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Global Employment Trends: Brief, January 2006

Abstract
[Excerpt] Despite robust GDP growth in 2005, labour market performance worldwide was mixed, with more people in work than in 2004 but at the same time more unemployed people than the year before. Overall the global unemployment rate remained unchanged at 6.3 per cent after 2 successive years of decline. At the end of 2005, 2.85 billion people aged 15 and older were in work, up 1.5 per cent over the previous year, and up 16.5 per cent since 1995.

Given that unemployment is just the tip of the iceberg, the focus in developing economies should not be solely based on unemployment alone, but also on the conditions of work of those who are employed. In 2005, of the over 2.8 billion workers in the world, nearly 1.4 billion still did not earn enough to lift themselves and their families above the US$2 a day poverty line – just as many as ten years ago. Among these working poor, 520 million lived with their families in extreme poverty on less than US$1 a day. Even though this is less than ten years ago it still means that nearly every fifth worker in the world has to face the almost impossible situation of surviving with less than US$1 a day for each family member.

This brief updates the labour market trends to 2005 and addresses six key labour market challenges: 1) energy prices; 2) the importance of labour market recovery after natural disasters; 3) the impact of the phasing out of the Multi-Fiber Arrangement (MFA); 4) global wage inequalities; 5) sectoral employment shifts; and 6) labour market challenges as a result of migration.

Changes in labour markets require constant monitoring so that appropriate policy interventions to support workers and businesses can be applied. The ILO's annual Global Employment Trends publications aim to provide those concerned with the promotion of decent work for all with some of the basic information needed to continue to improve and target policies.

Keywords
International Labour Organization, ILO, labor market, development, economic growth

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International Labour Office

GLOBAL EMPLOYMENT TRENDS
BRIEF, January 2006

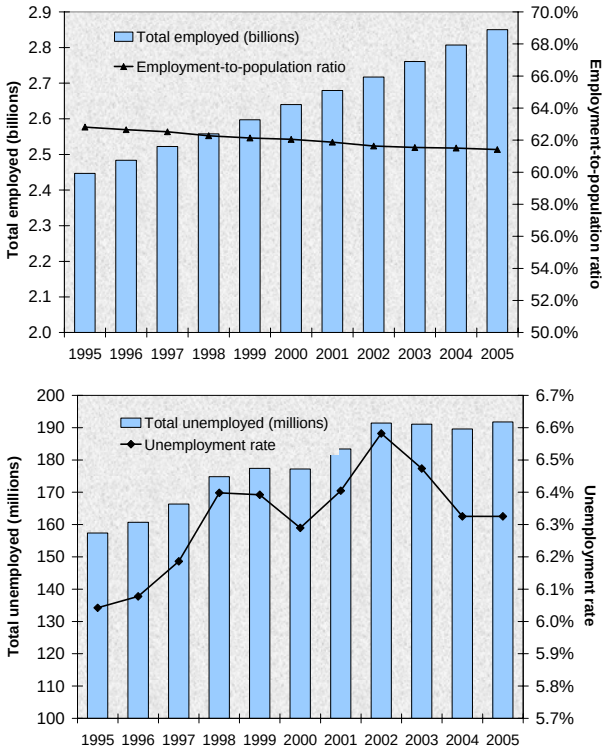
Global employment situation

Despite robust GDP growth in 2005, labour market performance worldwide was mixed, with more people in work than in 2004 but at the same time more unemployed people than the year before. Overall the global unemployment rate remained unchanged at 6.3 per cent after 2 successive years of decline.

At the end of 2005, 2.85 billion people aged 15 and older were in work[1], up 1.5 per cent over the previous year, and up 16.5 per cent since 1995.[2] How many of the new jobs created in 2005 were decent jobs is difficult to estimate at this point but given the experience of the last years it is not likely that it is the majority.

The last decade has witnessed a marginal decline in the global employment-to-population ratio, which is the share of the world's working-age population (aged 15 years and older) that is in work. It stood at 61.4 in 2005, which is 1.4 percentage points lower than ten years ago (see figure 1 and table 3). The decrease was stronger among young people (aged 15 to 24). Within this group the global employment-to-population ratio decreased from 51.7 in 1995 to 46.7 in 2005. Part of this is explained by the increasing proportion of young people in education. Among adults (aged 25 years and older) the global employment-to-population ratio declined from 66.8 to 66.3 between 1995 and 2005. Examining the adult age range by sex reveals different trends between women and men: while the share of employed adult males fell by 1.3 percentage points to 80.8 per cent, the share of the adult female population that was in work grew. In 2005, 52.2 per cent of adult women were employed, compared with 51.7 per cent in 1995. The gap in the employment-to-population ratio between women and men thus has narrowed but remains wide.

Figure 1: **Global employment and unemployment trends, 1995-2005***



Source: ILO, *Global Employment Trends Model*, 2005; see also note to table 1. * 2005 are preliminary estimates.

[1] 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. The words "employed" and "in work" are used as synonyms in this GET *Brief*.

[2] Country-level labour market information needed for the world and regional estimates is taken from ILO, *Key Indicators of the Labour Market* (KILM), 4th Edition (Geneva, 2005). For further technical information on the world and regional estimation processes, see www.ilo.org/public/english/employment/strat/wrest.htm.

