one takes the productivity level of US\$5,012 per person employed per year and assumes a labour income share in total GDP of 30 per cent,⁹ this would give an income of US\$1,500 a year or US\$4 a day per person employed. Given that in sub-Saharan Africa the total population is 769 million, and only 297 million have a job, each job holder has to support around 2.6 people. In other words, the US\$4 needs to support 2.6 people, leading to an income per person of around US\$1.6 a day. Knowing that income is far from being equally distributed among those employed, this simple calculation shows that, with such low productivity levels, the majority of people live in poverty.

The combination of a continuing very high level of vulnerable employment, and slow productivity changes that cannot pay for increases in income, are reflected in the trend of working poor shares. Despite a decrease of 4.3 percentage points in the share of working poor at the US\$1 a day level from 1997 to 2007, more than half of those employed still do not earn enough to lift themselves and their families out of poverty; by far the worst share of all the regions. In 2007, 85.4 per cent of those employed still live on less than US\$2, and this share has remained almost unchanged from 1997. Both rates are the highest of all regions and the gap with the other regions continues to increase. The total number of working poor on both levels has increased over the ten year period. In 2007 there were 20.4 per cent (or 26.6 million) more working poor at the US\$1 a day level and 28.1 per cent (or 55.5 million) more at the US\$2 a day level. A greater cause for concern is that, despite the positive economic trend in more recent years, these numbers have continued to grow. Between 2006 and 2007 alone, there were an additional 2.9 million working poor at the US\$1 a day level and 6.2 million at the US\$2 a day level.

The inability to reduce working poverty, as a result of slow productivity growth and slow changes in vulnerable employment combined with the growing number of unemployed, has resulted in sub-Saharan Africa being considered as unable to reach the MDG of halving the share of extreme poor by 2015. In many countries, this is not so much the result of the economic environment, but of the small impact economic growth has had, so far, on decent employment creation. In the years to come, the region faces the enormous double challenge of creating more *and* decent jobs. The good news is that more and more countries do seem to have reached a starting point. Fortunately, this is not only true for resource rich countries, but also for some of the more diversified economies in the region.

⁹ This estimate of the labour income share in sub-Saharan Africa is based on the findings in Malte Lübker, *Labour Shares*, ILO, Policy Integration Department, Technical Brief No. 01, Geneva, 2007. Even though the share calculated there does not include the incomes of self-employment and is based on numbers for the formal economy, it has to be taken as the best estimate available so far. Also, given that incomes in the informal economy are very small, this share would probably only be slightly higher when taking the informal economy into account, despite the sheer number of people in this sector.

3. North Africa

North Africa has grown remarkably over the last five years, especially in 2006 and 2007 when GDP growth rates exceeded 6 per cent. Prospects for 2008 are even better with an expected growth of 6.8 per cent. Despite this positive development, labour market indicators show a disturbing picture.

North Africa has the lowest employment-to-population ratio in the world. Not even five out of ten people of the working-age population are classified as employed.¹⁰ This low share is, as in the Middle East, strongly associated with the low number of women and youth in work. Only two out of ten women of working age are in employment, and less than three out of ten young people have a job, which is even less than ten years ago. The latter is particularly troublesome given that the youth share in the working age population will still be above 25 per cent of the working age population in 2015 (see Figure 7).

In addition to having such low employment-to-population ratios, unemployment is also a challenge in the region. Total unemployment increased by almost 25 per cent over the last ten years (1997 to 2007) and the unemployment rate was almost 11 per cent in 2007, the second highest in the world. At least in recent years a considerable decrease in the rate was observable, since it had reached a peak in 2001 (13.9 per cent). The situation is again much worse for women than for men (with unemployment rates in 2007 of 16.2 for women and 9.0 for men), and a young person's risk of being unemployed is 3.5 times as high as an adult's. Young women face the almost hopeless situation of an unemployment rate of 32.2 per cent, but for young men it hardly looks much better, with an unemployment rate of 21.2 per cent. Given these rates, it is not surprising that discouragement among young people is particularly high in the region.

Sectoral employment shifts are very slow in the region. Employment shares in industry have remained almost unchanged over the last ten years and the increase in service sector job shares was only two percentage points. Agriculture accounts for 32.8 per cent of all jobs, which is relatively low in comparison with other regions at the same development level, but still shows the dependency of the region on agricultural products and, therefore, commodity price developments.

For those who are employed, labour productivity increased by 17 per cent over the last ten years. This was less impressive than the growth seen in Asia, especially East Asia. Ten years ago, productivity in North Africa was twice as high as in East Asia; in 2007 the two regions had almost the same level (US\$14,775 in North Africa and US\$13,423 in East Asia).

Growth in productivity can be the result of people in better employment situations as they become more productive, and it can also lead to the creation of better jobs. In North Africa, growth of productivity had a considerable impact on the

¹⁰ When saying in this report that x out of ten people work or are employed or have a job, it does not imply that the others do nothing. It only means that they are not counted as being employed. Most of them work just as hard as those counted as employed. This is particularly true for women at home, managing the household and raising the children.

Box 2. Female Entrepreneurship: A shared challenge and chance for North Africa and the Middle East

Empowering women is one of the most pressing challenges the regions of the Middle East and North Africa have to face. The main route to reaching this successfully is by giving women the chance of a decent job. Heavy investment in women's education and changes in the labour legislation set the preconditions for women to equally participate in labour markets. But, as the figures analysed in this report show, gender equality is far from being the case in the two regions.

A recent World Bank Report titled "The environment for women's entrepreneurship in the Middle East and North Africa region" (Washington 2007) looks at one group of women with a decent job: female entrepreneurs. Some interesting findings of the report make it clear that women – even though a minority – are as successful as men in managing companies:

- The widely held perception is that the few female entrepreneurs in the Middle East and North Africa regions are mainly in the informal or formal micro sector (employing fewer than ten workers), producing less sophisticated goods and services. This perception is wrong. Of the formal-sector female-owned firms surveyed, only 8 per cent are micro firms. More than 30 per cent are very large firms employing more than 250 workers.
- In sectoral distribution female-owned firms are much like male-owned firms, with nearly 85 per cent in manufacturing and 15 per cent in services, compared with 88 per cent of male-owned firms in manufacturing and 10 per cent in services.
- Female-owned firms are also active exporters, and a high share attract foreign investors and are heavy users of information technology – all key ingredients for global competitiveness. Regionally, female-owned firms are as frequently exporters as male owned firms, and they are substantially so more often in Egypt, Jordan and Morocco. In Morocco, foreign investors have a more significant presence in female-owned firms. Female-owned firms are also more likely to regularly use email and websites in their interactions with clients.
- Female-owned firms offer good jobs and workers in these firms are as educated and skilled as those in other firms. In Egypt, for instance, 19 per cent of workers in female-owned firms have professional competencies, compared with just 16 per cent in male-owned firms.
- Female-owned firms hire more women. Women make up about 25 per cent of the workforce in these firms, compared with 22 per cent in male-owned firms. This difference may not seem large, but female-owned firms also employ a higher share of female workers at professional and managerial levels. Male-owned firms employ more women in unskilled positions.
- And female-owned firms are hiring more workers in general. In Egypt, Jordan, Saudi Arabia, and the West Bank and Gaza, the share of female-owned firms that have increased their workforces recently exceeds the share of male-owned firms.
- The productivity of female-owned firms compares well with that of male-owned firms.

Why are, despite these findings, so few women entrepreneurs? It is mainly the result of social attitudes and laws outside the business legislation that heighten the barriers for women entrepreneurs and limit their opportunities. By making better use of the female potential for labour markets in the region, social inclusion can be increased.

Source: World Bank, "The environment for women's entrepreneurship in the Middle East and North Africa regions" (Washington 2007).

number of people in vulnerable employment situations: the share in total employment was reduced to 30.7 from 36.9 per cent ten years ago. It is noteworthy that this decrease was mainly driven by improvements in women's employment situations. They moved out of the status group, contributing family workers and own account workers, into wage and salaried work to an extent that their share in this latter group is now almost equal to men's, just below 60 per cent. This is partly due to the heavy investment in female education in recent years, but also to the fact that many wage and salaried jobs are still found in the public sector where women find it easier to get a job than in the private sector.

As a result of productivity increases and decreases in vulnerable employment shares, extreme working poverty is now almost obsolete. Working poverty on the US\$2 a day level is down to 42.0 per cent, 8 percentage points less than ten years ago.

Given the low level North Africa began with, it is evident that reaching the goal of halving extreme poverty is not the most appropriate target. The region should rather focus on integrating more of the population into the labour force, particularly women (see Box 2 as an example), as well as on increasing productivity, since its comparative advantage is not cheap labour and more human capital. Decent job growth has to follow the strong economic development, especially given the high labour force growth rates. This can only be achieved if economies continue to diversify away from the traditional sectors of agriculture, natural resources, construction, and public works and into sectors that can provide more and better jobs, especially for young people – sectors that are more export oriented, labour intensive, and knowledge driven.

4. Middle East

The Middle East experienced an interesting mixture of labour market trends between 1997 and 2007, paralleled by solid GDP growth of an average of around 4.5 per cent annually between 1997 and 2007 and around 6 per cent between 2003 and 2007. A major contributor to the impressive GDP growth witnessed in recent years was the increase in oil prices. As a result of the strong impact of oil prices, countries in the region did not benefit equally: there are big disparities between the oil producing Gulf States on the one hand, and countries like Lebanon, Palestine on the other.

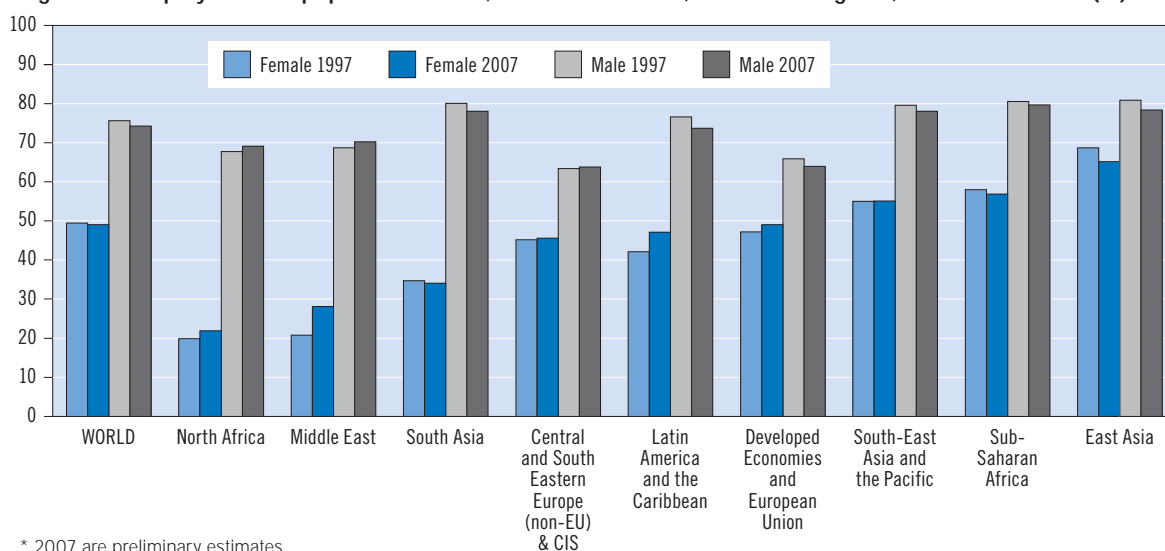
On the one hand, the region saw a considerable increase in employment-to-population ratios during this period. The ratio stood at 50.1 per cent in 2007, up from 46.0 per cent in 1997 (see Table 3 and 6). This increase was driven by an increase of more than 7 percentage points for women. If this trend continues, the region will, within one generation, reach the world average. Youth employment-to-population ratios followed a similar, but slower pattern, with again higher gains for young women than for young men, but overall the ratio for young people remains at a low level of only 32.2 per cent. Out of ten young women only two actually work, for men it is only slightly more than four out of ten.

In addition, vulnerable employment shares moved in the right direction, with a decrease of 7.5 percentage points, the highest decrease in all regions. With 32.2 per cent, it is also the second lowest rate in the world after the rate in the Developed Economies & European Union. There is evidence of a gender bias when looking at status of employment shares. Women have a much higher vulnerable employment share. In 2007, it was 43.2 per cent compared to 28.2 per cent for men. Women also have a much higher share in the group of unpaid family workers (25.3 per cent in comparison with 5.2 per cent for men) and a much lower share in the wage and salary workers' group with 55.3 per cent against 65.2 for men. At least, over the last ten years, women's share in this latter status group increased more than men's, most likely the result of heavy investment in women's education in the past.

On the other hand, the region's unemployment trend gives cause for concern. The total number of unemployed was one third higher in 2007 than ten years ago. For women it has even increased by 50 per cent. The unemployment rate was 11.8 per cent, unchanged from the previous year, and only 1.2 percentage points lower than ten years ago which is, given the high rates and the good economic performance over this period, not much of an improvement. Almost two out of ten women active in the labour market do not find a job, and one out of ten men. Youth unemployment is even more worrying as the risk of being unemployed is three times higher for young people than for adults. The youth unemployment rate was 23.8 per cent, slightly up from the previous year.

Another labour market trend that gives cause for concern is labour productivity. The Middle East is the only region in the world where labour productivity decreased between 1997 and 2007. The level is still the second highest in the world, but other regions' levels, such as Latin America & the Caribbean and East Asia, are coming closer to that level.

Figure 5. Employment-to-population ratios, female and male, world and regions, 1997 and 2007 (%)



* 2007 are preliminary estimates.

Source: ILO, *Global Employment Trends Model*, November 2007; see also note to table 1.

The increase of working poverty at the US\$1 a day level is partly the result of the decrease in productivity, as it implies that there is a stronger likelihood of jobs that are insufficiently paid to lift workers and their families out of extreme poverty. The share of extreme working poor almost doubled between 1997 and 2007, although, fortunately, that share is relatively low at 4.2 per cent in 2007. However, the working poor share at the US\$2 a day level decreased by 5 percentage points and was 19.3 per cent in 2007. Apparently, there was a twofold trend, some of the jobs created were of such poor quality that these workers became extreme working poor, at the same time there were also many jobs created that were decent enough to help people out of working poverty at the US\$2 a day level. The negative impact of the conflicts in Iraq, Palestine and Lebanon on working poverty should be kept in mind as well.

Over the ten-year period, the region followed a highly employment intensive growth path and still the growth in employment was too low to avoid unemployment as a result of the high labour force growth. One of the region's key peculiarities, especially in the Gulf States, is that many jobs created through growth have been mainly for migrant workers (especially in construction, but also in many other economic sectors). At the same time, there has been sustained high unemployment among nationals despite the employment intensity of growth. The type of employment created helped some people to change their status, away from vulnerable work arrangements into wage and salary work. At the same time, as a result of the weak performance in productivity, this employment intensive path is not likely to be sustainable in the long run, and not even in the short run, as is indicated by the increasing share of working poor and the decreasing trend of productivity. The region needs to find a balance between employment creation and increased productivity so that decent jobs are created and working poverty increases are halted. Given the high labour force growth in the region (on average 4.9 per cent annually between 1997 and 2007), and the high youth share in the working age population (see Figure 7), it becomes clear that employment creation is the major challenge in the region, especially for young people. The other big challenge is the further integration of women in labour markets as otherwise the investment made in their education will be a waste of potential. However, for sustained development it will be important that the jobs created are decent, not only in terms of giving high enough income for workers to escape poverty, but also giving the workers more social protection, rights at work and a chance for social dialogue.

5. Latin America and the Caribbean

As a region with comparatively high GDP per capita, some labour market indicators show different levels and trends compared to the poorer regions.¹¹ Overall, slightly positive labour market trends in recent years were partly the result of four successive years of economic growth of, on average, over 4.5 per cent.¹²

The employment-to-population ratio was unchanged in 2007, but had increased by 1.0 percentage point over the past decade. This is mainly the result of a much higher employment-to-population ratio for women, which increased from 42.1 in 1997 to 47.1 in 2007. This rise in the employment share of women in the working age population ran parallel to a substantial increase in female participation in labour markets. The female labour force participation rate increased from 47.2 in 1996 to 52.9 in 2007. At the same time, employment-to-population ratios and labour force participation rates for men decreased. Despite the positive development for women, the gap between female and male employment-to-population ratios is still high. It is only higher in North Africa, the Middle East and South Asia. The overall employment-to-population ratio is now at the world average, which is only the case in three other regions.

