

Unemployment, working poor and vulnerable employment to increase dramatically due to global economic crisis

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GENEVA (ILO News) – The global economic crisis is expected to lead to a dramatic increase in the number of people joining the ranks of the unemployed, working poor and those in vulnerable employment, the International Labour Office (ILO) says in its annual Global Employment Trends report (GET)

Based on new developments in the labour market and depending on the timeliness and effectiveness of recovery efforts, the report says global unemployment in 2009 could increase over 2007 by a range of 18 million to 30 million workers, and more than 50 million if the situation continues to deteriorate.

The ILO report also said that in this last scenario some 200 million workers, mostly in developing economies, could be pushed into extreme poverty.

“The ILO message is realistic, not alarmist. We are now facing a global jobs crisis. Many governments are aware and acting, but more decisive and coordinated international action is needed to avert a global social recession. Progress in poverty reduction is unravelling and middle classes worldwide are weakening. The political and security implications are daunting”, said ILO Director-General, Juan Somavia.

“The crisis is underscoring the relevance of the ILO Decent Work Agenda. We find many elements of this Agenda in current measures to promote job creation, deepening and expanding social protection and more use of social dialogue”, Mr. Somavia said. He called on the upcoming meeting of the G-20 on 2 April in London, alongside financial issues, to urgently agree on priority measures to promote productive investments, decent work and social protection objectives, and policy coordination.

Key projections of the GET report

The new report updates a preliminary estimate released last October indicating that the global financial crisis could increase unemployment between 15 to 20 million people by 2009. Its key conclusions are as follows:

- Based on November 2008 IMF forecasts, the global unemployment rate would rise to 6.1 per cent in 2009 compared to 5.7 per cent in 2007, resulting

in an increase of the number of unemployed by 18 million people in 2009 in comparison with 2007.

- If the economic outlook deteriorates beyond what was envisaged in November 2008, which is likely, the global unemployment rate could rise to 6.5 per cent, corresponding to an increase of the global number of unemployed by 30 million people in comparison with 2007.
- In a current worst case scenario, the global unemployment rate could rise to 7.1 per cent and result in an increase in the global number of unemployed of more than 50 million people.
- The number of working poor – people who are unable to earn enough to lift themselves and their families above the US\$2 per person, per day, poverty line, may rise up to 1.4 billion, or 45 per cent of all the world's employed.
- In 2009, the proportion of people in vulnerable employment – either contributing family workers or own-account workers who are less likely to benefit from safety nets that guard against loss of incomes during economic hardship – could rise considerably in the worst case scenario to reach a level of 53 per cent of the employed population.

Other findings

The ILO report notes that in 2008, North Africa and the Middle East still had the highest unemployment rates at 10.3 and 9.4 per cent respectively, followed by Central & South Eastern Europe (non EU) & the Commonwealth of Independent States (CIS) at 8.8 per cent, sub-Saharan Africa at 7.9 per cent and Latin America at 7.3 per cent.

The lowest unemployment rate was once again observed in East Asia at 3.8 per cent, followed by South Asia and South-East Asia & the Pacific where respectively 5.4 and 5.7 per cent of the labour force was unemployed in 2008.

The report shows that the three Asian regions – South Asia, South-East Asia & the Pacific and East Asia – accounted for 57 per cent of global employment creation in 2008. In the Developed Economies & European Union region, on the other hand, net employment creation in 2008 was negative, minus 900,000 which explains in part the low global employment creation in this year.

Compared with 2007, the largest increase in a regional unemployment rate was observed in the Developed Economies & European Union region, from 5.7 to 6.4 per cent. The number of unemployed in the region jumped by 3.5 million in one year, reaching 32.3 million in 2008.

According to the study, sub-Saharan Africa and South Asia stand out as regions with extremely harsh labour market conditions and with the highest shares of working poor of all regions. Although the trend has been declining over the past ten years, around four fifths of the employed were still classified as working poor in these regions in 2007.

Policy measures

- The economic crisis of 2008 has deepened the concern over the social impacts of globalization which the ILO had previously raised. Stressing the need to take measures to support vulnerable groups in the labour market, such as youth and women, the ILO report observes that a huge labour potential remains untapped worldwide. Economic growth and development could be much higher if people are given the chance of a decent job through productive investment and active labour market policies.

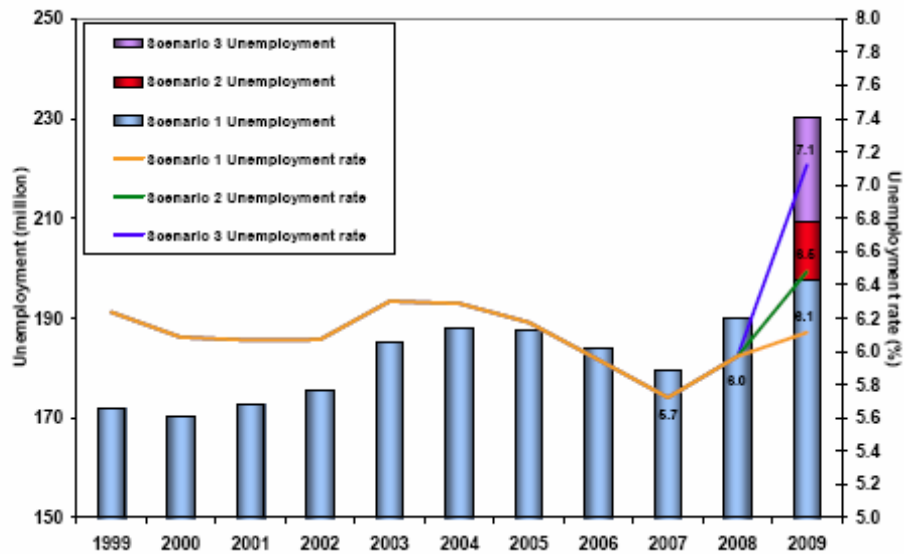
“The Decent Work Agenda is an appropriate policy framework to confront the crisis. There is a powerful message that tripartite dialogue with employers and workers organizations should play a central role in addressing the economic crisis, and in developing policy responses”, Mr. Somavia said.

The report lists a number of ILO recommended policy measures being applied by many governments, as discussed by the ILO Governing Body in November of 2008, namely:

- i) wider coverage of unemployment benefits and insurance schemes, re-skilling redundant workers and protecting pensions from devastating declines in financial markets;
- ii) public investment in infrastructure and housing, community infrastructure and green jobs, including through emergency public works;
- iii) support to small and medium enterprises;
- iv) social dialogue at enterprise, sectoral and national levels.

If a large number of countries, using their own accumulated reserves, emergency IMF loans and stronger aid mechanisms, put in place coordinated policies in line with the ILO Decent Work Agenda, then the effects of the downturn on enterprises, workers and their families could be cushioned and the recovery better prepared

Global unemployment according to three scenarios



Source: ILO, Trends Econometric Models, December 2008, see also source of Table A1
 Figures for 2008 are preliminary estimates, figures for 2009 are projections based on the following assumptions:

- Scenario 1. Projection on labour market data to date and IMF November 2008 revised estimates for economic growth.
- Scenario 2. Projection on the historical relationship between economic growth and unemployment at times of crises in each economy; IMF November 2008 revised estimates for economic growth.
- Scenario 3. Projection on the basis of a simultaneous increase in the unemployment rate in the Developed Economies and the European Union equal to the largest increase since 1991 and half of the largest increase since 1991 in economies in other regions; IMF November 2008 revised estimates for economic growth.