According to the latest IMF estimate[3] global output continued to grow at a robust pace of 4.3 per cent during 2005. This was less than the 5.1 per cent increase in 2004. Global labour productivity (measured as output per worker) rose by 2.6 per cent in 2005, down from 3.0 per cent in 2004. Since 1995, global labour productivity has grown at an average annual rate of 2 per cent, while GDP has grown at an average annual rate of 3.8 per cent. As GDP growth is the sum of productivity growth and employment growth (or in simple words the additional output that is produced because people work more efficiently and because more people work) it becomes clear that over the last ten years growth was caused more because of a rise in productivity than because of a rise in employment. Such a trend is not necessarily threatening for workers if higher productivity growth leads to increasing wages, but as discussed below this is not always the case.

The world's unemployment rate stood at 6.3 per cent, unchanged from the previous year and 0.3 percentage points higher than a decade earlier. In total, nearly 191.8 million people were unemployed around the world in 2005, an increase of 2.2 million since 2004 and 34.4 million since 1995 (see figure 1 and tables 1 and 3). Almost half of the unemployed people in the world are young people, a troublesome figure given that youth make up only 25 per cent of the working-age population. Young people are more than three times as likely as adults to be unemployed.

The largest increase in unemployment occurred in Latin America and the Caribbean, where the number of unemployed rose by nearly 1.3 million and the unemployment rate increased by 0.3 percentage points between 2004 and 2005 to 7.7 per cent. The Central and Eastern Europe (non-EU) and CIS region also witnessed a year-over-year increase in its unemployment rate, which stood at 9.7 per cent, up from 9.5 per cent in 2004. In all Asian region's unemployment rates stayed almost unchanged in 2005: East Asia's unemployment rate stood at 3.8 per cent, it thereby remains the lowest in the world; South Asia's unemployment rate stayed at 4.7 per cent and South-East Asia and the Pacific's unemployment rate was 6.1 per cent. At 13.2 per cent the Middle East and North Africa region remains the region with the highest unemployment rate in the world. Sub-Saharan Africa's rate stood at 9.7 per cent. The only considerable decrease was observable in the Developed Economies and EU where it declined from 7.1 in 2004 to 6.7 in 2005 (see table 3).

A decline in unemployment rates does not in itself indicate a reduction in decent work "deficits", as reducing unemployment is only the tip of the iceberg when it comes to promoting decent and productive work. In most of the developing world, "employment" and "unemployment" are crude measures of the state of people's livelihoods and well-being. In developing countries, which often lack effective unemployment protection mechanisms, most people simply cannot afford to be unemployed. The focus in developing economies should therefore not be solely based on unemployment alone, but also on the conditions of work of those who are employed. In 2005, of the over 2.8 billion workers in the world, nearly 1.4 billion still did not earn enough to lift themselves and their families above the US$2 a day poverty line – just as many as ten years ago. Among these working poor, 520 million lived with their families in extreme poverty on less than US$1 a day (see table 4). Even though this is less than ten years ago it still means that nearly every fifth worker in the world has to face the almost impossible situation of surviving with less than US$1 a day for each family member. And this is true despite the fact that most of them work long and difficult hours, often under adverse conditions. Therefore, without a chance to get a decent job and work themselves and their families out of poverty, a large segment of the world's population has little hope for a better life. This will be a continuous restriction to development.

Between 1995 and 2005 the global labour force (the sum of people employed and unemployed)[4] grew by some 438 million workers, or 16.8 per cent. During the same period, the global youth labour force (aged 15 to 24 years) grew by only 4 per cent and the labour force participation rate[5] of youth

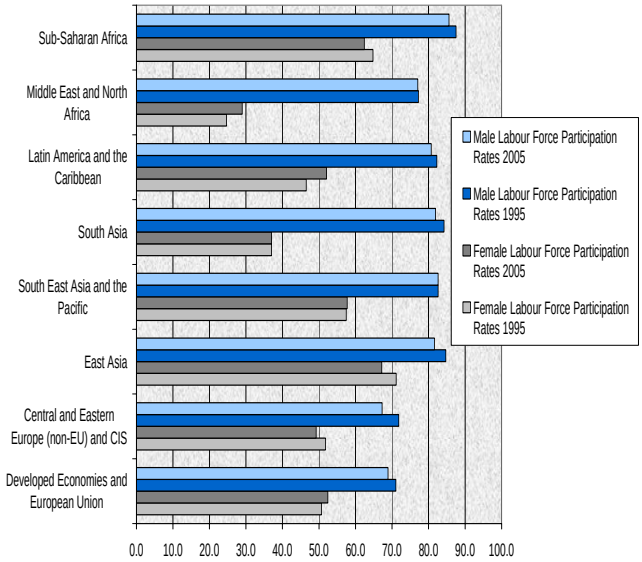
[3] See IMF, *World Economic Outlook*, September 2005; available on website: www.imf.org/external/pubs/ft/weo/2005/02/data/index.htm.

[4] People outside the labour force are those who are voluntarily inactive and those that are discouraged to participate in labour markets for whatever reason.

[5] Labour force participation rates (LFPR) express the number of people that are active in the labour market (either employed or looking for work, thereby being considered as unemployed) as

declined by 4.8 percentage points to 54.1 per cent. Again this can partly be explained by the rising share of young people in education. In 2005, women made up approximately 40 per cent of the world's labour force.

Figure 2: **Labour force participation rates 1995-2005***



Source: ILO, *Global Employment Trends Model*, 2005; see also note to table 1. * 2005 are preliminary estimates.