The unemployment rate also remained unchanged between 2007 and the previous year and was at a high of 8.5 per cent,¹³ which is more than ten years ago when the rate was 8.0 per cent, but less than five years ago when it was 8.9 per cent. This is partly due to the economic growth of recent years, mentioned above. With a rate of 8.5 per cent, the region is still well above the world average and above the rates found in the Asian regions, as well as the Developed Economies & European Union.

Where do people work in the region? The sector pattern reflects the fact that the region has higher levels of development compared to other developing regions: only 19.1 per cent of all people employed work in agriculture, this is the third lowest share in the world; 22 per cent work in the industrial sector and 58.9 work in services. The service sector share is the highest outside the Developed Economies & European Union. And more women, as a share of total female employment, find a job in this sector than men: the female share in services is 74.8 per cent, by far the highest in the world, whereas the male share is only 48.2 per cent. Even in absolute numbers, more women work in this sector than men.

But, despite the small share of jobs in agriculture, and the relatively high levels of GDP per capita, vulnerable employment is still an issue in the region – and has even increased between 1997 when the share was 31.4 per cent and 2007 when it was

¹¹ The analysis for Latin America & the Caribbean draws heavily on ILO, Panorama Laboral, Lima, 2005 and 2006, <http://www.oitchile.cl/panorama.php>.

¹² For a detailed analysis of the economic background see: OECD, Latin American economic outlook 2008, Paris, 2007, http://www.oecd.org/document/40/0,3343,en_2649_33731_38789800_1_1_1_1,00.html and World Bank, Latin America and the Caribbean, Annual Report 2007, Washington, 2007, <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/EXTANNREP/EXTANNREP2K7/0,,contentMDK:21507480~menuPK:4187908~pagePK:64168445~piPK:64168309~theSitePK:4077916,00.html>.

¹³ Differences to data published in the yearly publication of the ILO, Panorama Laboral, are due to the fact that data there covers only urban areas whereas data published in the Global Employment Trends publications covers the whole country.

33.2 per cent. It is the only region in the world where this share has increased over time, indicating that many of the jobs created in the service sector are insecure and probably yielding low wages with inferior working conditions. Given that it is mainly women in this sector, their likelihood of being in vulnerable employment has actually increased over time, possibly with the only small advantage being that they have moved out of agriculture, where they were mainly contributing family workers, into own account workers in the service sector.

The fact that wage and salary work now accounts for a smaller share of total employment than ten years ago (with a decrease stronger for women than men) is a worrying, but is not reflected in working poverty trends. Working poverty shares at the US\$1 a day level further decreased to a low level of 8 per cent and also, at the US\$2 a day level decreased by a considerable 8.2 percentage points to 25.4 per cent.

Apparently, what happens is that jobs created in the service sector are of high enough productivity levels to pay a salary that lifts people out of working poverty, despite most newly created jobs belonging to the category of own account work. This is even true despite the rather small increase in labour productivity. Only the Middle East has seen less growth in productivity levels than Latin America & the Caribbean between 1997 and 2007. In 1997 the productivity level in the region was above the world average; in 2007 it is no longer. However, the region still has the third highest level of productivity of all regions meaning that, potentially, jobs provide enough income to escape working poverty, despite high income inequality.

Box 3. Social exclusion and discrimination in Latin America and the Caribbean

Inequality has historically been one of the big challenges in the region of Latin America and the Caribbean. And despite economic progress, inequality still exists to a larger extent than in other regions (see, for example, ECLAC 2006 and 2007). Whereas social exclusion and discrimination are historically rooted in different forms of stigmatization of groups traditionally identified by race, ethnic origin, gender or disability – all of which are identifiable by observable characteristics – today's exclusion mechanisms affects much more diverse groups among the population. "Modern forces of exclusion, largely economic and social in origin, are currently affecting more diverse and visible groups within the population defined not by their ethnic or racial identity, but by the processes (such as unemployment or the lack of access to land) that produce and reproduce their exclusion." (Inter-American Development Bank, 2007, page 13). Whereas poverty in the past was often the result of discrimination it is, nowadays, the cause of discrimination. The main reasons for inequality between the poor and the non-poor are highly skewed distributions of assets (including human capital) and incomes.

Labour markets play a vital role in this process as a causing factor as well as a solution mechanism: people without a job, in vulnerable employment and/or working poverty and discouraged people are the ones that suffer from discrimination. But, because they suffer from discrimination their chances of escaping poverty are minimal. The only way out of this vicious circle is to give them a decent job. This would not only help them, but also their children to escape poverty and thereby escape discrimination.

This would not only help those affected, but society as a whole as discrimination has high social and economic costs. Inclusion policies should be viewed as an investment rather than as a generous handout to the worst off in the society.

Sources: Inter-American Development Bank, 2007 report on economic and social progress in Latin America: "Outsiders? The changing patterns of exclusion in Latin America and the Caribbean", Washington, 2007. ECLAC (United Nations Economic Commission for Latin America and the Caribbean), Social Panorama of Latin America 2006. Santiago, 2006. ECLAC (United Nations Economic Commission for Latin America and the Caribbean), Cohesión social: inclusión y sentido de pertenencia en América Latina y el Caribe. Santiago, 2007

Although the relatively stable unemployment situation, the narrowing of gaps between female and male participation shares and employment ratios, and the drop in working poverty, is encouraging, the unemployment rate remains well above the world average. In addition, the fact that vulnerable employment is increasing is troublesome. Female unemployment of more than 10 per cent, and an overall vulnerable employment share of more than 30 per cent, might discourage women from participating in labour markets in future, threatening the achievements made with regard to including them in labour markets. For the time being, population growth, labour force growth and job growth are in balance, but the cost to the region is the slow increases in productivity. Therefore, job creation in terms of high quality jobs continues to be a major concern for policy-makers. A country's labour market plays a major role in social inclusion. It is thereby a major instrument to achieve more equality in a country. Latin American countries have seen an increase in inequality in the last decade. (For more details see box 3.) This leads to the conclusion that, in the case of this region, politics failed to use labour markets as an instrument of increasing equality. As labour represents the primary source of income for the vast majority of people, high unemployment and increasing vulnerable employment are bound to have a negative impact on equality.

6. East Asia

In 2007, East Asia registered a GDP growth rate of 10.4 per cent, the strongest annual rate of growth in the last decade. This was the sixth consecutive year with a growth rate above 8 per cent. This positive trend was mainly driven by China's growth performance. However, strong export performance has been a common feature sustaining robust economic activity throughout the region. Improved public finances and lower public debt are also providing fiscal space for higher public spending, which could benefit the region through greater investments in infrastructure and social services.¹⁴

Total employment in 2007 increased by 7.5 million, 0.9 per cent more compared to the previous year. This increase accounts for 16 per cent of all jobs created in the world in 2007 (see Figure 2). Employment-to-population ratios stayed at the world's highest levels in 2007, with 71.9 per cent of all people of working age employed. This ratio was 78.4 per cent for men and 65.2 per cent for women. All ratios continued their downward trend which, given the high levels, does not reflect a threat to growth and development. The decrease is partly the result of higher educational participation, reflected in the fact that the decrease for youth employment-to-population ratios is even higher than for adults. Nevertheless, youth employment-to-population ratios are also the highest in the world, at 63.0 per cent in 2007. East Asia is the only region in the world where employment-to-population ratios for young women are higher than for young men.

The unemployment rate continues to remain at low levels. It decreased between 2006 and 2007 and was 3.3 per cent in 2007, the lowest rate observed in any region and any year between 1997 and 2007. Also, youth unemployment is the lowest in the world, at 6.9 per cent in 2007, continuing a decreasing trend. (See Figure 6.)

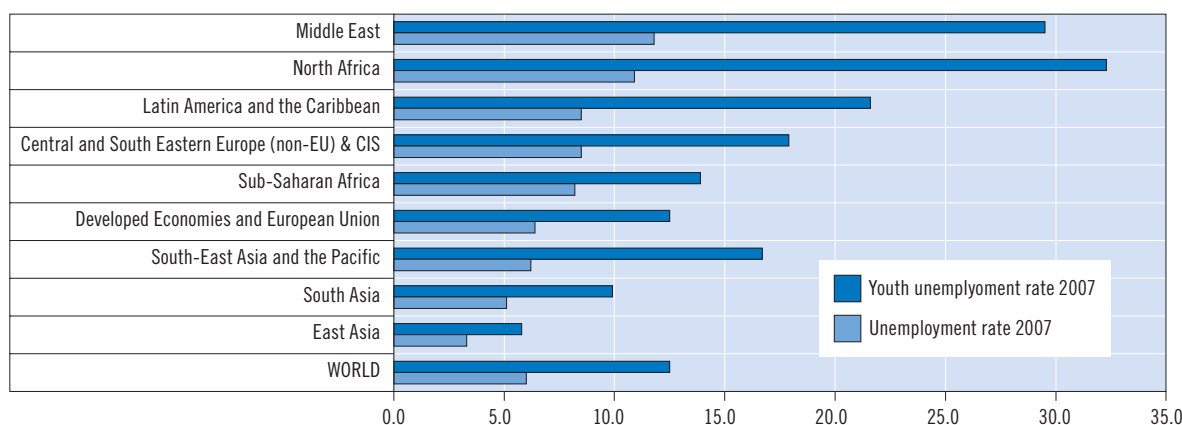
People are quickly moving out of agriculture. In 1997, 47.9 per cent of all those employed worked in this sector; in 2007, agriculture accounted for only 38.4 per cent of all jobs. Only South Asia has seen a faster decrease. During the same period, employment in industry increased from 24.3 to 26.9 per cent and employment in services increased from 27.8 to 34.7 per cent.

The move out of agriculture was paralleled with a move out of vulnerable employment. The share of those in vulnerable employment situations out of all people employed decreased by 7.5 percentage points and is now down to 55.7 per cent. The situation changed more for women than men. The share of female contributing family workers decreased by an impressive 20.7 percentage points. Unfortunately, not all women moved into wage and salary work, but also into own-account work. However, the share of women in wage and salary work is 10.5 percentage points higher than in 1997, at a level of 39.2 per cent. The level for men in this group also increased and was 46.4 per cent in 2007.

Additionally, looking at labour productivity growth in the region, the increase in this indicator has been impressive and by far the fastest of all regions. In 1997,

¹⁴ World Bank, *East Asia Update November 2006 and November 2007*, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/EXTEAPHALFYEARLYUPDATE/0,,menuPK:550232~pagePK:64168427~piPK:64168435~theSitePK:550226,00.html>.

Figure 6. Unemployment rates total and youth, world and regions, 2007



* 2007 are preliminary estimates.

Source: ILO, *Global Employment Trends Model*, November 2007; see also note to table 1.

the output a worker produced was US\$6,781 (in comparison with US\$54,035 in the Developed Economies & the European Union). Ten years later the output per person employed had almost doubled to US\$13,423 (in comparison with US\$64,231 in the Developed Economies & the European Union). Thus, whereas in 1997 an average worker in the Developed Economies & European Union region produced eight times more than a worker in East Asia, in 2007 it was only five times more.

Current estimates suggest that the number of people in East Asia working, but still living with their families on less than US\$2 a day, fell to 286.8 million or a share of 35.6 per cent of all people employed in 2007. Ten years ago this share was 59.1 per cent. And, extreme working poverty at the US\$1 a day level only affects 8.7 per cent of all working people, whereas ten years ago 18.8 per cent of all those working belonged to this group. It appears that sustained productivity increases have led to income increases and made it possible for families to escape poverty.

Where do the challenges for this successful region lie? More and more countries in East Asia are on their way to becoming middle-income economies. The newly created wealth needs to be well managed. This means increasing efforts to reverse the trend in rising inequality¹⁵ that has been observed in some countries in the region. Well developed and functioning labour markets can help to reverse inequality. They insure, for example, that earnings follow productivity increases. They would have to become more inclusive, and labour market institutions and social security systems would have to be in place for those times when growth starts to slow down. Another challenge is to prepare young people for the future through investment in their human capital, as low-cost labour will not continue to be the region's comparable advantage. Also, even if people move quickly out of agriculture, it is important to continue watching this sector, as it is where most poor people work and it still contributes considerably to the GDP of the region. Furthermore, improvements in other decent work components are not keeping up with economic development: average working hours are longer than in other regions and exceed 50 hours per week in some countries; safety and health at work, as well as rights at work, have not progressed significantly; and, social dialogue between workers, employers and governments is far from being implemented everywhere. Finally, rapidly increasing environmental problems could soon constrain economic development and will certainly have a huge impact on labour markets.

¹⁵ Asian Development Bank, *Key Indicators 2007, Inequality in Asia*, Manila, 2007, http://www.adb.org/Documents/Books/Key_Indicators/2007/default.asp.

7. South-East Asia and the Pacific

Development in South-East Asia & the Pacific has been less impressive than in East Asia and, more recently, in South Asia. Nevertheless, the region has profited from the economic boom in China and India and the good economic performance of most developed economies in recent years; 2007 was the fourth consecutive year with a GDP growth rate of 6 per cent or more. Within the region, economic performance was poorest in the Pacific.

Employment-to-population ratios of the overall population decreased slightly between 1997 and 2007 (from 67.2 per cent in 1997 to 66.4 per cent in 2007), mainly the result of a considerable decrease in youth employment-to-population ratios. The latter decreased by 4.7 percentage points and stayed, in 2007, at the comparatively low level of 47.1 per cent. This is partly the result of more education. For both, overall population as well as youth, employment-to population ratios are much lower for women than for men, but the difference is not as large as in South Asia, Middle East and North Africa.

The unemployment rates in the region are comparably low and have stabilized in recent years. What is worrying is the increasing unemployment rate for women, who already participate less in labour markets, and may become further discouraged by the increases in the unemployment rates. In 2007, unemployment rates were 6.9 per cent for women compared to 5.6 per cent for men. Ten years earlier the difference in the rate was only 0.3 percentage points. Some labour markets in the region provide fewer and fewer opportunities for young people. This is especially the case in Indonesia. As a young person, your risk of being unemployed in the region is almost five times higher than for an adult. Over the period 1997 to 2007, the unemployment rate for young people increased by 6.3 percentage points, the highest increase in the world. The situation in 2007 was almost as bad for young men as for young women. The former group had an unemployment rate of 16.0 per cent in 2007, the latter of 16.7 per cent. For young educated people the unemployment is not only the result of the fewer jobs offered; there is, in addition, a widening gap between the expectations of educated young people and the quality of jobs available. The majority of young, educated unemployed people are well educated, but have to queue for good formal sector jobs, whereas the uneducated young people still have to take the jobs in the growing informal economy.

The move out of agriculture is slower than in other regions in Asia, and also in sub-Saharan Africa. In 2007, 43.9 per cent of all workers were still in agriculture, only 4.8 percentage points less than ten years ago. This is the third highest share in the world after sub-Saharan Africa and South Asia. Men and women have almost the same share in agriculture; 19 per cent of all those employed work in industry. This is the second lowest share in the world after sub-Saharan Africa, but after a sharp decrease between 1997 and 1998, there has been a strong upward trend. The increase in service sector jobs has also been slow; only North Africa has seen a slower increase of those working in the sector. The increase in this share was mainly driven by women moving into this sector.

Box 4. Micro-level analysis of working poverty in the Philippines

All estimates for working poverty in this publication are derived from a macro-econometric model which takes poverty rates as the main input. (For details of the estimation technology see Kapsos, S., Estimating Growth Requirements for Reducing working poverty: can the world halve working poverty by 2015? Employment Paper 2004/14, ILO, Geneva, 2004 and <http://www.ilo/trends> for information on all world and regional estimates). The main reason behind the use of macro-based models for estimating working poverty is the lack of direct measurements of poverty among the employed population. However it is clear that micro-based estimates of working poverty are more reliable than macro-derived estimates simply because they are based on direct household-level measurement and do not require the simplifying assumptions that underlie the macro-based estimates. Yet careful analysis of the relationship between employment and poverty is not usually feasible because the most reliable way of collecting information on the two topics is through “dedicated” separate surveys, such as the Labour Force Survey (LFS) for the employment status of the population and the Household Income and Expenditure Survey (HIES), or the Living Standards Measurement Survey (LSMS), for the measurement of poverty.

In the case of the Philippines both a LFS and HIES survey is carried out on the same households, allowing for the direct calculation of working poverty using the ideal sources for both employment and poverty status. The results showed that in total, over 3 million workers aged 15 and above in the Philippines were living on less than \$1 a day in 2003, with nearly 12.6 million living on less than \$2 a day. This corresponds to 9.9 and 40.9 per cent of workers, respectively. In comparison with the macro-based approach, in both cases of \$1 and \$2 working poverty, the macro-derived estimates result in overestimation of poverty rates and headcounts as compared with the micro-derived estimates. It is important to note though that the comparison between the micro- and macro-derived results is based on data from only one country in only one year and therefore does not represent conclusive evidence regarding the plausibility of the various assumptions used in the macro-derived estimates. However, the case of the Philippines reveals considerable potential for broadening the use of micro based surveys to generate new country-level working poverty estimates and to begin to test and improve upon the assumptions underlying the existing macro-based models. In addition to providing more accurate country-level estimates of working poverty, micro surveys enable national and sub-national tabulations of a wide variety of labour market and socioeconomic indicators to be produced. These tabulations can increase the use of statistical data and evidence-based approaches in policy formulation, while giving researchers and civil society the ability to monitor the related trends and progress towards national and sub-national goals.

Source: Kapsos, S., Micro-and Macro-based approaches for estimating working poverty, paper prepared for United Nations Economic and Social Council, Economic and Social Commission for Asia and the Pacific, Committee on Poverty Reduction, Document No. E/ESCAP/CPR(4)/5, 19 September 2007.

The shift in terms of status of employment has been slightly more impressive than the sectoral move, especially the move out of the status group of contributing family workers, for women. The share of this group in total employment decreased by 10.5 percentage points to a level of 36.0 per cent – nevertheless, the second highest in the world after South Asia. Apparently, a large share of women moved into own-account work, but a promising aspect is that an even larger share moved into wage and salary work; there the female share increased by 5.7 percentage points between 1997 and 2007 to reach 35.1 per cent. Movements in men’s status shares have been less impressive, but going in the right direction. Decreases in the contributing family share and the own-account share and increases in wage and salary work. More than four out of ten workers belong to the latter status group. Overall, vulnerable employment decreased in the last ten years between 1997 and 2007 by 4.0 percentage points. In 2007, six out of ten people employed were in a vulnerable employment situation.

Labour productivity growth was stagnant and much slower than in the other Asian regions, which led to the fact that East Asia overtook South-East Asia & the Pacific in terms of levels of productivity. The average annual increase between 1997 and 2007 was below 2 per cent. However, recent years growth rates were much higher.

Taking the mixed performance of labour market indicators together, the development of working poverty comes as a surprise at first sight: the working poor share at the US\$1 a day level almost halved – down from 24.1 per cent in 1997 to 13.4 per cent in 2007. With a decline of 12.2 percentage points, the decrease in US\$2 a day working poverty was the second highest in the world after East Asia. Nevertheless, every second worker lives with his family on less than US\$2 a day. One of the explanations for the rapid reduction in working poverty is that the region started from lower levels of poverty and higher incomes per capita ten years ago than other regions, which means that there was not that much growth needed to further improve the situation. (For more information on working poverty in the Philippines and working poverty estimations in general see box 4.)

The region still needs decent jobs. How to find sectors where such jobs can be created is the challenge for the future, especially given that the region overall does not have an advantage in either cheap labour or productivity levels. As only higher productivity levels can insure decent work growth, there is a strong need to focus on improving productivity through education and skills development.

The situation is especially challenging in the Pacific Island States. Combined with high labour force growth and poor labour market performance, living standards have deteriorated in many countries there.

Cambodia, Viet Nam and the Philippines have shown promising developments over the past ten years, so has Singapore in more recent years. In the first three cases GDP growth was not driven but supported by a good performance of the agricultural sector. This should be taken as good examples for other countries in the region and at the same level of development, given the continuing high share in this sector in these countries and given that poverty is becoming, more and more, a rural phenomenon.¹⁶

Social protection schemes and social safety nets are more important than ever, especially for the young generation, in view of the high unemployment challenge they face. The situation of young people in the region's labour markets has become the most pressing challenge. The high unemployment and the mismatch between expectations and the quality of jobs, and consequent discouragement, will lead to a heavy constraint in development. The region's youth share in the working age population will decrease in the future (see Figure 7) which could lead to lower unemployment amongst the youth. But for today's youth measures need to be taken to help them to better integrate in labour markets, otherwise a high share of their potential could be lost.

¹⁶ World Bank, *World Development Report 2008*, "Agriculture for Development", Washington, 2007, <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/EXTWDR2008/0,,menuPK:2795178~pagePK:64167702~piPK:64167676~theSitePK:2795143,00.html>.

8. South Asia

Recent economic growth has led to impressive poverty reduction in South Asia. The World Bank, in a recent report,¹⁷ even predicted an opportunity for the region to end poverty in a generation. This could be the case, but only if economic development is followed by positive labour market trends.

Employment-to-population ratios in South Asia have traditionally been very low because of the low labour force participation rates of women and they continue to be an untapped potential in the region. In 2007, only 3.5 out of ten women of working age actually work, and over the last ten years this share even slightly decreased; as did men's employment-to-population ratio which, in 2007, was 78.1 per cent. Both decreases are caused by a considerable downward trend of youth employment. Fortunately, this is the result of more young people participating in education although, unfortunately, the gender gap in education is still large.¹⁸ If education gaps between men and women persist, this would lead to even more constraints for women in the labour markets in the future. In 2007, the employment-to-population ratio for young people was 42.4 per cent, with a rate of 26.2 per cent for young women and 57.2 for young men.

What makes the situation of women even worse is that, despite their low participation, they have a higher risk than men of becoming unemployed: the female unemployment rate in 2007 was 5.8 per cent compared to 4.8 per cent for men. Fortunately, these rates are rather low compared with other regions, and the concern that they might increase over time have, so far, not materialized. Over the last four years, a decline in the overall rate was observed leading to an overall unemployment rate of 5.1 per cent in 2007. South Asia's countries are still different from the rest of Asia in that they strongly depend on agriculture and, therefore, on weather conditions and the demand for agricultural products, as well as prices. The agricultural sector accounts for almost half of total employment (48 per cent of all jobs are found in agriculture), more than in any other region, except sub-Saharan Africa. But no other region in the world has seen as fast a decrease of agricultural employment as South Asia, over the last ten years the share decreased by 11.4 percentage points. The decrease was higher among women than among men. Where did the employment move to? Surprisingly, given the large amount of attention paid to outsourcing service sector jobs to India, it was the industrial sector that saw the biggest increase in its job share: in 1997 15.3 per cent of all jobs were found in this sector, in 2007 it was 21.7 per cent. This has been, by far, the biggest increase in all regions and, again, women's share in employment in the sector increased more than men. The service sector's employment share only increased

¹⁷ World Bank, "Can South Asia end poverty in a generation?", Washington, 2007, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/0,,contentMDK:21050421~pagePK:146736~piPK:146830~theSitePK:223547,00.html>.

¹⁸ See for example: Oxfam, "9th girls' education in South Asia", *Education and gender equality series, Programme Insights*, Oxfam GB, February 2006, <http://www.oxfam.org.uk/resources/issues/education/downloads/edpaper9.pdf> and UNICEF, *The Gap Report, Gender achievements and prospects in education*, New York, 2005, <http://www.ungei.org/gap/index.php>.

Box 5. Analysing labour market vulnerability: The example of Pakistan

Vulnerable employment, which can be used as an indicator to assess decent work deficits, decreased by 2.5 percentage points between 1999-00 and 2005-06 in Pakistan. At least as important as this overall decrease during a period of rapidly increasing economic growth is a careful examination of which labour market segments have benefited, which groups have been left behind, and what the decrease in vulnerability measured on the basis of status in employment means in terms of other labour market indicators.

- At the national level vulnerable employment is associated with illiteracy in Pakistan, as the proportion of illiterates is significantly higher among own-account workers and contributing family workers (52.9 per cent) than among employers and employees (36.9 per cent).
- An investigation of labour market groups shows that vulnerability decreased by 5.0 percentage points for males, but increased by 6.5 points for females, which was mostly due to an increase of the number of female contributing family workers.
- A breakdown by economic sector demonstrates that vulnerability is often reduced in sectors leading recent employment growth, such as manufacturing, trade and construction. The financial sector was an exception, as employment growth in this sector was accompanied by an increasing share of vulnerable employment. However, given the nature of this sector, for example the lowest rate of illiteracy of all economic sectors, this increase is unlikely to reflect a growing decent work deficit.

The analysis of vulnerable employment in Pakistan draws on the UNDP/ILO Labour Market Information and Analysis (LMIA) project in this country. The aim of this project is to support the production of up-to-date and timely LMIA that serves as an input into the formulation and monitoring of pro-poor, decent work and other policies, in particular through a series of labour market reports. The first issue of Pakistan Employment Trends, released in 2007, focused on assessing important dimensions of decent employment in Pakistan. The second issue, to be released soon, focuses on LMIA for skills development, an area that is pivotal for Pakistan's economic and social development. A third issue will look into the position of youth in the labour market, in part based on new data on the school-to-work transition. Similar projects are being developed by the ILO in other countries, with the aim of improving the analytical and information base for the formulation of decent employment policies.

Source: ILO, *Key Indicators of the Labour Market*, 5th Edition, Geneva, 2007, Chapter 1, and *Pakistan Employment Trends*, Ministry of Labour, Manpower and Overseas Pakistanis, Islamabad, 2007).

by 5.1 percentage points over the ten year period, which is less than the Developed Economies & European Union, Central & South-Eastern Europe (non-EU) & CIS, East Asia, and even sub-Saharan Africa.

Has the remarkable trend away from agricultural employment been reflected in decreasing vulnerable employment in the region? Unfortunately not, as the vulnerable employment share remained the highest in the world. More than seven out of ten people are either own-account workers or contributing family workers, carrying all the economic risks of these status groups. The decrease in the ratio between 1997 and 2007 was smaller than in other poor regions. The most interesting development is that of women shifting out of contributing family work. It appears that the majority of the women moved into own-account work and not so much into wage and salaried work. This means that those women moved from one vulnerable group into another, only slightly increasing economic independence. As is shown in box 5 for Pakistan, this development does not take place in all countries within the region.

Again, interesting to note, is the tremendous decline of extreme working poverty, which is in contradiction to the slow changes in vulnerable employment. Working poor shares at the US\$1 a day level in total employment went down by 20.3 percentage

points between 1997 and 2007, the highest decrease of all regions. The share, which in the early 1990s, was the highest in the world, is now down to 33.0 per cent. How can this contradiction between the two indicators be explained? Most likely by the fact that, as a result of economic growth, jobs created in the status group of own-account work seem to be well enough paid to lift those workers above the poverty line. However, one of the characteristics of such jobs is that they are often the most vulnerable to economic slowdowns and, whether well paying or not, they are often unlikely to be decent, with regard to all four pillars of decent work; workers do not usually have any social protection, they lack basic work rights and they have no way of organizing themselves.

This hypothesis is strengthened by looking at the working poor shares at US\$2 a day levels. Eight out of ten workers are still working poor at this level; this share is only higher in sub-Saharan Africa. The share is lower than ten years ago when nine out of ten workers were found among the working poor US\$2 a day level, but the progress is smaller than in the other Asian regions. Therefore, new jobs were good enough to take workers out of extreme working poverty, but only to move them into US\$2 a day poverty.

The high working poor share at the US\$2 a day level is mainly the result of the continuing low levels of productivity. Between 1997 and 2007, this level increased by almost 50 per cent, but the level reached in 2007 is still the second lowest in the world after sub-Saharan Africa. Such low productivity levels cannot pay wages high enough to lift workers out of poverty.

For the time being South Asia still has an enormous deficit in decent work; too many people in vulnerable employment situations and too many working and still living in poverty. But, there are hopeful signs: people are moving out of the agricultural sector to work in more productive sectors; extreme working poverty is decreasing tremendously; unemployment remains at low levels, and, productivity growth is leading to productivity levels that may soon be sufficiently high to pay wages high enough to take people out of US\$2 a day working poverty. The challenge is not so much the creation of jobs in general, but the creation of decent jobs. This challenge is especially difficult given the labour force growth in the region. It can only be successfully tackled if the region manages to create more inclusive formal labour markets – for the poor, for women, for young people and also for the enormous proportion of illiterates in the current labour force who are often trapped in dead-end jobs. This, in turn, means investing in education and other forms of human capital to set the preconditions for the poor to get better jobs. It is also important for the region that it prepares itself for an economic situation less favourable than today's by putting social protection mechanisms in place to make sure that people do not fall back into poverty. The challenge is to find an effective balance between flexibility, stability and security of working arrangements in dynamic labour markets. Given the strong economic growth, the region now has the potential to put forward the necessary reforms and investments in human capital.

9. Central and South-Eastern Europe (non-EU) & CIS

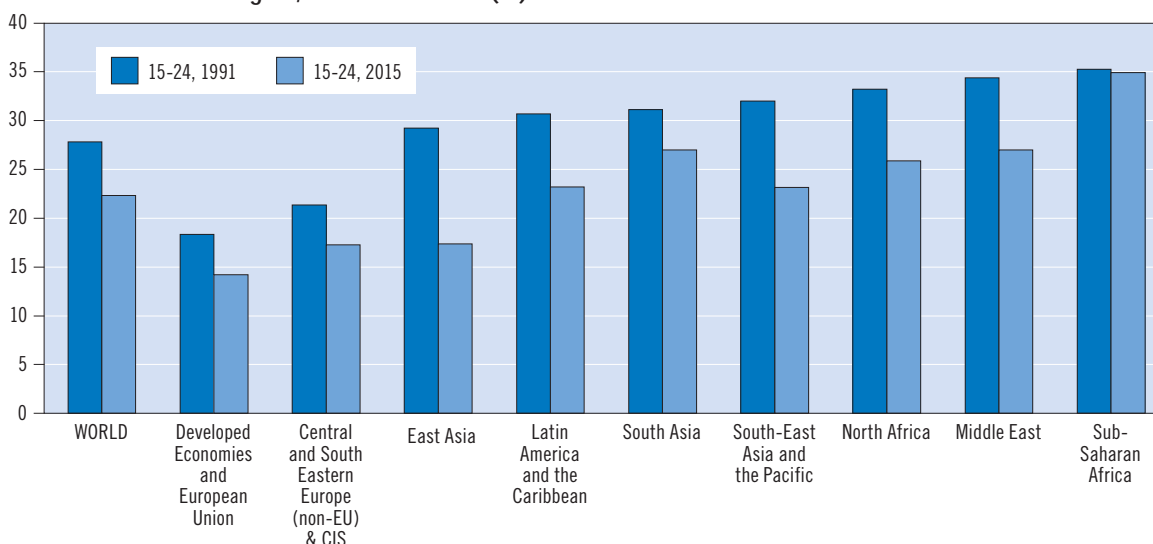
Economic growth in the region of Central & South-Eastern Europe (non-EU) & CIS was remarkable, with yearly growth rates of 5 per cent on average between 1997 and 2007 and over 7 per cent annually in the last five years of this period. However, this growth has been unevenly distributed among the countries in the region, leaving some of the poorer ones even further behind. The region's biggest economy, on the performance of which many others depend, Russia, has seen solid growth of more than 6 per cent annually over the last five years.