Among women, the overall participation rate decreased over the last ten years due to the decline in labour force participation of young women. This development differed by region: the Middle East and North Africa region witnessed an increase of female participation from very low historical levels. An increase also occurred in Latin America and the Caribbean. Overall, the trend of increasing labour force participation rates among women in the 1980s and early 1990s has come to a halt in regions such as South-East Asia and South Asia and has even reversed in Central and Eastern Europe (non-EU) and CIS, East Asia and sub-Saharan Africa. Male participation rates declined from 80.7 per cent to 78.7 per cent over the last ten years. This declining trend is consistent throughout all regions (see figure 2 and tables 2 and 3).

The labour market outcomes described above are the result of both the long-term evolution of the socio-economic environment in which people work as well as shorter term external shocks that impact on economic growth. The Global Employment Trends (GET) *Brief 2006* focuses on the following selected labour market challenges[6] that had and will have an impact on labour markets: 1) energy prices; 2) the importance of labour market recovery after natural disasters; 3) the impact of the phasing out of the Multi-Fiber Arrangement (MFA); 4) global wage inequalities; 5) sectoral employment shifts; and 6) labour market challenges as a result of migration.

Energy prices and their possible impact on labour markets

Even though attention to the impact of oil prices on growth and employment had subsided with the moderation of prices toward the end of 2005, it has begun to grow again given the recent uncertainties in prices in early 2006. This ongoing worry about oil prices in 2005 and now again in 2006 has made evident the threat that rising energy costs can have on economic growth and labour markets.[7] One can argue that a rise in the price of one type of energy does not necessarily impact on the prices of other types, but as a matter of fact in the past the prices for different sources of energy have developed in parallel. The more important an energy source is, the more likely it is to have an impact on the price of other energy sources.

How can high energy costs affect employment and poverty? 1) Sustained, high energy costs can contribute to reductions in global production, which may have a negative impact on job creation. 2) Higher energy prices can cut consumer spending and reduce aggregate demand, again often negatively impacting on employment. Secondary impacts could include reduced trade, which can result from decreased consumer demand, lower investment and increased transport costs. 3) When economic growth stalls, it is often the poorest members of society and the most vulnerable

a share of the working-age population. Age-specific LFPR take the active people of that specific age group and compare it to the population within this group.

[6] This GET *Brief* discusses only a selection of pressing issues. Other important topics which impact the world of work – high youth unemployment rates all over the world, discrimination against women on labour markets, HIV/AIDS, outsourcing and the informal economy, for example – have been dealt with in greater detail in other Global Employment Trends reports as well as in the ILO's recent *Key Indicators of the Labour Market*. All previous GET reports are available on website: http://www.ilo.org/trends.

[7] Oil prices rose dramatically since November 2001, from a low of about US$17 per barrel to the US$60 per barrel range in late 2005.

workers (often young people and those working part-time for low wages and without benefits) who suffer the most. They are routinely the first to suffer job losses in this type of environment and higher energy costs impact upon their lives the hardest. Therefore it is no surprise that rising energy costs often lead to a slowdown in the reduction of poverty in the world.

Of course energy costs alone cannot be blamed for negative labour market outcomes. Other factors have a strong impact on economic growth and employment creation as well. These include the duration of price shocks, the structure of the particular economy (e.g. whether it is an energy exporter or importer); the country's stage of development (e.g. whether it is relatively rich or poor); the current state of its business cycle (e.g. close to a recession or in a boom period); and finally, whether it has developed sound macroeconomic and labour market policies (e.g. has it managed to invest, in a sustainable way, in infrastructure and education and training, and does it have well-functioning active labour market policies in place?).

Box 1

Oil prices, growth, jobs and poverty: How to estimate the correlations

- In 2004, global GDP expanded at a robust pace of 5.1 per cent. During this period of rapid output growth, global employment increased by 46.4 million, representing employment growth of 1.7 per cent.
- In September 2005, the IMF forecasted that the annual global GDP growth would be 4.3 per cent in 2005, representing a slowdown from previous years, in part due to higher oil prices.
- Based on this forecast, the ILO currently estimates that net global employment growth in 2005 was 42.5 million to a total of 2.85 billion, an increase of 1.5 per cent from the total of 2.81 billion in 2004. Therefore the estimated growth reduction led to a considerable reduction in employment creation.
- Importantly, the IMF's annual GDP growth forecast of 4.3 per cent was made while the price of oil stood at around US$55 per barrel. Oil prices have since spiked and, for the most part, have remained above US$60 per barrel. Given the higher oil prices and the fact that they remained high after the date of the September IMF estimation, it is likely that a future IMF estimation of the annual GDP growth rate in 2005 will be lower than the current 4.3 per cent. If economic growth in 2005 does turn out to be less than originally forecast, largely as a result of high oil prices, a future downward revision of the ILO employment growth estimates for 2005 may be needed. *For each 1-percentage-point reduction in the global GDP growth rate, we estimate that net employment growth will be between 9 and ten million fewer around the world.*
- The 5.1 per cent GDP growth rate in 2004 led to a reduction in the extreme working poor (who have to survive with US$1 a day or less for each family member) of 15 million around the world, bringing the total down to 535 million, while the number of working poor at the US$2 a day level fell by only 5 million to 1.38 billion. In 2000, when GDP growth was 4.6 per cent (i.e. not far from the IMF's prediction for next year's growth), the number of US$1 a day working poor fell by only 7 million, while the US$2 a day working poor fell by only 3 million.