The rather good economic performance seems to finally impact on employment-to-population ratios. The downward trend, observed ever since the breakdown of the Soviet system, finally stopped and a slight increase of the ratio has been observed in recent years. The male employment-to-population ratio in 2007 was 0.4 percentage points higher than ten years ago, at 63.8 per cent. Women's ratio in 2007 was 0.5 percentage points higher than ten years ago at 45.6 per cent. Employment-to-population ratios for young people also seem to have reached a turning point with an upward trend in recent years, but they are still only at the same level as ten years ago, a rather low 36.0 per cent. This is the third lowest ratio for young people in the world after North Africa and Middle East, where the low rates are the result of the low participation of women. In the case of Central & South-Eastern Europe (non-EU) & CIS the low rate has to be explained by the rather low participation of young people in labour markets, mainly caused by discouragement.

Unemployment rates continue to be high with only a very slow downward trend which, of course, further discourages people to participate in labour markets. The unemployment rate for the whole region was 8.5 per cent in 2007, unchanged from the previous year. Many of the jobless are young first-time jobseekers who, even when they successfully enter the labour market, face rapid labour turnover and much short-term employment. The youth unemployment rate was at 17.3 per cent in 2007. The region has traditionally not seen big differences in unemployment for women and men, and for the overall unemployment situation women actually have a lower unemployment rate than men. But, in the youth cohort, women face a higher unemployment risk than men, which was not the case right after the transition took place. This should be seen as a warning sign that gender equality in labour markets has started to deteriorate.

Even in the more agriculture oriented economies, people move quickly out of this sector. Overall, the share of workers in this sector decreased by 7.4 percentage points between 1997 and 2007 and was 19.5 per cent in 2007. However, the share of people employed in industry also decreased over the ten year period by 2.3 percentage points. Besides the industrialized economies, this is the only region that saw a decrease in industry shares. In 2007 the share was 26.1 per cent. As a result, the service sector is the only sector that saw an increase in its employment share of almost 10 percentage points. This sector provides over half of all employment opportunities in the region. Six out of ten working women and five out of ten working men work in this sector.

Figure 7. Shares of youth population (15-24) in the working age population, world and region, 1991 and 2015 (%)



Source: ILO, *Global Employment Trends Model*, November 2007; see also note to table 1.

Status shares have changed very little between 1997 and 2007, for men and for women. The biggest shift was that of women out of contributing family work, but with a decrease of only 2.6 percentage points in ten years and even that change is far from being impressive. As a result of these slow movements, vulnerable employment decreased only by 0.8 percentage points. With two out of ten people facing a vulnerable employment situation, the region continues to have the second lowest share in the world after the industrialized economies.

The stagnant development of vulnerable employment is in contradiction to the tremendous productivity increases between 1997 and 2007. On average, productivity grew by almost 5 per cent per year, bringing the region's productivity on a level with productivity in Latin America & the Caribbean and the Middle East. Between 1997 and 2007, productivity grew by over 50 per cent, which is the second highest increase in the world after East Asia. One of the reasons to explain why this progress was not translated into improvements in the vulnerable shares could be that the increases were not constant with big ups and downs over time. If productivity changes are not predictable and show big jumps, enterprises often do not create decent wage and salary jobs, but prefer to have people in employment situations where they are easily displaced. But, this insecure situation also weakens the demand side as those in vulnerable situations are less likely to spend money.

The jobs people hold may be vulnerable, but at least they are well enough paid to get them out of extreme working poverty. The share of people at the US\$1 a day level decreased from 5.8 per cent in 1997 to 1.9 per cent in 2007. At the US\$2 a day level it decreased from 31.9 per cent to 21.0 per cent; interestingly enough, almost identical with the share of those in vulnerable employment situations. If the region can continue the trends of the last five years and start translating economic growth into decent employment growth, the decent work deficit would be further reduced.

The main tasks for Central & South-Eastern Europe (non-EU) & CIS countries are to reverse high unemployment and low employment rates so that there is better use of the potential offered by the working age population. This will only be possible if macroeconomic policies are launched that boost investment and decent job creation and if labour market and social policies contribute to the inclusion, especially of young people, and to poverty reduction. Given that economic growth, so

far, has neither led to considerably lower unemployment nor to less risky employment situations, it is not surprising that the region faces big emigration flows. The level of migration is of increasing concern because of the exodus of well-skilled nationals. This is perceived as reducing the capacity for long-term economic development. This is particularly troubling given that the youth share in the working-age population, which was already very low in comparison to other countries (see Figure 7), will further decrease. If not identified as a major concern the ageing and decreasing of societies will turn into a constraint for further development in the region. The challenges for labour markets, social security systems, pension policies, health care, savings and consumption patterns are enormous.

10. Developed Economies and European Union

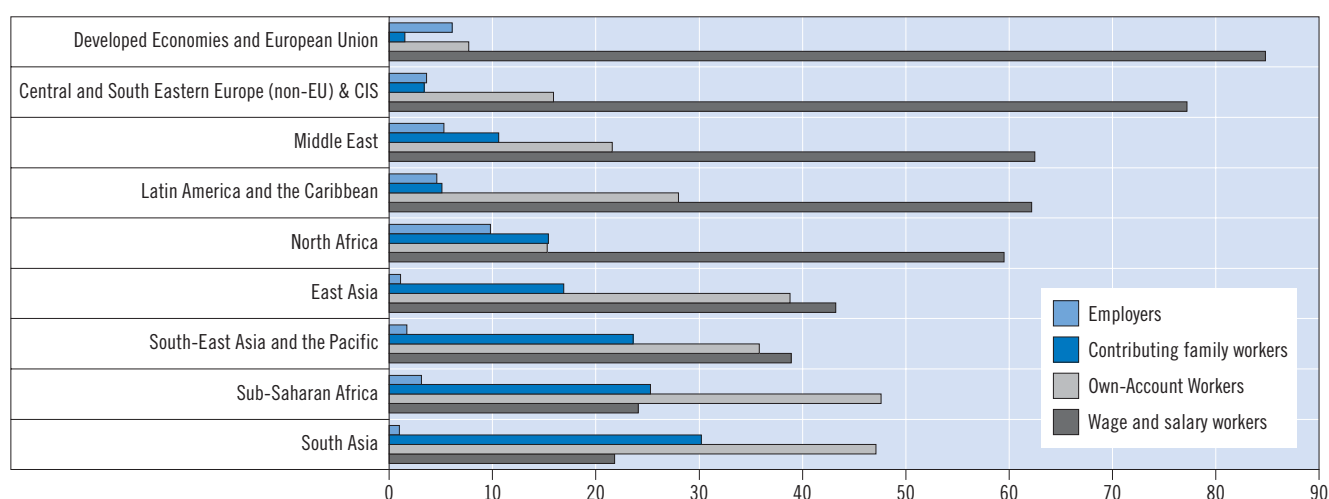
Labour market analysis for the region of the Developed Economies & the European Union differs in comparison with the less developed regions as levels, trends, and importance of labour market indicators are different from developing regions. Some indicators that are very important for the analysis of labour markets in developing regions are not as relevant for developed regions, such as vulnerable employment (see Figure 8 for the differences regarding status in employment between Developed Economies & European Union and other regions) and working poverty. Challenges and policies identified in developed regions will also differ. This stated, the analysis of developed countries is of particular importance for the region itself and also for other regions. The latter is the case as: a) labour market trends in Developed Economies & the EU have an impact on labour markets in other regions; b) labour market trends in developing regions have an impact on labour markets in Developed Economies & European Union; and, c) a careful analysis of labour market trends has to identify in which areas developed economies should serve as a reference point for the future of labour markets in developing countries.

Regarding economic performance, most economies in the region have enjoyed another year of solid growth with reasonable inflation, despite rising oil and commodity prices. The region grew by 2.5 per cent, less than the year before. The smooth performance of the region in recent years (the ten year annual growth rate was 2.6 per cent) was slightly disturbed as a result of turbulence stemming from a crisis in the US housing sector.

However, even the impact of such a small decrease in growth is immediately reflected on labour markets. Labour market indicators for the region of the Developed Economies & the European Union did not confirm the positive trends of more recent years, but showed signs of some stagnation between 2006 and 2007. The number of unemployed increased by 600,000 and was 32.1 million in 2007. The increase was slightly higher for men than for women. The unemployment rate stayed almost unchanged at 6.4 per cent after having seen decreases since 2003. At the same time, employment increased by 1.9 million or 0.4 per cent and the employment-to-population ratio decreased marginally to 56.4 per cent. The increase in employment was the smallest in the last five years. Employment creation was dominated by jobs for women: out of the 1.9 million new jobs, 1.6 million were jobs for women and only 0.3 million for men. As a result, employment-to-population ratios for men saw a decrease of 0.4 percentage points between 2006 and 2007, whereas the rate for women stayed stable at 49.1 per cent.

For young people the picture looks more negative: unemployment increased by 175,000 between 2006 and 2007, an increase of 2.1 per cent in just one year. Again, the impact on men was more negative than on women: there were 168,000 additional young men unemployed, but only 7,000 women. Young men's unemployment rate increased to 13.8 per cent, whereas the rate for young women remained stable at 12.5 per cent and the overall unemployment rate for young people increased by 0.3 percentage points to 13.2 per cent. A young person's risk of being unemployed

Figure 8. Status of employment shares in total employment, 2007 all regions (%)



* 2007 are preliminary estimates.

Source: ILO, *Global Employment Trends Model*, November 2007; see also note to table 1.

is 2.4 times higher than an adult's. Employment for young people decreased by a total of 336,000 jobs (with 309,000 fewer jobs for young men and 27,000 fewer jobs for young women), causing a decrease in the employment-to-population ratio of 0.2 percentage points down to 44.2 per cent (again almost unchanged for young women at 42.8 per cent and decreasing for young men to 45.6 per cent).

The move out of industry and into services continues. In 2007, 24.5 per cent of all jobs were found in industry, compared to 71.5 per cent in the service sector. The sectoral picture differs between men and women. While only just more than one out of ten women work in the industry sector, three out of ten men work there. In the service sector more than eight out of ten women, but only six out of ten men work there.

Regarding status of employment, 88 per cent of all working women inherit a wage and salary job, 3.9 per cent are employers, 5.8 per cent are own account workers and 2.3 per cent are contributing family workers. For men the shares are 82.1 per cent in wage and salary jobs, 7.9 per cent are employers, 9.3 per cent are own account workers and 0.8 per cent are contributing family workers. All status groups, besides the wage and salary group, have lost importance over time.

Despite slower GDP growth in 2007, in comparison with the year before, productivity growth was with 2.1 per cent faster in 2007 than in 2006. At this point in time, it is a worrying trend given that total unemployment increased and employment increased only slightly. At the same time, the productivity intensive growth could lead to further increases in wages which, in turn, could halt increasing inequality trends observed in some countries. The gap between the level of productivity in the Developed Economies & European Union and other regions has further increased over the last ten years, despite the fact that some regions have seen higher growth rates of productivity. However, as a result of the low levels they started from, the Developed Economies & the European Union were able to strengthen their leading position.

The outlook for the coming years is not as positive. The IMF apparently saw the slowing down effect caused by oil prices and the turbulences in the US housing sector as so important that they reduced their forecast for growth in the region from 2.6 to 2.2 for 2008.¹⁹ Already, the 2.5 per cent of 2007 was not enough to continue

¹⁹ International Monetary Fund (IMF), IMF, *World Economic Outlook, Globalization and Inequality*, Washington, October 2007, <http://www.imf.org/external/pubs/ft/weo/2007/02/index.htm>.

positive labour market trends observed in recent years. Employment creation was slow and unemployment increases more pronounced than in the previous years. But, now that growth for GDP in the region is forecasted to be only 2.2 per cent instead of the original 2.6 per cent, it is expected that 240,000 fewer jobs will be created in 2008 than would have been created with a GDP growth of 2.6 per cent.

Besides the slowdown in growth and its increasing threat, the region has to face challenges in the near future. Given the ageing of the population, there is a strong need to get more people into paid employment if governments are to secure living standards and maintain welfare systems. With only six out of ten people actively participating in labour markets, there is still an untapped potential that could, with the right policies in place, be better used. This can be done by moving away from policies that discourage people from working, and companies from hiring, and by doing more to raise workers' skills. Globalization combined with rapid technological advances is another challenge for labour markets in the region. It is important for workers to be ready and able to adjust quickly to change and stiffer competition. This can be fostered by not only giving them the right skills, but also giving them a feeling of security to handle the mental stress caused by changes. Those in low-skilled labour jobs seem to be most affected by rapid changes because they are less well prepared, and also because it is often their type of job that is either transferred to other countries or is threatened by labour migration.²⁰ Finally, the waste of potential that goes with high youth unemployment rates, discouragement and long-term unemployed people is simply not affordable in the long run. Governments should increase the chances for people to find a decent job by providing effective (re-)employment services, counselling, training and financial incentives. Equally, benefit recipients must take steps to seek work and improve their employability.

²⁰ OECD, *Employment Outlook 2007*, Paris, 2007, http://www.oecd.org/document/38/0,3343,en_2649_33927_36936230_1_1_1_1,00.html.

11. Summary

The world continues to face dramatic changes. Globalization and fast technical progress changes labour markets around the world. Enormous challenges accompany these changes, but there are also great opportunities. Probably, for the first time ever, it can be seen that turbulences in one region (namely the Developed Economies & EU and upfront the United States) may not necessarily impact strongly on other regions to the extent that a global slowdown is caused. This is the result of almost all regions moving closer together, being more involved with each other and not just relying on a bilateral link with one region and, at the same time, regions gaining economic independence as a result of their own economic strength.

Nevertheless, the analysis in this Global Employment Trends showed that the decent work deficit in the world is still massive. With five out of ten people in the world in vulnerable employment situations and five out of ten living with their families in poverty, despite working, there remain significant challenges ahead. Economic progress does not automatically lead to progress in the world of work. Active engagement and the proactive decision to put labour market policies at the centre of macroeconomic policies are needed to ensure that economic progress is inclusive and does not lead to increasing inequality. And, only if countries use their labour markets to make growth inclusive, will their progress be sustainable.

To determine each region's progress towards *full and productive employment and decent work for all*, four indicators were examined as a set. This analysis showed that the different regions not only exhibit differences in their likelihood of reaching the MDG 1, but also face different challenges. The regional analysis illustrated the strong relationship between working poverty, vulnerable employment and labour productivity. As for employment-to-population ratios, this indicator was shown to be important not only to measure "full" employment, but also to identify important overall trends within an economy. Is education increasing? Is discouragement the reason for low rates? What about female labour force participation?

But, focusing on this new set of indicators should not completely draw attention away from unemployment in the world, which continues to be a tremendous challenge in many regions and for many groups of people, such as women, young people and low-skilled workers.

Taking everything together, it became evident that all regions still have a huge untapped labour potential. In some, women do not have a proper chance of participating in labour markets; in others, young people find it hard to participate in the world of work. In addition, it can be assumed that at least each person working, but earning less than US\$1 per day per family member is either underemployed (working less than desired) or has a very low productivity job (working long hours, but not efficiently because of lack of education or equipment) and is, therefore, an underutilized worker. Adding the unemployed, the discouraged and those who would work if given the opportunity to do so, it becomes clear that economic growth and development could be much higher if everyone was given the chance of a decent job.

Appendix 1. Tables

Table 1. Unemployment in the world, 1997, 2002-2007 (millions)

Year	1997	2002	2003	2004	2005	2006	2007 *
Total	164.8	188.9	185.9	190.8	189.6	187.0	189.9
Male	70.2	79.6	79.3	80.9	81.0	80.2	81.6
Female	94.6	109.2	106.7	109.9	108.7	106.8	108.3

*2007 are preliminary estimates

Source: ILO, *Global Employment Trends Model*, November 2007, see also Technical Note in ILO, *Global Employment Trends* (Geneva, 2005) and for further technical information on the world and regional estimation processes, see <http://www.ilo.org/public/english/employment/strat/wrest.htm>. Differences from earlier estimates are due to revisions of the IMF estimates of GDP growth used in the model as well as revisions in the labour market information used. The latter is taken from ILO, *Key Indicators of the Labour Market*, 5th Edition, Geneva (2007)

Table 2. Labour force participation rates in the world, 1997, 2002-2007*

Year	1997	2002	2003	2004	2005	2006	2007 *
Total	66.7	66.0	65.8	65.8	65.7	65.7	65.6
Youth	57.5	55.2	54.6	54.8	54.6	54.6	54.6
Adult	69.9	69.6	69.6	69.5	69.4	69.3	69.3

*2007 are preliminary estimates

Source: ILO, *Global Employment Trends Model*, November 2007, see also note to Table 1.

Table 3. Labour market indicators, world and regions

Region	Change in unemployment rate (percentage point) 2002-2007*	Unemployment rate (%)			GDP growth rate (%)			Employment-to-population ratio (%)		Annual labour force growth rate (%) 1997-2007*	Annual GDP growth rate (%) 1997-2007*
		1997	2006	2007*	2006	2007*	2008p	1997	2007*		
World	-0.5	6.1	6.0	6.0	5.4	5.2	4.8	62.6	61.7	1.7	4.2
Developed Economies and European Union	-0.9	7.4	6.3	6.4	2.9	2.5	2.2	56.2	56.4	0.7	2.6
Central and South-Eastern Europe (non-EU) & CIS	-1.3	10.7	8.5	8.5	7.3	7.2	6.6	53.7	54.1	0.6	5.3
East Asia	-0.4	3.7	3.4	3.3	10.1	10.4	9.1	74.9	71.9	1.0	8.4
South-East Asia and the Pacific	0.1	4.0	6.2	6.2	6.2	6.0	5.8	67.2	66.4	2.5	4.1
South Asia	0.1	4.7	5.1	5.1	9.1	8.4	8.0	58.2	56.7	2.4	6.4
Latin America and the Caribbean	-0.4	8.0	8.5	8.5	5.5	5.0	4.3	59.0	60.0	2.4	3.3
Middle East	-1.1	13.0	11.8	11.8	5.3	5.5	5.6	46.0	50.1	4.9	4.5
North Africa	-2.9	11.7	11.0	10.9	6.5	6.1	6.8	43.7	45.3	3.3	4.9
Sub-Saharan Africa	-0.8	8.5	8.2	8.2	5.3	5.8	6.5	69.1	68.1	3.0	4.1

*2007 are preliminary estimates

Source: ILO, *Global Employment Trends Model* November 2007; IMF, *World Economic Outlook*, October 2007; see also note to Table 1.

Table 4. Sectoral shares in employment, world and regions, 1997 and 2005 to 2007

Year	Employment in sector as share of total employment				Female employment as share of total employment in sector
	1997	2005	2006	2007*	2007*
Agriculture					
World	41.4	37.1	36.0	34.9	41.3
Developed Economies and European Union	6.1	4.2	4.2	3.9	36.2
Central and South-Eastern Europe (non-EU) & CIS	27.0	21.1	20.4	19.5	44.0
East-Asia	47.9	42.9	40.9	38.4	47.4
South-East Asia and the Pacific	48.8	45.5	45.2	43.9	41.4
South Asia	59.4	50.9	49.4	48.0	36.6
Latin America and the Caribbean	23.5	19.6	19.7	19.1	22.7
Middle East	21.4	18.7	18.1	17.5	47.7
North Africa	35.4	33.6	33.8	32.8	23.9
Sub-Saharan Africa	72.1	67.1	65.2	64.7	44.4
Industry					
World	21.1	21.4	21.9	22.4	31.2
Developed Economies and European Union	28.3	25.0	24.7	24.5	22.9
Central and South-Eastern Europe (non-EU) & CIS	28.3	25.6	25.8	26.1	30.8
East Asia	24.3	24.3	25.6	26.9	42.0
South-East Asia and the Pacific	17.1	18.2	18.5	19.0	35.9
South Asia	15.3	20.2	21.0	21.7	24.7
Latin America and the Caribbean	20.7	21.7	21.8	22.0	26.5
Middle East	25.6	25.5	25.4	25.5	19.8
North Africa	19.9	20.0	20.3	20.6	17.7
Sub-Saharan Africa	8.5	9.0	9.4	9.6	25.5
Services					
World	37.5	41.5	42.1	42.7	43.2
Developed Economies and European Union	65.6	70.8	71.2	71.5	52.9
Central and South-Eastern Europe (non-EU) & CIS	44.7	53.3	53.8	54.4	51.6
East Asia	27.8	32.7	33.5	34.7	42.8
South-East Asia and the Pacific	34.1	36.3	36.3	37.0	45.6
South Asia	25.2	28.9	29.6	30.3	20.2
Latin America and the Caribbean	55.8	58.7	58.5	58.9	51.1
Middle East	52.9	55.9	56.5	57.0	23.7
North Africa	44.7	46.4	45.9	46.6	26.9
Sub-Saharan Africa	19.4	23.9	25.4	25.7	43.4

*2007 are preliminary estimates

Source: ILO, *Global Employment Trends Model*, November 2007, see also note to Table 1.

Table 5. Working poor indicators, world and regions, 1997, 2002 and 2007

Year	1997	2002	2007*	1997	2002	2007*
	(million)	(million)	(million)	share in total employment (%)	share in total employment (%)	share in total employment (%)
US\$1 a day working poor						
World	612.6	570.4	486.7	24.2	20.9	16.4
Central and South-Eastern Europe (non-EU) & CIS	8.7	5.3	3.0	5.8	3.4	1.9
East Asia	136.8	125.7	69.9	18.8	16.4	8.7
South-East Asia and the Pacific	54.4	41.7	36.7	24.1	16.8	13.4
South Asia	256.8	227.3	196.4	53.3	42.4	33.0
Latin America and the Caribbean	22.8	23.9	19.4	11.6	10.9	8.0
Middle East	1.0	1.5	2.7	2.4	2.8	4.2
North Africa	1.2	1.0	0.9	2.6	2.0	1.6
Sub-Saharan Africa	130.7	143.6	157.3	57.4	55.6	53.0
US\$2 a day working poor						
World	1363.1	1364.6	1294.57	53.8	49.9	43.5
Central and South-Eastern Europe (non-EU) & CIS	47.7	42.0	34.1	31.9	27.2	21.0
East Asia	431.0	380.5	286.8	59.1	49.7	35.6
South-East Asia and the Pacific	141.2	140.0	138.5	62.6	56.4	50.3
South Asia	440.7	465.0	478.6	91.5	86.8	80.3
Latin America and the Caribbean	66.0	71.6	61.7	33.6	32.6	25.4
Middle East	10.3	11.9	12.4	24.3	22.6	19.3
North Africa	22.5	24.4	25.2	50.1	48.7	42.0
Sub-Saharan Africa	197.8	224.0	253.3	86.8	86.7	85.4

*2007 are preliminary estimates.

Source: ILO, *Trends Working Poverty Model*, November 2007. For more information on estimation methodology, see S. Kapsos, "Estimating growth requirements for reducing working poverty: Can the world halve working poverty by 2015?" *Employment Strategy Paper*, No. 14 (Geneva, ILO, 2004); available on website: <http://www.ilo.org/public/english/employment/strat/download/esp14.pdf>. Differences from earlier estimates are due to revisions of the IMF estimates of GDP growth used in the model as well as revisions in the labour market information used.

Table 6. Employment-to-population ratio (%), world and regions, 1997 to 2007

Total	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 *
World	62.6	62.4	62.3	62.2	62.0	61.7	61.7	61.6	61.7	61.7	61.7
Developed Economies and European Union	56.2	56.5	56.6	56.8	56.6	56.0	55.8	56.1	56.2	56.5	56.4
Central and South-Eastern Europe (non-EU) & CIS	53.7	53.0	51.5	52.4	52.9	53.1	52.8	53.4	53.6	54.0	54.1
East Asia	74.9	74.3	74.0	73.9	73.5	73.1	72.8	72.6	72.3	72.1	71.9
South-East Asia and the Pacific	67.2	66.7	66.8	66.7	66.4	66.2	65.9	65.9	66.3	66.3	66.4
South Asia	58.2	58.3	58.2	57.6	57.4	57.3	57.6	56.8	56.7	56.8	56.7
Latin America and the Caribbean	59.0	59.1	59.2	59.3	59.2	59.3	59.7	59.8	60.0	60.0	60.0
Middle East	46.0	46.5	47.3	47.5	47.1	47.6	48.4	49.3	49.4	49.8	50.1
North Africa	43.7	43.6	44.0	43.1	42.5	42.7	43.1	44.0	44.6	45.1	45.3
Sub-Saharan Africa	69.1	68.9	68.7	68.4	68.2	68.0	67.8	68.2	68.1	68.1	68.1
Female	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 *
World	49.5	49.3	49.2	49.2	49.1	49.0	49.0	49.0	49.0	49.1	49.1
Developed Economies and European Union	47.2	47.5	47.8	48.1	48.2	47.9	47.9	48.4	48.6	49.1	49.1
Central and South-Eastern Europe (non-EU) & CIS	45.2	44.7	43.1	43.9	44.8	45.3	44.9	45.0	45.2	45.5	45.6
East Asia	68.7	68.1	67.8	67.6	67.2	66.8	66.3	66.1	65.8	65.5	65.2
South-East Asia and the Pacific	55.0	54.7	54.9	54.8	54.6	54.4	54.2	54.5	54.7	54.8	55.1
South Asia	34.7	34.8	34.6	34.2	34.3	34.4	34.8	33.8	33.9	34.0	34.1
Latin America and the Caribbean	42.1	42.5	43.2	43.6	43.7	44.2	44.9	45.5	46.3	46.7	47.1
Middle East	20.8	21.7	22.7	23.1	23.1	23.9	24.9	26.2	26.7	27.4	28.1
North Africa	19.9	19.9	20.4	19.8	19.5	19.7	20.1	20.6	21.2	21.6	21.9
Sub-Saharan Africa	58.0	57.7	57.5	57.3	57.0	56.7	56.5	57.0	56.9	56.9	56.9

Male	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 *
World	75.7	75.5	75.4	75.2	74.8	74.5	74.4	74.4	74.3	74.4	74.3
Developed Economies and European Union	65.9	66.0	65.9	66.0	65.5	64.7	64.2	64.3	64.3	64.4	64.0
Central and South-Eastern Europe (non-EU) & CIS	63.4	62.3	61.0	62.0	62.1	61.9	61.8	62.9	63.1	63.6	63.8
East Asia	80.9	80.2	80.0	79.9	79.5	79.2	78.9	78.7	78.5	78.4	78.4
South-East Asia and the Pacific	79.6	78.9	79.0	78.9	78.6	78.2	77.9	77.6	78.2	78.1	78.1
South Asia	80.1	80.3	80.4	79.6	79.2	78.8	79.1	78.4	78.3	78.2	78.1
Latin America and the Caribbean	76.6	76.3	75.9	75.7	75.5	75.1	75.2	74.9	74.4	74.0	73.7
Middle East	68.7	69.0	69.5	69.6	68.8	69.1	69.8	70.2	70.0	70.1	70.3
North Africa	67.8	67.6	67.8	66.6	65.9	66.0	66.3	67.6	68.4	68.9	69.1
Sub-Saharan Africa	80.6	80.6	80.4	80.0	79.9	79.6	79.4	79.8	79.7	79.7	79.7
Youth	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 *
World	50.6	50.0	49.6	49.0	48.3	47.8	47.6	47.7	47.8	47.9	47.8
Developed Economies and European Union	45.1	45.7	45.7	46.2	45.3	44.0	43.0	43.9	44.0	44.4	44.2
Central and South-Eastern Europe (non-EU) & CIS	36.0	35.0	34.4	34.1	33.9	33.5	32.4	34.7	35.1	35.6	36.0
East Asia	68.3	66.7	65.7	65.0	63.9	63.0	62.3	62.6	62.5	62.7	63.0
South-East Asia and the Pacific	51.8	50.1	50.6	50.0	49.3	48.4	47.7	46.7	47.4	47.1	47.1
South Asia	44.5	44.5	44.4	43.3	43.1	43.1	43.5	42.5	42.6	42.6	42.4
Latin America and the Caribbean	47.6	47.4	47.3	46.9	46.4	45.6	45.7	45.3	45.2	44.7	44.4
Middle East	29.2	29.9	30.9	31.1	30.2	30.8	31.7	32.4	32.1	32.2	32.2
North Africa	28.9	28.7	29.6	27.0	25.3	25.6	25.7	26.6	27.2	27.5	27.4
Sub-Saharan Africa	57.7	57.6	57.4	57.1	56.8	56.3	56.0	56.5	56.3	56.3	56.2

*2007 are preliminary estimates

Source: ILO, *Global Employment Trends Model*, November 2007, see also note to Table 1.

Table 7. Vulnerable employment as share of total employment (%), world and regions, 1997 to 2007

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007*
World	52.8	52.1	52.5	52.2	51.9	51.8	51.7	51.2	50.9	50.5	49.9
Developed Economies and European Union	11.0	10.8	10.6	10.3	10.1	9.8	9.7	9.7	9.5	9.4	9.2
Central and South-Eastern Europe (non-EU) & CIS	20.1	20.0	22.6	22.1	21.6	20.4	20.6	20.9	19.7	19.8	19.3
East Asia	63.2	61.5	60.8	60.4	59.6	59.3	58.7	58.1	57.2	56.5	55.7
South-East Asia and the Pacific	63.4	58.2	63.0	63.5	62.0	62.4	61.7	60.5	60.7	60.1	59.4
South Asia	80.0	80.1	80.0	80.5	79.6	79.1	79.6	79.2	79.1	78.3	77.2
Latin America and the Caribbean	31.4	31.2	31.3	32.0	32.8	32.8	32.8	32.9	32.6	33.1	33.2
Middle East	39.7	43.3	39.6	37.2	38.2	37.0	36.8	35.9	34.5	33.4	32.2
North Africa	36.9	37.7	35.6	32.9	33.3	33.3	33.2	35.1	33.5	32.0	30.7
Sub-Saharan Africa	77.2	78.1	77.7	76.0	76.8	76.7	76.1	74.7	74.9	73.9	72.9

*2007 are preliminary estimates

Source: ILO, *Global Employment Trends Model*, November 2007, see also note to Table 1.

Table 8. Change in labour productivity measured as output per person employed (constant 2000 US\$ at PPP) 1997 to 2007

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007*
World	2.5	0.9	2.0	2.6	1.1	1.8	2.1	3.4	2.9	3.1	2.8
Developed Economies and European Union	2.2	1.1	2.1	1.9	1.1	2.0	1.6	1.9	1.7	1.9	2.1
Central and South-Eastern Europe (non-EU) & CIS	4.0	-0.1	5.0	5.1	0.6	4.7	7.5	5.6	5.8	5.2	5.6
East Asia	7.1	5.3	6.6	6.7	6.6	7.8	6.6	7.8	7.5	8.1	7.7
South-East Asia and the Pacific	2.2	-7.9	1.7	3.7	-0.7	3.1	3.9	4.0	2.3	3.3	2.9
South Asia	2.3	2.8	3.8	3.2	2.9	1.2	4.4	7.2	5.9	4.8	4.0
Latin America and the Caribbean	1.5	0.0	-1.6	1.5	-1.4	-1.8	-0.6	3.1	2.6	2.7	1.8
Middle East	0.1	-2.7	-4.2	0.4	0.4	0.5	1.1	-0.7	2.5	0.5	0.7
North Africa	0.0	3.1	1.1	3.8	1.5	0.7	1.7	-0.4	0.9	1.7	1.6
Sub-Saharan Africa	0.1	-0.6	-0.2	0.9	1.0	1.0	1.2	2.7	2.6	1.6	1.5

*2007 are preliminary estimates

Source: ILO, *Global Employment Trends Model*, November 2007, see also note to Table 1.

Appendix 2. Key regional labour market indicators and policy issues

The following tables present the most current labour market indicators and offer a general assessment of the most pressing issues in each region.¹ These tables can be used as a starting point for policy makers and international agencies as indication of challenges that need to be focused on. They summarize not only the finding from this current publication, but take into account results from earlier Global Employment Trends Publications. For better illustration a set of graphs are included for each region.

¹ Unless otherwise stated data are for 2007. It is important to bear in mind when reviewing this table that the regional assessments mask a great deal of regional variation and readers should be wary of assuming a particular country “fits” perfectly all of the characterizations defined. The issues for consideration identified are general and are not meant to be all-inclusive.