The impact of high energy costs on poverty and employment varies by region. In Asia – a region well on track to attaining the Millennium Development Goal (MDG) of halving poverty by 2015 – the impact will only become considerable if higher energy costs are sustained. Given the current and expected continual growth in the region, short-term effects would be minimal. Little short-term impact is also expected for the region of Central and Eastern Europe (non-EU) and CIS, but the longer-term risk is likely to be higher here since countries in the region are not as diversified as in Asia. In sub-Saharan Africa – a region that is already off-track regarding the poverty MDG – the likely short-term impacts of higher energy costs are considerable. The poor will be hit hardest by increasing food prices (caused by higher transport and production costs). Those on the edge of poverty face the risk of being pushed back into poverty due to higher expenditure costs. The longer-term impacts would most likely be a dampening of the hopeful signs some countries have seen recently. The Middle East and North Africa region, whose direct and indirect revenues from high oil prices can be used for investments in non-oil industries, is better placed to handle a longer period of worldwide economic slowdown and avoid negative impacts on employment and poverty. Finally, in the Latin America and Caribbean region, although some countries are benefiting from higher oil prices,

much depends on the situation in its major trading partner, the United States. If consumers in the United States decrease their consumption of Latin American goods due to higher energy costs, this will negatively impact on economic growth and contribute to job losses in the LAC region, thereby jeopardizing the chance of reaching the MDG on halving poverty.

In sum, the impact of high energy costs on employment and poverty has to be kept in mind and solutions should be found immediately in order to avoid harsh long-term impacts, particularly for the poorest countries in the world. This is especially true given the increasing demand for energy in the booming parts of Asia.

But resource management also needs a long-term integrated strategy for sustainable development, as agreed at the UN Summit in Johannesburg in 2002. Production and consumption patterns need to be changed with the goal of achieving growth that is environmentally, socially and economically sustainable. This represents a massive opportunity for technological breakthroughs, investment, skills development, gender equality and decent work. The ILO strongly advocates rooting strategies for change in workplaces, where many initiatives will ultimately succeed or fail. The scale and breadth of change needed to move onto sustainable development paths is considerable and will need to be underpinned by a broad social consensus. The ILO's tripartite experience in social dialogue and consensus building is a vital contribution to this process. Societies that pursue the goal of decent work for all are best equipped for meeting the challenge of using natural resources in a sustainable way.[8]

The importance of labour market recovery after natural disasters

Tragic natural disasters have dominated the news throughout 2005. After the Asian tsunami and earthquake disaster of 26 December 2004 that affected around 1.5 million people in Sri Lanka and Indonesia alone, the relief phase gained momentum and the immediate needs of food, sanitation and shelter were addressed in a timely manner. The main challenge for 2005 consisted in starting the rehabilitation and recovery process to ensure a rapid economic recovery for those who survived the catastrophe.

The earthquake that struck Pakistan and other parts of South Asia on 8 October 2005 and resulted in up to 70,000 deaths in Pakistan and over 1,300 in India, affected over 3 million people.[9] Finally, hurricane Katrina led to disastrous flooding in the southern United States with over 1,000 lives lost, billions of dollars in property damage and widespread loss of income opportunities for thousands of people. It is likely to have affected over half a million people in total.[10]

Some lessons had to be re-learned in the course of these natural catastrophes. First, in all three disasters the poor were the most affected and least able to make a quick recovery. Second, handling a major catastrophe requires substantial financial resources, not only to provide immediate help, but also to get the recovery process moving. Whereas donor support in terms of financial resources was fairly quick in coming for the tsunami- and hurricane-affected populations, Pakistan has seen lower levels of support and there are still tens of thousands of people who have not even received enough assistance to ensure their survival through the winter. Third, since the affected people were often the poor with little savings, they rely heavily on their own labour for their survival. Therefore, the damage to people's ability to earn an income for themselves and their dependants needs to be identified as a major concern in the rehabilitation process. Finally, the immediate assessment of the impact of the disasters on people's lives in general and especially the employment impact has been shown to be important for the creation and coordination of sound aid policies as well as for the

[8] For more details on the ILO's position see Statement by Mr. Juan Somavia, Director-General of the International Labour Office, to the World Summit on Sustainable Development (Johannesburg, 29 August 2002); available on website: http://www.ilo.org/public/english/bureau/dgo/speeches/somavia/2002/johannesburg.htm as well as http://www.ilo.org/public/english/standards/relm/gb/docs/gb286/pdf/esp-4.pdf.

[9] For more information on the employment impact of the earthquake see the Global Employment Trends *Brief October 2005, Employment Impact in Pakistan of South Asia Earthquake*, ILO (Geneva); available on website: http://www.ilo.org/public/english/employment/strat/download/getpak.pdf.

[10] Data taken from EM-DAT, Emergency Disasters Data Base; available on website: www.em-dat.net. In EM-DAT, people that have been injured, left homeless after a disaster or have been otherwise affected are all included in the category "affected".

subsequent evaluation and monitoring of the progress and success of the chosen strategies.

ILO assistance to help individuals and communities to restore lost livelihood is well underway in Indonesia, Sri Lanka and Pakistan. An estimated 1 million jobs were lost in Indonesia and Sri Lanka and another estimated 1.1 million jobs were wiped out in the affected areas in Pakistan, accounting for nearly half of the total employment that existed in the region before the earthquake. Rapid employment impact assessments by the ILO helped to ensure that reviving those areas where people worked prior to the disasters was a priority. This includes the rural economy where most people live and work; the medium- and small-sized towns which provided jobs and incomes and which lie in ruins; and in the urban areas where most of the poor people live and work in the informal economy.