Current labour market indicators

Labour market indicators

- Labour force participation rate: 65.6%; youth: 54.6%; female: 52.5%
- Employment-to-population ratio: 61.7%; youth: 47.8%; female: 49.1%
- Unemployment rate: 6.0%; youth: 12.3%; female: 6.4%
- Ratio of youth to adult unemployment rate: 2.8
- Sectoral employment shares: agriculture: 34.9%; industry: 22.4%; services: 42.7%
- Vulnerable employment share: 49.9%
- Labour productivity: annual growth between 1997 and 2007: 2.1%
- Working poverty rate: US\$1 a day: 16.4%; US\$2 a day: 43.5%

Demographics

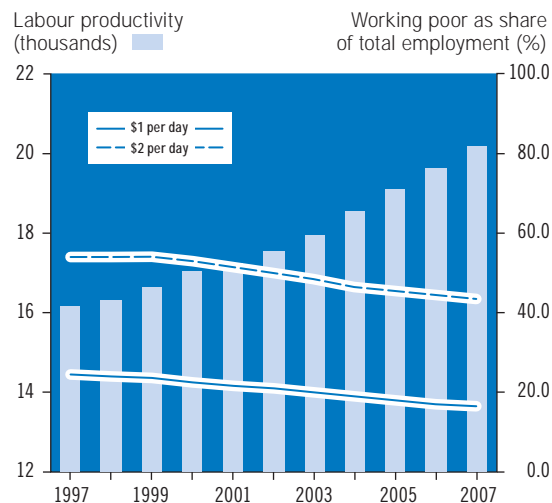
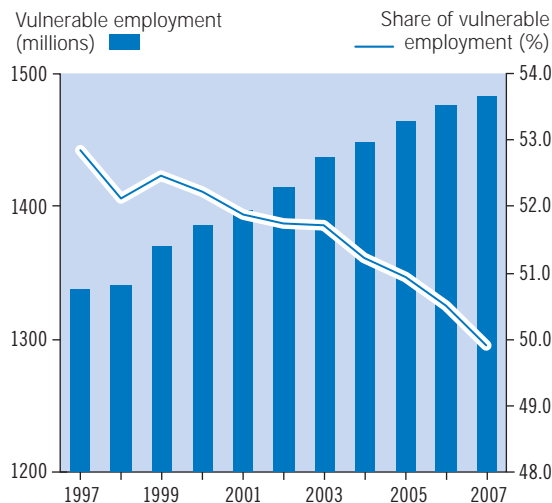
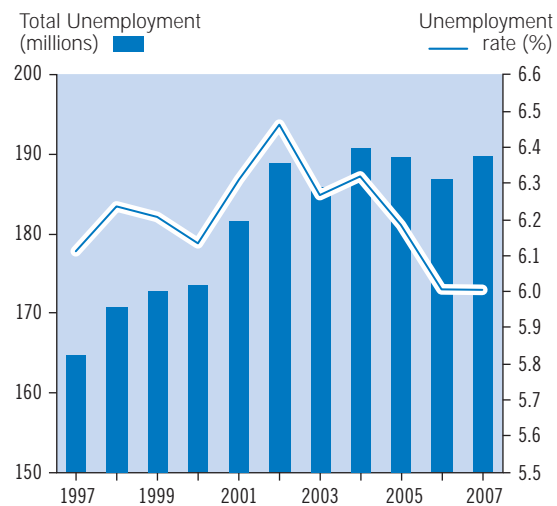
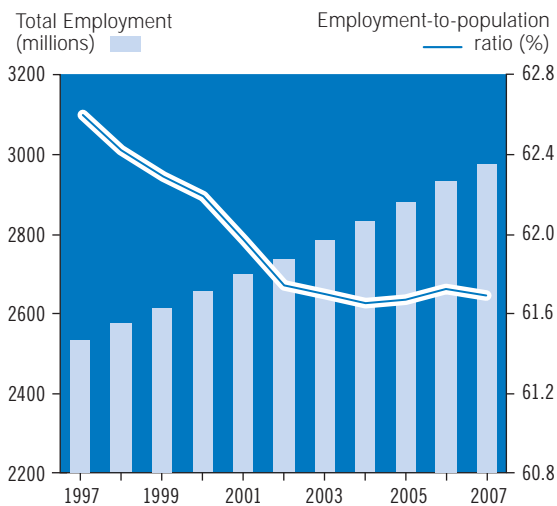
- Share of youth in working-age pop: 24.7%
- Annual population growth rate: 1.6%

Other

- Average GDP growth rate 1997-07: 4.2%

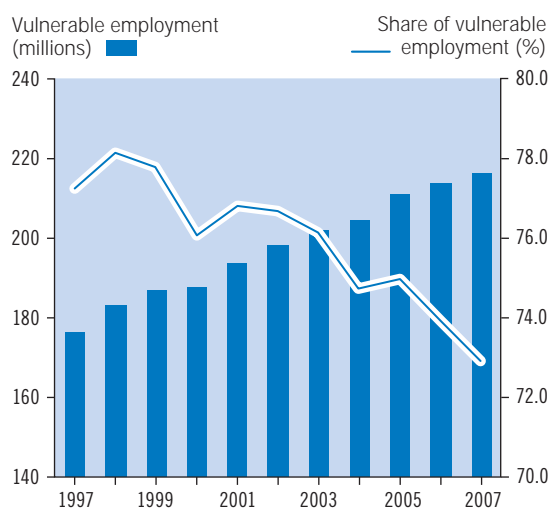
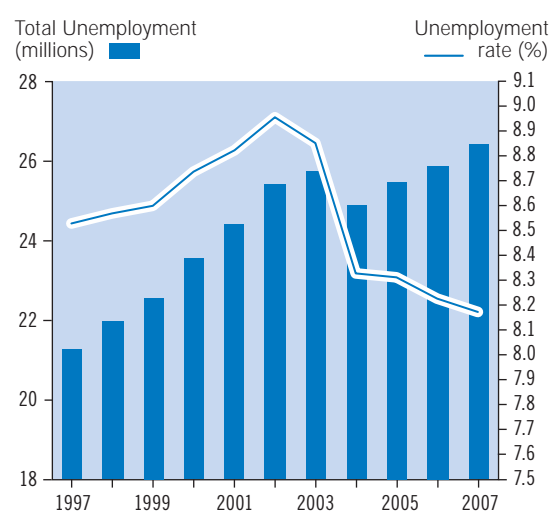
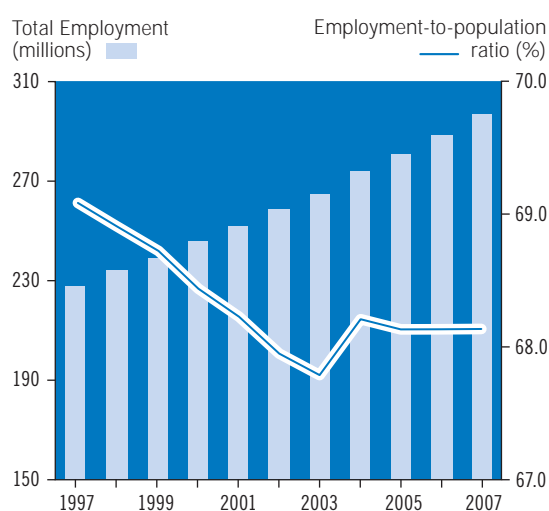
Some issues for consideration

- Decent job creation too slow in times of good economic performance
- Decent work deficit still large
- Discrimination against young people, women and low-skilled workers



Sub-Saharan Africa

Current labour market indicators	
<p><i>Labour market indicators</i></p> <ul style="list-style-type: none"> • Labour force participation rate: 74.2%; youth: 65.2%; female: 62.6% • Employment-to-population ratio: 68.1%; youth: 56.2; female: 56.9% • Unemployment rate: 8.2; youth: 13.7%; female: 9.1% • Ratio of youth to adult unemployment rate: 2.4 • Sectoral employment shares: agriculture: 64.7%; industry: 9.6%; services: 25.7% • Vulnerable employment share: 72.9% • Labour productivity: annual growth between 1997 and 2007: 1.1% • Working poverty rate: US\$1 a day: 53.0%; US\$2 a day: 85.4% 	<p><i>Demographics</i></p> <ul style="list-style-type: none"> • Share of youth in working-age pop: 36.1% • Annual population growth rate: 2.6% <p><i>Other</i></p> <ul style="list-style-type: none"> • Average GDP growth rate 1997-07: 4.1%
Some issues for consideration	
<ul style="list-style-type: none"> • Lack of all four pillars of decent work • Invisible underemployment based on skills mismatch, namely people taking jobs that do not make use of their skills • High population growth • High poverty/ working poverty • Civil conflicts, child soldiers • Child labour • Nutrition and disease, including HIV-AIDS • Improving education enrolment rates and education system • Improving job quality in the agricultural sector and development within the rural non-farm sector • Encouraging investment and job creation • Managing external and internal (rural to urban) migration • Formal sector growth • Improving infrastructure 	



North Africa

Current labour market indicators

Labour market indicators

- Labour force participation rate: 50.9%; youth: 36.3%; female: 26.1%
- Employment-to-population ratio: 45.3%; youth: 27.4%; female: 21.9%
- Unemployment rate: 10.9%; youth: 24.5%; female: 16.2%
- Ratio of youth to adult unemployment rate: 3.5
- Sectoral employment shares: agriculture: 32.8%; industry: 20.6%; services: 46.6%
- Vulnerable employment share: 30.7%
- Labour productivity: annual growth between 1997 and 2007: 1.4%
- Working poverty rate: US\$1 a day: 1.6%; US\$2 a day: 42.0%

Demographics

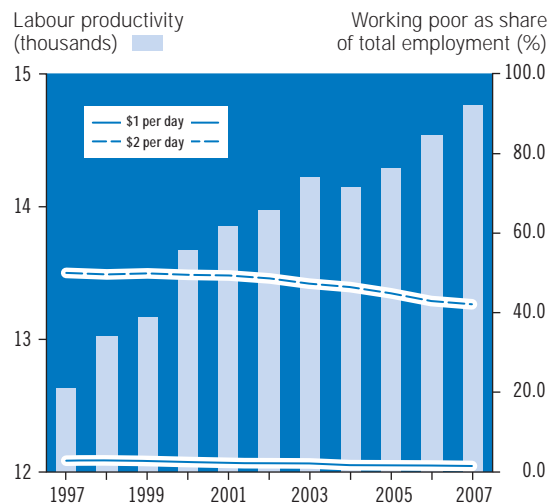
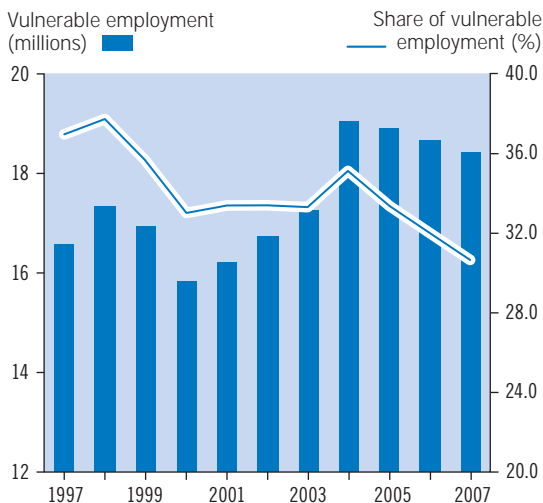
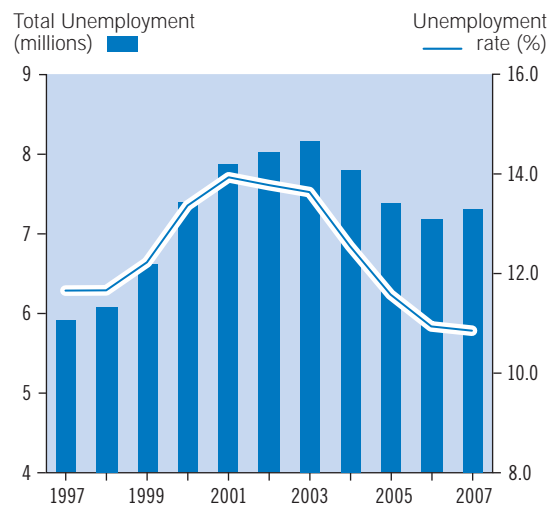
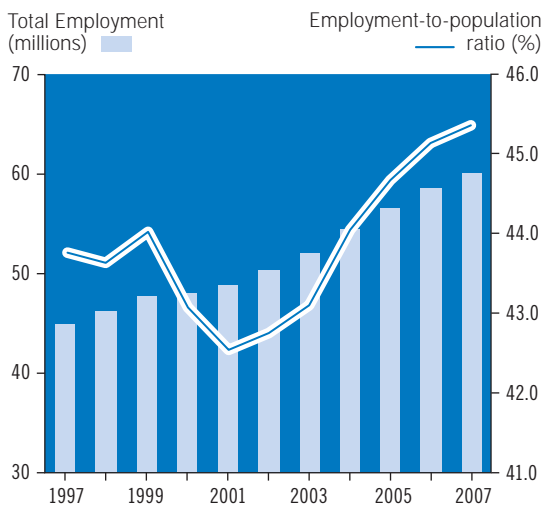
- Share of youth in working-age pop: 30.5%
- Annual population growth rate: 2.4%

Other

- Average GDP growth rate 1997-07: 4.9%

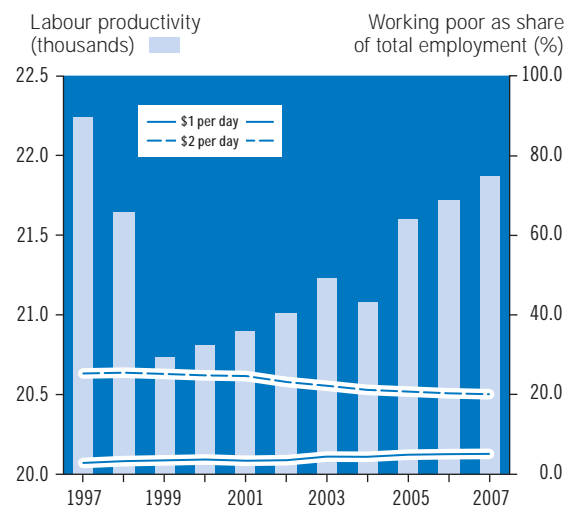
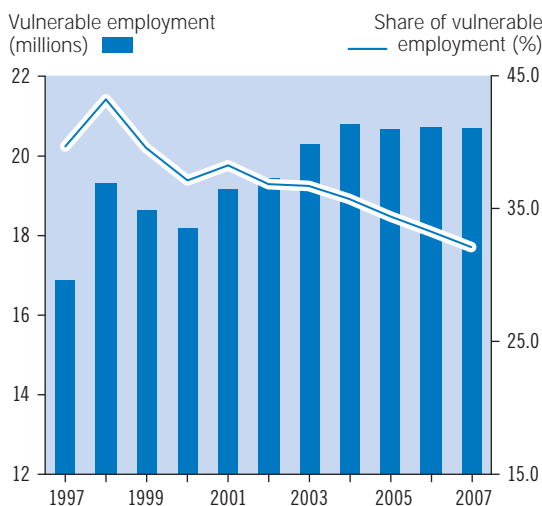
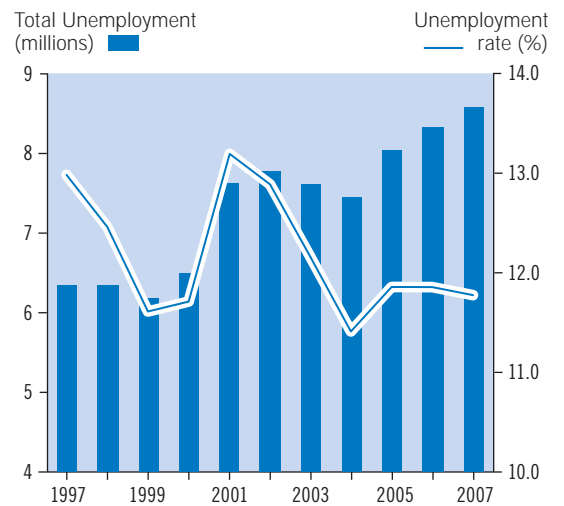
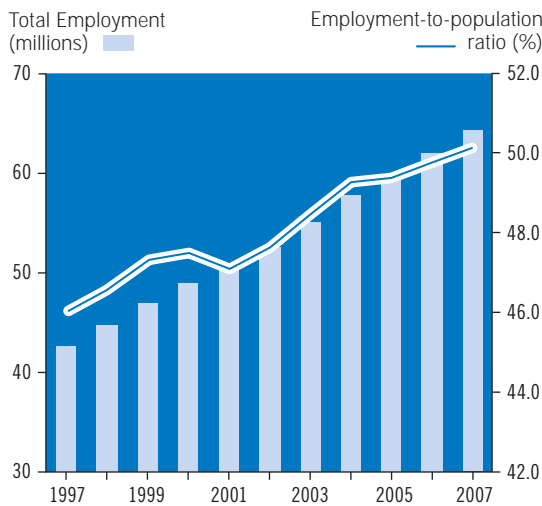
Some issues for consideration

- Barriers to labour market entry high for young people and women
- Invisible underemployment based on skills mismatch, namely people taking jobs that do not make use of their skills
- Graduate unemployment
- Job quality – social protection, social dialogue, fundamental rights at work
- Managing external and internal migration
- Investment and job creation
- Child labour



Middle East

Current labour market indicators	
<p><i>Labour market indicators</i></p> <ul style="list-style-type: none"> • Labour force participation rate: 56.8%; youth: 42.3%; female: 33.3% • Employment-to-population ratio: 50.1%; youth: 32.2%; female: 28.1% • Unemployment rate: 11.8%; youth: 23.8%; female: 15.6% • Ratio of youth to adult unemployment rate: 3.0 • Sectoral employment shares: agriculture: 17.5%; industry: 25.5%; services: 57.0% • Vulnerable employment share: 32.2% • Labour productivity: annual growth between 1997 and 2007: -0.2% • Working poverty rate: US\$1 a day: 4.2%; US\$2 a day: 19.3% 	<p><i>Demographics</i></p> <ul style="list-style-type: none"> • Share of youth in working-age pop: 32.7% • Annual population growth rate: 3.0% <p><i>Other</i></p> <ul style="list-style-type: none"> • Average GDP growth rate 1997-07: 4.5%
Some issues for consideration	
<ul style="list-style-type: none"> • Barriers to labour market entry high for young people and women • Invisible underemployment based on skills mismatch, namely people taking jobs that do not make use of their skills • Stagnant income poverty and working poverty • Negative productivity growth • Graduate unemployment • Job quality – social protection, social dialogue, fundamental rights at work • Managing external and internal migration • Investment and job creation 	



Latin America and the Caribbean

Current labour market indicators

Labour market indicators

- Labour force participation rate: 65.6%; youth: 53.6%; female: 52.9%
- Employment-to-population ratio: 60.0%; youth: 44.4%; female: 47.1%
- Unemployment rate: 8.5%; youth: 17.2%; female: 10.9%
- Ratio of youth to adult unemployment rate: 2.8
- Sectoral employment shares: agriculture: 19.1%; industry: 22.0%; services: 58.9%
- Vulnerable employment share: 33.2%
- Labour productivity: annual growth between 1997 and 2007: 0.6%
- Working poverty rate: US\$1 a day: 8.0%; US\$2 a day: 25.4%

Demographics

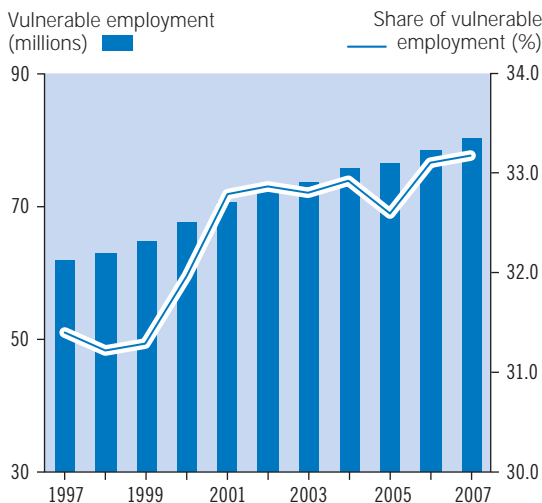
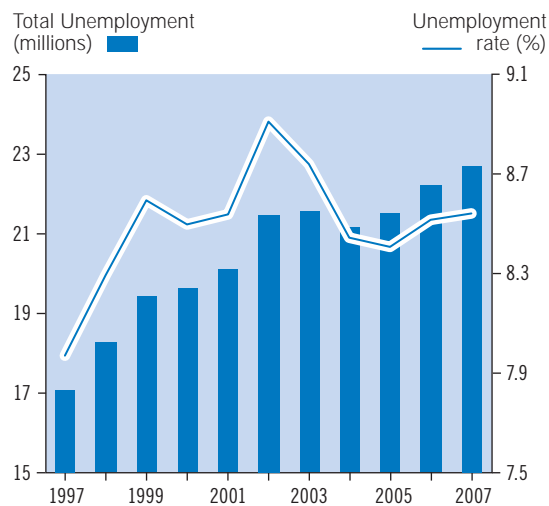
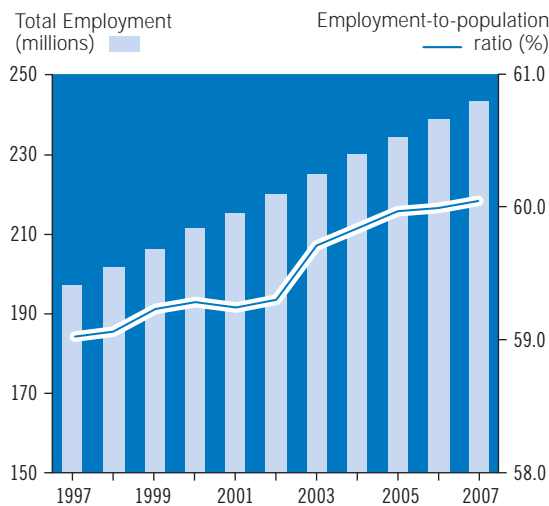
- Share of youth in working-age pop: 25.8%
- Annual population growth rate: 1.8%

Other

- Average GDP growth rate 1997-07: 3.3%

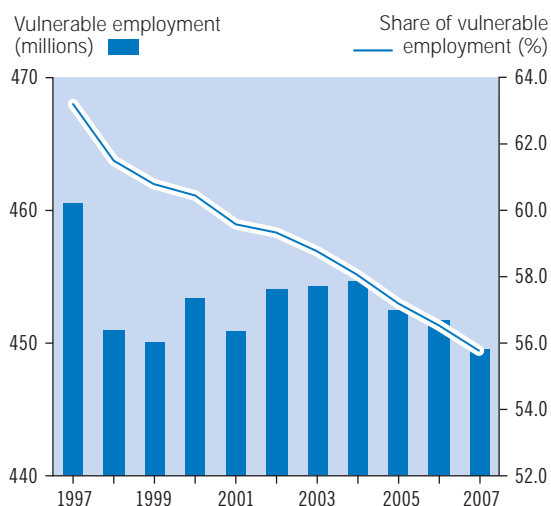
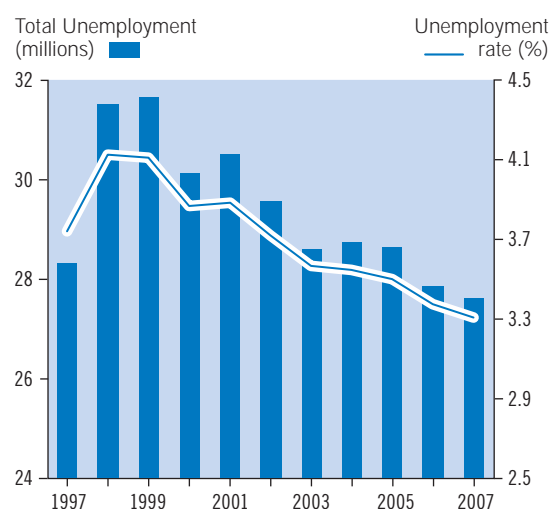
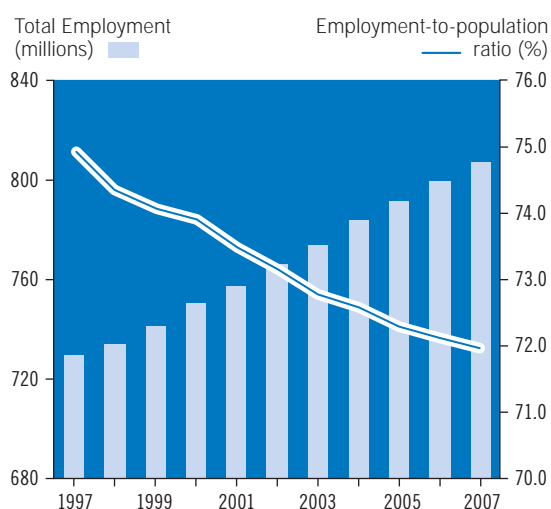
Some issues for consideration

- Barriers to labour market entry high especially for young people
- Improving education enrolment rates and education system
- Encouraging investment and job creation
- Formal sector growth
- Improving education enrolment rates
- Job quality
- Inequality and social exclusion
- Child labour



East Asia

Current labour market indicators	
<p><i>Labour market indicators</i></p> <ul style="list-style-type: none"> • Labour force participation rate: 74.4%; youth: 67.6%; female: 67.1% • Employment-to-population ratio: 71.9%; youth: 63.0%; female: 65.2% • Unemployment rate: 3.3%; youth: 6.9%; female: 2.7% • Ratio of youth to adult unemployment rate: 2.8 • Sectoral employment shares: agriculture: 38.4%; industry: 26.9%; services: 34.7% • Vulnerable employment share: 55.7% • Labour productivity: annual growth between 1997 and 2007: 6.4% • Working poverty rate: US\$1 a day: 8.7%; US\$2 a day: 35.6% 	<p><i>Demographics</i></p> <ul style="list-style-type: none"> • Share of youth in working-age pop: 20.8% • Annual population growth rate: 1.3% <p><i>Other</i></p> <ul style="list-style-type: none"> • Average GDP growth rate 1997-07: 8.4%
Some issues for consideration	
<ul style="list-style-type: none"> • Job quality – social protection, social dialogue, fundamental rights at work, hours of work • Inequity in rural and urban development • Managing external and internal (rural to urban) migration • Job security in small and medium enterprises • Child labour • Labour shortage arising from population decline • Wage growth lagging behind productivity gains 	



South-East Asia and the Pacific

Current labour market indicators

Labour market indicators

- Labour force participation rate: 70.8%; youth: 56.2%; female: 59.1%
- Employment-to-population ratio: 66.4%; youth: 47.1%; female: 55.1%
- Unemployment rate: 6.2%; youth: 16.3%; female: 6.9%
- Ratio of youth to adult unemployment rate: 4.7
- Sectoral employment shares: agriculture: 43.9%; industry: 19.0%; services: 37.0%
- Vulnerable employment share: 59.4%
- Labour productivity: annual growth between 1997 and 2007: 1.4%
- Working poverty rate: US\$1 a day: 13.4%; US\$2 a day: 50.3%

Demographics

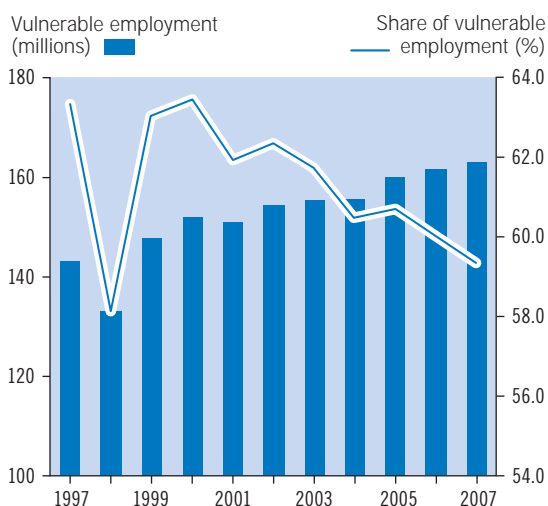
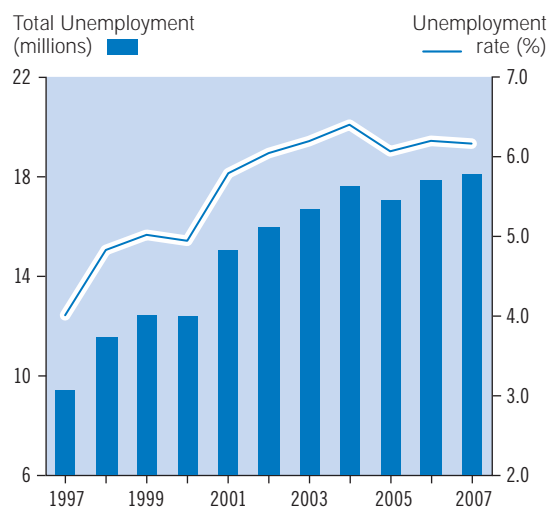
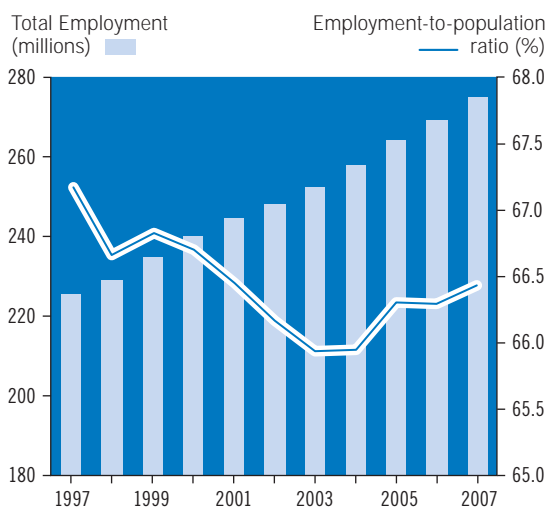
- Share of youth in working-age pop: 26.5%
- Annual population growth rate: 1.9%

Other

- Average GDP growth rate 1997-07: 4.1%

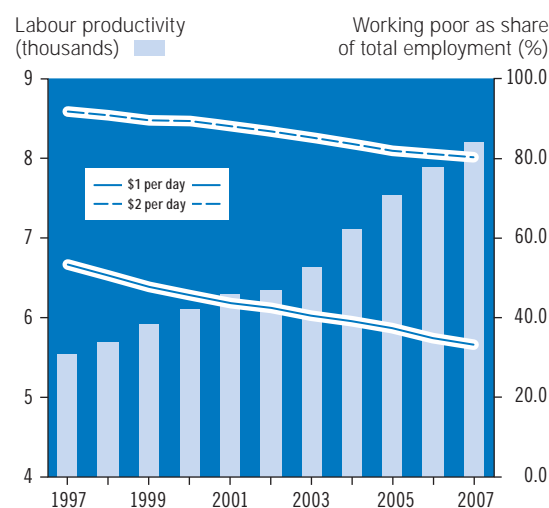
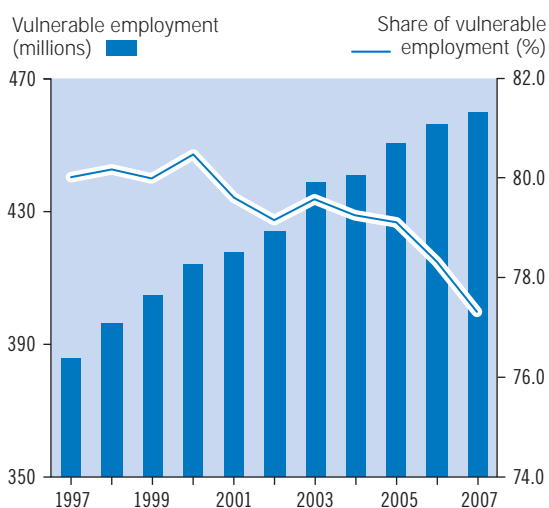
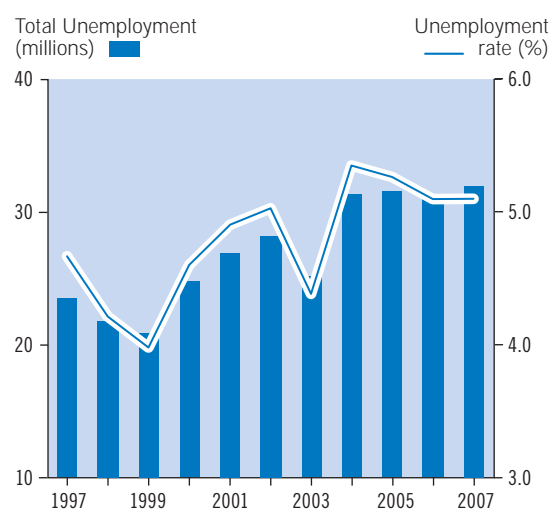
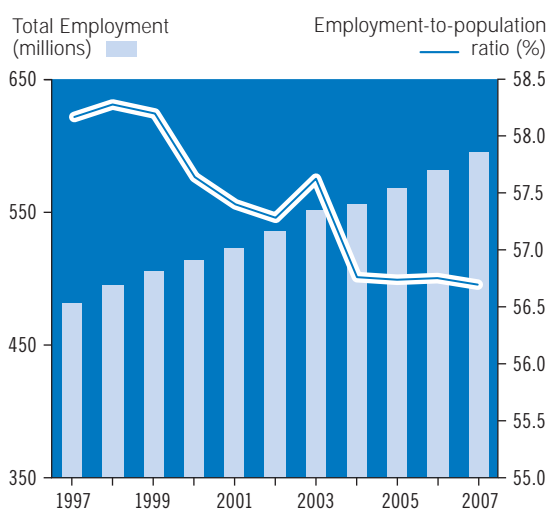
Some issues for consideration