Employment support services were put in place to provide both information and short-term training for the jobs that are generated through the reconstruction effort. Financial and institutional support was given and will continue to be needed to rebuild the small businesses and income-generating assets in both rural and urban areas. Financial support from the outside world, including remittances from overseas must – after covering urgent basic needs – be channelled into building sustainable businesses and jobs; institutional mechanisms to ensure that this happens need to be planned from the start. Rebuilding the basic infrastructure can create employment – and has done so in the tsunami-affected areas – although it is important to ensure that decent and productive, labour-intensive methods of construction are utilized. Local contractors and displaced workers should be given a major part in the reconstruction effort if the maximum beneficial impact of infrastructure development is to be realized. Protecting workers is as crucial as monitoring the employment situation.

The ILO strategy to focus on decent and productive employment has had some impact on the international aid strategies in that the ILO's emphasis on the importance of creating livelihoods for survivors has been widely accepted. Proposals covering all these elements have, for example, been included in a flash appeal launched by the United Nations in Pakistan.

Promoting a fairer globalization in the textiles and clothing industry[11]

The textile and clothing (TC) sector has traditionally played an important role in the development process of many countries. Although its relative importance has declined in the developed countries, the TC sector remains significant for employment, output and exports in a number of developing countries. Since January 2005, with the phasing-out of quotas under the Multi-Fiber Arrangement (MFA), the global TC sector is experiencing a major revolution that raises both challenges and opportunities.

The changes resulting from the new quota-free TC trade regime concern millions of workers and hundreds of thousands of enterprises in both developed and developing countries. A number of countries are concerned that domestic industries are threatened when a new wave of cheap textile and clothing products will flood their markets; others hope for new export opportunities as a result of a quota-free trade environment. A third set of countries lost preferential access to US or EU markets and thus faces higher competition for their exports. Given such a sectoral reshuffling and job losses in the textile industry, it is likely to be the most vulnerable people, in particular women, and the most vulnerable countries that are the hardest hit.

There has been a declining trend in global employment in the clothing sector – from 14.5 million workers in 1990 to 13.0 million in 2000, partly as a result of a consolidation process of this production group and a more intensive use of capital. Likewise, employment in textiles declined from 19.7 million workers in 1990 to 13.5 million in 2000. Despite the declines in persons employed in these sectors, the clothing and/or textile sectors maintain significance as one of the largest sources

[11] This section is based on ILO, "Promoting fair globalization in textiles and clothing in a post-MFA environment", Report for discussion at the Tripartite Meeting on Promoting Fair Globalization in Textiles and Clothing in a Post-MFA Environment, (Geneva, 2005); available on website: www.ilo.org/public/english/dialogue/sector/techmeet/tmtc-pmfa05/tmtc-pmfa-r.pdf.
For more background information and analysis see: C. Ernst, A. Hernández Ferrer and D. Zult, "The end of the Multi-Fiber Arrangement and its implication for trade and employment", Employment Strategy Paper, No. 16 (Geneva, ILO, 2005); available on website: http://www.ilo.org/public/english/employment/strat/download/esp2005-16.pdf.

of employment in countries such as Bangladesh, Cambodia, Madagascar, Mauritius, Pakistan and Sri Lanka.

Studies estimating the impact of the phasing out of the MFA all agree that China and India would gain market share and that local manufacturers in the EU and United States would lose market share. However, the magnitude of gains and losses and the impact on preference-receiving developing countries vary from one study to the next. For example, poor, preference-receiving countries located in areas where they can easily integrate into regional supply chains could benefit from the quota phase-out. Cambodia and Viet Nam, for example, are attractive locations for assembly of apparel on behalf of lead firms in the major middle-income textile and clothing producers in Asia. However, those less well connected to either major consumer markets or to producer networks (Lesotho, Madagascar and Mauritius, for example), are the largest potential losers.

Even if the quota phase-out has potential long-term benefits for development, the transitional period is likely to have adverse effects on workers and enterprises, especially the most vulnerable groups such as women, and on small and medium enterprises in the least developed countries. The recent ILO report (see reference 12) warns that "failure to manage this transitional period would erode confidence in the agenda of development through trade, harm the reputation of the TC business community for addressing the socio-economic challenges of globalization, and cause damage to the workers and economies concerned".

In this unsettled environment, the search for security is paramount. Governments are seeking sustainable social and economic development. Manufacturers want to maintain viable enterprises, buyers want to secure their supply chain, and workers want stable and decent jobs. Dealing in a socially responsible way with these new circumstances in order to promote fair globalization in the TC industry requires the elaboration and implementation of integrated strategies from global to local level, which involve the governments and social partners concerned. The ILO is in a key position to provide a forum for and facilitate this process. It is only through better awareness of the global challenges and improved cooperation between all the actors concerned that the post-MFA environment will be dealt with in a socially and economically responsible manner.

Global wage inequality on the rise[12]

Cross-country studies show rising inequality in wages and earnings since the 1980s not only between workers of different skills but also among workers with the same skills within and across countries.

The most recent data from the the 4th edition of the ILO's KILM shows that between 1990 and 2000, wages in high-skilled occupations increased faster than in low-skilled occupations globally. For example, in the United States, real earnings of low-wage workers have fallen while the earnings of high-wage workers have grown significantly. In Latin America and much of Asia, the same scenario exists. In much of Europe (with the exception of the United Kingdom), where wage-setting institutions are more centralized, the deteriorating position of low-skilled workers is exemplified more through rising unemployment than growing wage gaps.

The reasons for rising wage inequality in the developed economies have been attributed to: 1) skills-biased technological changes; 2) increased trade with developing countries; and 3) increased immigration of low-skilled workers. In developing countries, other factors impacting on rising wage inequality are: industry wage premiums (resulting from changes in trade policy that favours workers in those industries); the increasing size of the informal economy (which generally has lower wages and worse working conditions) that has followed trade liberalization; and the shortage of high-skilled workers.

The analysis in the KILM also shows that in the majority of countries with available data there was a decline in the gender pay gap[13] (in the manufacturing sector) between 1996 and 2003. Noticeable exceptions, however, include countries in the region of Central and Eastern Europe (non-EU) and CIS (former transition economies) and new EU Member States where the gender gap has actually increased. The increase is mainly because these countries had very low gender gaps in terms of pay and other labour market characteristics prior to the transition period. The increases in the gender gaps are, therefore, the result of the worsening

[12] This section is based on ILO, *Key Indicators of the Labour Market*, op. cit., Chapter 1.

[13] The gender pay gap is defined as the ratio of the average gross hourly wage rates (or earnings) of female and male paid employees across occupations in a given country and year.

labour market conditions resulting from the adjustments to a market economy, which have disproportionately impacted on women.

An analysis of the factors contributing to the gender pay gap finds a clear, negative relationship between the participation rate of women in the labour market and the gender pay gap. For example, in the Middle East and North Africa, where women are less active in the labour market, the gender pay gap was upwards of 40 per cent in some countries.

Wages and earnings constitute a large share of total income in many countries; therefore, wage/earning inequality can be held responsible for much of the inequality that exists in consumption, healthcare and other well-being indicators associated with income. Also, since households with the lowest wages and earnings generally fall among the poorest households within a country, deteriorating wages and earnings will only further exacerbate their already fragile economic situations. Social protection mechanisms that would be needed to counterbalance the rising inequalities are often not in place.

Shifting employment sectors: from agriculture to where?

In 2005, the agriculture sector accounted for 40 per cent of total employment in the world (see table 5). This means it still had the highest employment share of all three sectors with a total of 1.1 billion people working in the sector. Agriculture continues to dominate in East Asia, South-East Asia, South Asia and sub-Saharan Africa, where more than 60 per cent of the world's working-age population lives. And given that the vast majority of the world's poor live in these regions, working out of poverty means ensuring that jobs in the agricultural sector provide a decent living.[14] Much development theory is based on the assumption that, over time, people will move out of agriculture in rural areas into industry and *then* into services. The overall share of agricultural employment has decreased over the ten years between 1995 and 2005 from 44.4 to 40.1 per cent (see table 5). This decrease was seen in all regions except for East Asia, where the share in agriculture stayed stable over the period. But did all the workers really move into the industry sector?

The industry sector has grown over time in terms of total numbers of workers; there were 598 million people working in industry in 2005, a 16 per cent increase from ten years previous. Still, the share in total employment decreased from 21.1 to 21.0 per cent (see table 5). A look at the different regions shows a diversified picture; whereas the share of employment in industry decreased considerably in the Developed Economies and EU, indicating the declining importance of industry for creating employment opportunities, it changed only moderately in Central and Eastern Europe (non-EU) and CIS and in East Asia. On the other hand, the share in industry increased in South-East Asia and the Pacific and in the Middle East and North Africa. Finally, in Latin America and the Caribbean and in sub-Saharan Africa, the share in industry remained stable over time.

At the same time, employment in the service sector has changed the most over the last ten years. The share of total employment in services increased in all regions with one exception – the Middle East and North Africa. If the service sector continues to grow the way it has over the last ten years, it will soon overtake agriculture as the largest provider of employment. East Asia (where employment in China accounts for nearly 94 per cent of the region's total employment) saw the smallest changes in terms of sectoral distribution over time. Even though one would have expected big changes in the manufacturing sector in China, employment in new manufacturing export industries has grown, but this has been matched by a similarly rapid decline in jobs in the older state-owned manufacturing sector.

Given these trends, there is a need to reformulate development strategies; reality no longer follows economic theory. Workers are moving directly from agriculture to services. It is important to bear in mind that this transition does not necessarily mean an upgrade in terms of working conditions or in personal welfare. The service sector covers the whole range of jobs, from decent jobs in the "formal economy" to low paid precarious jobs under bad conditions in the "informal economy".[15] The fact that the agriculture

[14] For a detailed analysis see ILO, *World Employment Report 2004-05*, Chapter 3 (Geneva, 2004).

[15] For a detailed discussion see N. Majid, "On the evolution of employment structure in developing countries", Employment Strategy Paper, No. 18 (Geneva, ILO, 2005); available on website: http://www.ilo.org/public/english/employment/strat/download/esp2005-18.pdf.

to services shift typically implies the rural to urban migration of workers, can also be a factor in the welfare development of the worker, in that the person loses access to land where food might be gathered and must henceforth rely on the market, and thus on earning a wage, for sustenance. This is no simple manner for the very poor who might find themselves with no means of earning income from one day to the next. Such issues need to be addressed by policy makers if they are to make sure that the development process will lead to poverty reduction.

Globalization and migration: New challenges for labour markets

The trend towards globalization of production has continued in 2005 and certainly will continue to expand in the future. So will the growing flexibility of labour, which is just as much part of globalization as is the flexibility of capital.