- Job quality - social protection, social dialogue, fundamental rights at work, hours of work
- Invisible underemployment base on skills mismatch, namely people taking jobs that do not make use of their skills
- Severe disadvantages for young people
- Improving education enrolment rates
- Improving job quality in the agricultural sector and development within the rural non-farm sector
- Encouraging investment and job creation
- Managing external and internal (rural to urban) migration
- Formal sector growth
- Child labour



South Asia

Current labour market indicators	
<p><i>Labour market indicators</i></p> <ul style="list-style-type: none"> • Labour force participation rate: 59.7%; youth: 47.0%; female: 36.2% • Employment-to-population ratio: 56.7%; youth: 42.4%; female: 34.1% • Unemployment rate: 5.1%; youth: 9.8%; female: 5.8% • Ratio of youth to adult unemployment rate: 2.7 • Sectoral employment shares: agriculture: 48.0%; industry: 21.7%; services: 30.3% • Vulnerable employment share: 77.2% • Labour productivity: annual growth between 1997 and 2007: 3.6% • Working poverty rate: US\$1 a day: 33.0%; US\$2 a day: 80.3% 	<p><i>Demographics</i></p> <ul style="list-style-type: none"> • Share of youth in working-age pop: 29.5% • Annual population growth rate: 2.2% <p><i>Other</i></p> <ul style="list-style-type: none"> • Average GDP growth rate 1997-07: 6.4%
Some issues for consideration	
<ul style="list-style-type: none"> • Lack of all four pillars of decent work • Job quality - social protection, social dialogue, fundamental rights at work, hours of work • Graduate unemployment • Invisible underemployment based on skills mismatch, namely people taking jobs that do not make use of their skills • Barriers to labour market entry high for young people and women • Managing external and internal (rural to urban) migration • Investment and job creation • Still High poverty and working poverty levels • Formal sector growth • Improving education enrolment rates • Child labour 	



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

Current labour market indicators

Labour market indicators

- Labour force participation rate: 59.1%; youth: 43.5%; female: 49.7%
- Employment-to-population ratio: 54.1%; youth: 36.0%; female: 45.6%
- Unemployment rate: 8.5%; youth: 17.3%; female: 8.3%
- Ratio of youth to adult unemployment rate: 2.5
- Sectoral employment shares: agriculture: 19.5%; industry: 26.1%; services: 54.4%
- Vulnerable employment share: 19.3%
- Labour productivity: annual growth between 1997 and 2007: 4.1%
- Working poverty rate: US\$1 a day: 1.9%; US\$2 a day: 21.0%

Demographics

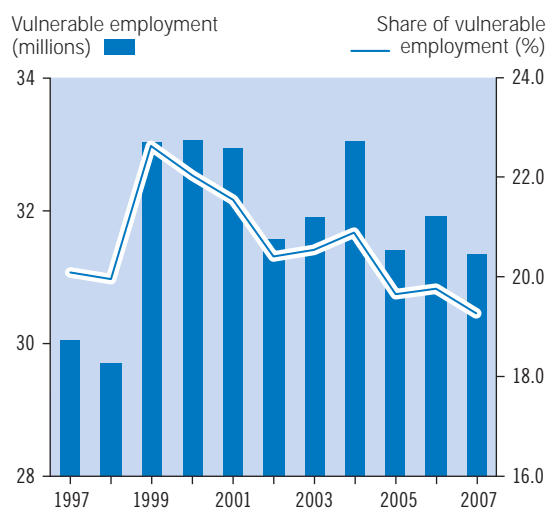
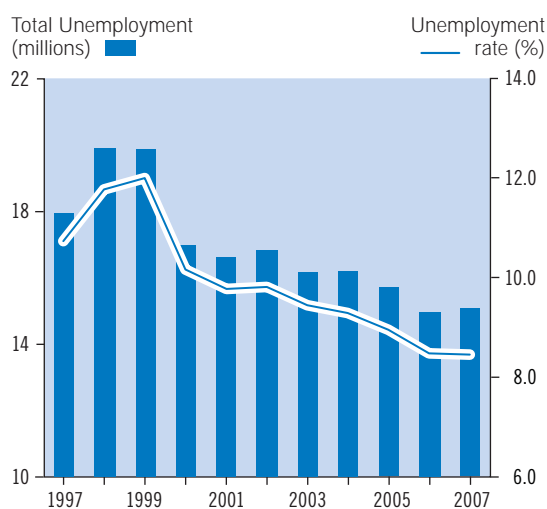
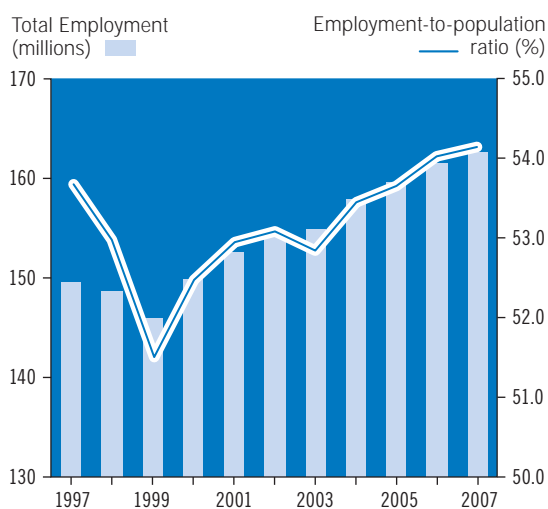
- Share of youth in working-age pop: 21.9%
- Annual population growth rate: 0.7%

Other

- Average GDP growth rate 1997-07: 5.3%

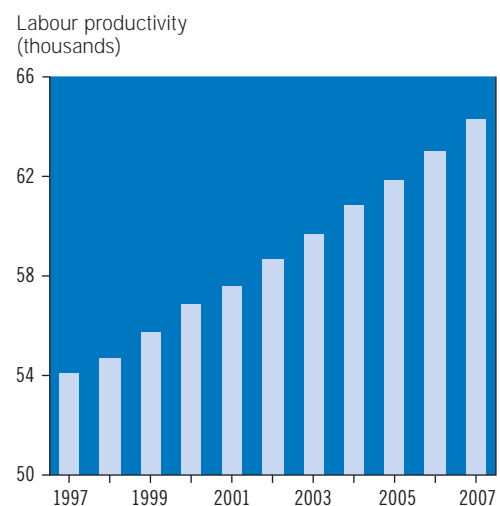
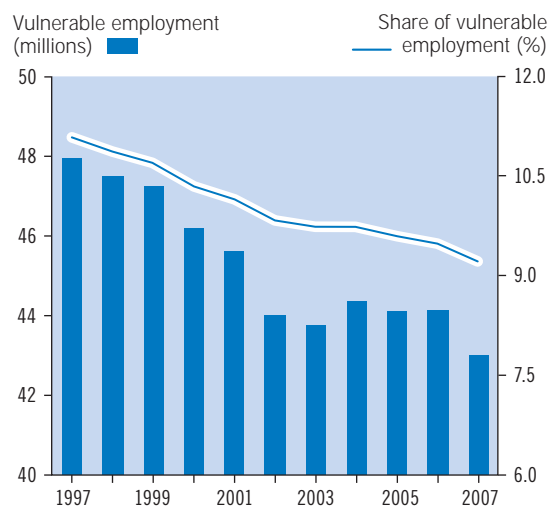
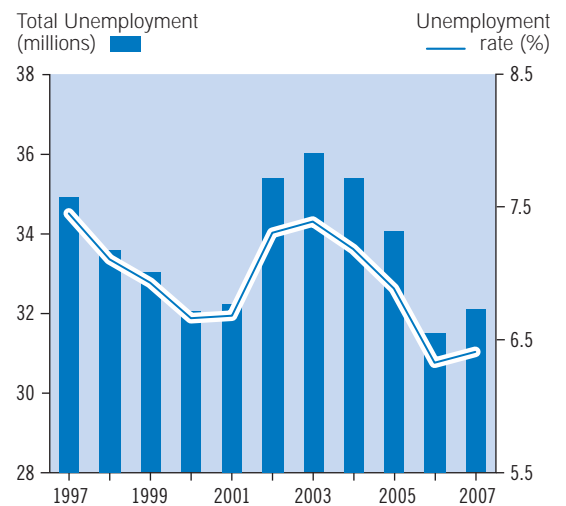
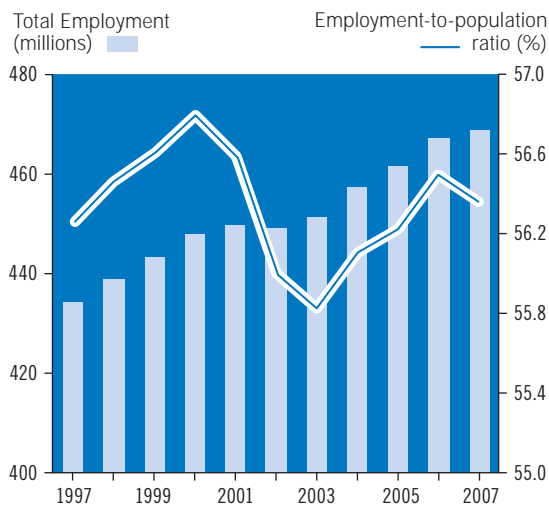
Some issues for consideration

- Discouragement
- Aging and decreasing societies
- Invisible underemployment based on skills mismatch, namely people taking jobs that do not make use of their skills
- Managing external migration – brain drain
- Encouraging investment and job creation
- Balancing flexibility with security
- Child labour



Developed Economies and European Union

Current labour market indicators	
<p><i>Labour market indicators</i></p> <ul style="list-style-type: none"> • Labour force participation rate: 60.2%; youth: 50.9%; female: 52.7% • Employment-to-population ratio: 56.4%; youth: 44.2%; female: 49.1% • Unemployment rate: 6.4%; youth: 13.2%; female: 6.7% • Ratio of youth to adult unemployment rate: 2.4 • Sectoral employment shares: agriculture: 3.9%; industry: 24.5%; services: 71.5% • Vulnerable employment share: 9.2% • Labour productivity: annual growth between 1997 and 2007: 1.6% • Working poverty rate: US\$1 a day: 0.0%; US\$2 a day: 0.8% 	<p><i>Demographics</i></p> <ul style="list-style-type: none"> • Share of youth in working-age pop: 15.5% • Annual population growth rate: 0.7% <p><i>Other</i></p> <ul style="list-style-type: none"> • Average GDP growth rate 1997-07: 2.6%
Some issues for consideration	
<ul style="list-style-type: none"> • Job quality - contracts, hours of work • Balancing flexibility with security • Gender wage gaps • Declining employment content of growth • Youth unemployment • Aging societies • Low-skilled workers • Managing immigration 	



Appendix 3. KILM regional groupings

Developed Economies and European Union

European Union

Austria
Belgium
Bulgaria
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Ireland
Italy
Latvia
Lithuania
Luxembourg
Malta
Netherlands
Poland
Portugal
Romania
Slovakia
Slovenia
Spain
Sweden
United Kingdom

North America

Canada
United States

Other Developed Economies

Australia
Gibraltar
Greenland
Isle of Man
Israel
Japan
New Zealand

San Marino
St. Pierre and Miquelon

Western Europe (non-EU)

Andora
Iceland
Liechtenstein
Monaco
Norway
Switzerland

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

Central and South-Eastern Europe

Albania
Bosnia and Herzegovina
Croatia
Serbia and Montenegro
The former Yugoslav Republic of Macedonia
Turkey

Commonwealth of Independent States (CIS)

Armenia
Azerbaijan
Belarus
Georgia
Kazakhstan
Kyrgyzstan
Republic of Moldova
Russian Federation
Tajikistan
Turkmenistan
Ukraine
Uzbekistan

Asia and the Pacific

Eastern Asia

China
Hong Kong, China
Korea, Democratic People's Republic of

Korea, Republic of
Macau, China
Mongolia
Taiwan, China

Pacific Islands

American Samoa
Cook Islands
Fiji
French Polynesia
Guam
Kiribati
Marshall Islands
Nauru
New Caledonia
Niue
Northern Mariana Islands
Papua New Guinea
Samoa
Solomon Islands
Tokelau
Tonga
Tuvalu
Vanuatu
Wallis and Futuna Islands

South Asia

Afghanistan
Bangladesh
Bhutan
India
Maldives
Nepal
Pakistan
Sri Lanka

South-East Asia

Brunei Darussalam
Cambodia
East Timor
Indonesia
Lao People's Democratic Republic
Malaysia
Myanmar

Philippines
Singapore
Thailand
Viet Nam

Latin America and the Caribbean

Caribbean

Anguilla
Antigua and Barbuda
Aruba
Bahamas
Barbados
Bermuda
British Virgin Islands
Cayman Islands
Cuba
Dominica
Dominican Republic
Grenada
Guadeloupe
Guyana
Haiti
Jamaica
Martinique
Montserrat
Netherlands Antilles
Puerto Rico
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Suriname
Trinidad and Tobago
Turks and Caicos Islands
United States Virgin Islands

Central America

Belize
Costa Rica
El Salvador
Guatemala
Honduras
Mexico
Nicaragua
Panama

South America

Argentina
Bolivia
Brazil
Chile
Colombia
Ecuador

Falkland Islands (Malvinas)
French Guiana
Paraguay
Peru
Uruguay
Venezuela

Africa

North Africa

Algeria
Egypt
Libyan Arab Jamahiriya
Morocco
Sudan
Tunisia

Sub-Saharan Africa

Eastern Africa

Burundi
Comoros
Djibouti
Eritrea
Ethiopia
Kenya
Madagascar
Malawi
Mauritius
Mozambique
Réunion
Rwanda
Seychelles
Somalia
Tanzania, United Republic of
Uganda
Zambia
Zanzibar
Zimbabwe

Middle Africa

Angola
Cameroon
Central African Republic
Chad
Congo
Congo, Democratic Republic of
Equatorial Guinea
Gabon
Sao Tome and Principe

Southern Africa

Botswana
Lesotho
Namibia
South Africa

Swaziland
Western Africa
Benin
Burkina Faso
Cape Verde
Côte d'Ivoire
Gambia
Ghana
Guinea
Guinea-Bissau
Liberia
Mali
Mauritania
Niger
Nigeria
Senegal
Sierra Leone
St. Helena
Togo

Middle East

Bahrain
Iran, Islamic Republic of
Iraq
Jordan
Kuwait
Lebanon
Oman
Qatar
Saudi Arabia
Syrian Arab Republic
United Arab Emirates
West Bank and Gaza Strip
Yemen