Each year millions of men and women leave their homes and cross national borders in search of greater security for themselves and their families. Most are motivated to migrate by the quest for higher wages and better opportunities, but some are forced to do so because of famine, natural disasters, violent conflict or persecution. Many of the fears surrounding the impact of immigration on developed economies are unfounded or exaggerated and it seems to be the case that overall the net impact on developed economies is positive. The economic picture is less clear-cut when it comes to the countries left by migrants. Advantages include migrants' remittances, lower unemployment, less population pressure and knowledge brought by returning migrants. On the downside, emigration often entails loss of skilled workers and dynamic young people. It also can reduce a country's output and tax revenues.[16]

There are, however, considerable causes for concern about the way in which migration is unfolding. The increase in clandestine migration, including trafficking, threatens human rights and creates new challenges for governments and the international community. A growing number of migrants are in vulnerable situations, mainly because of their irregular status or the kind of work they do, and many face discrimination. The social upheavals that migration produces in both sending and receiving countries can be far-reaching and destabilizing. There have been difficulties surrounding integration of people from different cultures, backgrounds and race. The rise of political extremist movements espousing racism and xenophobia is a worrying development.

Both trends – the flexibility of capital leading to outsourcing[17] as well as the flexibility of labour leading to migration – have, and will continue to have an impact on labour market dynamics. As labour markets become more integrated, there is a need for a "more transparent, coherent and balanced framework" at the global level to address the employment dimensions of globalization.[18] It is necessary to ensure that the benefits of globalization are more evenly distributed through broader consensus on issues regarding core labour standards. As labour markets become more integrated, policies at the national level need to take this into consideration through renovation of their labour market institutions. In addition, the issues surrounding globalization, such as the sectoral shifts of employment need to be addressed at the global level as well as on an individual country basis.

Summary and outlook for 2006

High unemployment rates in many parts of the world remain a challenge, as does the integration of young people into labour markets. The trend of wages and employment (i.e. both the quantity and quality of available jobs) lagging behind economic growth and productivity growth is a major concern. Economic shocks including natural disasters hit those who are already poor disproportionately hard, and, in the recovery process, the poor are the last to recover to pre-shock conditions. The current pattern

[16] All information regarding migration is taken from the Executive Summary of ILO, "Towards a fair deal for migrant workers in the global economy", Background report of the International Labour Conference, 92nd Session, June 2004; available on website: www.ilo.org/public/english/protection/migrant/download/exsu-vie.pdf.

[17] The issue of outsourcing has been discussed in the 2005 GET as well as in the ILO, World Employment Report 2004-05, Chapter 2; available on website: www.ilo.org/trends.
For an extended discussion see also Auer, P., G. Besse and D. Méda, Off-shoring and the internationalization of employment, a challenge for a fair globalization? Geneva, ILO, forthcoming 2006.

[18] For a more elaborate discussion, see World Commission on the Social Dimension of Globalization, *A Fair Globalization* (Geneva, ILO, 2004); available on website: www.ilo.org/public/english/fairglobalization/index.htm.

of globalization continues to have an uneven social impact with some experiencing rising living standards and others being left behind.

During the rebuilding process after the natural disasters of 2005, the recovery of employment opportunities has taken shape. Recognition that poverty reduction can only be reached via the route of more and better jobs is more widespread, especially in Africa. Increased awareness of the importance of placing employment at the centre of economic and social policy-making, symbolized by the following statement from the UN Summit in 2005, is an important step forward: "We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals. These measures should also encompass the elimination of the worst forms of child labour, as defined in International Labour Organization Convention No. 182, and forced labour. We also resolve to ensure full respect for the fundamental principles and rights at work."

Changes in labour markets require constant monitoring so that appropriate policy interventions to support workers and businesses can be applied. The ILO's annual Global Employment Trends publications aim to provide those concerned with the promotion of decent work for all with some of the basic information needed to continue to improve and target policies.

Appendix

Table 1: **Unemployment in the world, 1995, 2000, 2002-2005* (millions)**

Year	1995	2000	2002	2003	2004	2005*
Total	157.3	177.2	191.4	191.1	189.6	191.8
Male	92.7	104.7	113.0	112.8	111.7	112.9
Female	64.7	72.5	78.5	78.3	77.9	78.9

Source: ILO, Global Employment Trends Model, 2005; see also Technical Note in ILO, *Global Employment Trends* (Geneva, 2004) and for further technical information on the world and regional estimation processes, see 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*, 4th Edition, Geneva (2005). *2005 are preliminary estimates.

Table 2: **Labour force participation rates, 1995, 2000, 2002-2005***

Year	1995	2000	2002	2003	2004	2005*
Total	66.9	66.2	66.0	65.8	65.7	65.6
Youth	58.9	56.2	55.2	54.7	54.3	54.1
Adult	69.7	69.6	69.6	69.5	69.4	69.4

Source: ILO, Global Employment Trends Model, 2005; see also note to table 1. *2005 are preliminary estimates.

Table 3: **Labour market indicators**

Region	Change in unemployment rate (percentage point)	Unemployment rate (%)			GDP growth rate (%)			Employment-to-population ratio (%)		Annual labour force growth rate (%)	Annual GDP growth rate (%)
	2000-2005*	1995	2004	2005*	2004	2005*	2006[p]	1995	2005*	1995-2005*	1995-2005*
World	0.0	6.0	6.3	6.3	5.1	4.3	4.3	62.8	61.4	1.6	3.8
Developed Economies and European Union	0.0	7.8	7.1	6.7	3.3	2.5	2.6	55.8	56.4	0.7	2.6
Central and Eastern Europe (non-EU) and CIS	-0.4	9.4	9.5	9.7	8.2	5.7	5.5	55.5	52.1	0.1	4.0
East Asia	-0.2	3.7	3.7	3.8	8.7	8.0	7.5	75.2	71.7	1.0	7.6
South-East Asia and the Pacific	1.2	3.9	6.2	6.1	6.1	5.1	5.4	67.2	65.8	2.2	3.8
South Asia	0.2	4.0	4.7	4.7	7.1	7.1	6.4	58.9	57.2	2.2	5.8
Latin America and the Caribbean	-0.5	7.6	7.4	7.7	5.5	4.0	3.8	59.2	60.9	2.5	2.8
Middle East and North Africa	-0.7	14.3	13.1	13.2	5.4	5.0	5.3	44.2	46.4	3.5	4.4
Sub-Saharan Africa	-0.3	9.2	9.9	9.7	5.4	4.5	5.5	69.0	66.7	2.4	3.9

Source: ILO, Global Employment Trends Model, 2005; IMF, *World Economic Outlook*, September 2005; see also note to table 1.
*2005 are preliminary estimates; p = projections.

Table 4: **Working poor indicators**

Year	1995	2000	2005*	1995	2000	2005*
	(million)	(million)	(million)	share in total employment (%)	share in total employment (%)	share in total employment (%)
US$1 a day working poor						
World	627.4	582.0	520.1	25.7	22.1	18.3
Central and Eastern Europe (non-EU) and CIS	12.6	11.7	4.3	7.5	7.1	2.6
East Asia	174.8	150.3	104.0	24.7	20.2	13.4
South-East Asia and the Pacific	39.8	30.3	29.7	18.6	12.7	11.4
South Asia	252.9	224.2	202.3	55.1	44.3	35.8
Latin America and the Caribbean	23.5	27.0	28.0	12.5	12.9	11.8
Middle East and North Africa	2.6	3.5	3.5	3.1	3.5	2.9
Sub-Saharan Africa	121.1	134.9	148.3	57.8	57.4	56.3
US$2 a day working poor						
World	1'354.3	1'396.2	1'374.6	55.5	53.1	48.4
Central and Eastern Europe (non-EU) and CIS	53.8	57.6	21.1	32.0	35.0	12.5
East Asia	452.5	422.6	361.4	63.9	56.9	46.5
South-East Asia and the Pacific	143.6	147.8	150.0	67.2	62.1	57.6
South Asia	419.1	451.2	494.3	91.3	89.1	87.3
Latin America and the Caribbean	68.3	70.9	75.6	36.4	33.8	31.8
Middle East and North Africa	34.3	39.6	42.7	40.8	39.6	36.0
Sub-Saharan Africa	181.9	205.9	229.4	86.8	87.6	87.0

Source: ILO Trends Working Poverty Model. 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 data used. *2005 are preliminary estimates.

Table 5: **Sectoral shares in employment**

Agriculture	**Employment in sector as share of total employment**				**Female employment as share of total employment in sector**
Year	**1995**	**2003**	**2004**	**2005***	**2005***
World	44.4	41.9	41.1	40.1	39.9
Developed Economies and European Union	5.1	4.0	3.9	3.7	33.6
Central and Eastern Europe (non-EU) and CIS	27.9	23.9	23.2	22.7	45.2
East Asia	54.4	52.6	51.5	49.5	47.2
South East Asia and the Pacific	55.3	46.0	44.3	43.3	39.4
South Asia	64.1	62.6	62.1	61.2	33.1
Latin America and the Caribbean	23.4	18.2	17.6	17.1	18.9
Middle East and North Africa	30.8	27.1	26.9	26.3	25.1
Sub-Saharan Africa	70.1	65.8	64.2	63.6	44.4
Industry					
World	21.1	20.3	20.5	21.0	31.2
Developed Economies and European Union	28.7	25.5	24.9	24.8	23.1
Central and Eastern Europe (non-EU) and CIS	27.5	26.7	27.2	27.4	32.6
East Asia	25.9	24.3	24.8	26.1	40.1
South East Asia and the Pacific	15.4	19.2	20.3	20.7	36.3
South Asia	13.4	13.5	13.7	14.1	26.3
Latin America and the Caribbean	20.2	20.4	20.2	20.3	24.5
Middle East and North Africa	20.3	24.2	24.8	25.0	17.9
Sub-Saharan Africa	8.2	8.9	8.7	8.9	26.2
Services					
World	34.5	37.8	38.4	38.9	45.0
Developed Economies and European Union	66.1	70.5	71.2	71.4	52.7
Central and Eastern Europe (non-EU) and CIS	44.6	49.5	49.6	49.9	52.6
East Asia	19.7	23.1	23.7	24.4	44.0
South East Asia and the Pacific	29.3	34.9	35.4	36.0	47.5
South Asia	22.5	23.9	24.2	24.6	24.2
Latin America and the Caribbean	56.4	61.4	62.2	62.5	50.0
Middle East and North Africa	48.9	48.6	48.3	48.7	26.7
Sub-Saharan Africa	21.7	25.3	27.1	27.5	45.9

Source: ILO, Global Employment Trends Model, 2005; see note to table 1.