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ILO Monitor in the World of Work

A global employment divide: Low-income countries will be left further behind without action on jobs and social protection

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Introduction

This report by the International Labor Organization talks about the labor market and its recovery post-pandemic. According to the report, low-income countries are unlikely to recover to pre-pandemic levels of unemployment in this year and are the ones to face the largest jobs gap rate at 21.5 per cent; for low-income countries in debt distress, this number goes up to 25.7 per cent. The report also suggests that expanding basic old-age pensions in developing countries would increase GDP per capita by 14.8 per cent within 10 years. The problem with such expansion mainly concerns financial resources required, which can be supplemented and hence overcome by building global resources through the UN Global Accelerator on Jobs and Social Protection and the Global Coalition for Social Justice.

Key Highlights

Part 1: Latest trends in an uncertain labor market

1. The context: uneven impact of the polycrisis

- Effects of the Russian-Ukraine war and the after-effects of the Covid-19 pandemic has contributed to the ongoing cost-of-living crisis, hurting incomes and livelihoods especially so in developing countries.
- While the high-income countries remain largely unaffected in terms of labor market, and some large emerging economies like India have returned to strong economic growth, low-income countries are facing huge debts and an increased cost of living, which puts constraints on their efforts to promote productive employment. High inflation and increased interest rates limit policy responses to the crisis in low-income countries, leading to an increase in the global employment gap.
- This has led to problems of debt sustainability and new debt financing. Exchange rate depreciation was a contributing factor in higher inflation and interest rates in many developing countries, which led to aggressive monetary policy tightening in these countries. However, a continued tightening of monetary policy, alongside the receding inflation can raise real interest rates to higher levels, which will ultimately affect the labor markets.

2. Unemployment and the jobs gap

ILO estimates a fall of 0.1 percentage points in global unemployment rate in 2023.

- These new estimates are based on recalculations, which estimate the global unemployment in 2022 at 192 million, and in 2023 at 191 million, corresponding to an unemployment rate of 5.3 per cent. But this good news is not due to an equitable decrease in unemployment globally, it is due to the greater-than-anticipated labor market resilience of the high-income countries in the face of the economic slowdown.
- This global decrease in unemployment does not represent low-income countries and the regions of Africa and the Arab States, which are not expected to recover to their pre-pandemic levels of unemployment in 2023. And despite the expected stability or decline of interest rates, the risk of a recession globally still remains for the global labor market.
- The jobs gap indicator developed by ILO takes into consideration not only the unemployed but also those who would like to work but do not have a job. Hence, in 2023, the global jobs gap is projected at 435 million or 11.7 per cent of all people that can be or are employed.

- This figure is the sum of the 191 million unemployed people and 262 million people who want employment but are not constituted in unemployed. An example of people who want employment but are not classified as unemployed would be people who want a job but are unable to take up employment, such as people with care responsibilities, etc.
- The job gap is uneven globally, with low-income countries at the highest at 21.5 per cent, the middle-income countries slightly above 11 per cent, and the high-income countries at the lowest at 8.2 per cent.
- Women face the acute shortage of employment at a jobs gap rate of 14.5 per cent, while men face a 9.8 per cent rate.
- This gap shows that in low-income countries especially the growth of new employment opportunities is not proportionate to the growth of workforce, that is to say that new opportunities are not created to employ all the new people that are entering the workforce.

Part 2: Social protection: a catalyst for inclusive sustainable development and decent jobs

- Social protection, which is the most constrained by the overall economic situation, limited fiscal space and the associated lack of investment, is proven by robust evidence to bring about broader economic, employment and social benefits.
- Policy gaps in developing countries regarding social protection aggravate the consequences of multiple crises.
- Despite efforts such as the adoption of Social Protection Floors Recommendation, 2012, more than half of the world's population still lacks any form of social protection.
- Old-age pensions are the most prevalent form of social protection. But huge coverage gaps render it ineffective. Benefits of pension go beyond just direct money transfer.
- It also affects the behavior of the younger population in the labor market as long as commitments to pension are credible, making it an effective policy lever in developing countries.
- In addition, as estimated by ILO, expansion of basic old-age pensions has caused family size to decline in countries with initially high fertility rates, the share of non-farm employment to expand, and GDP per capita to increase.
- These estimates also account for the possibility of reverse causality, i.e., if a country grows richer, it can afford a better social protection system.
- The positive effects of old-age pension would be large and long-lasting especially in the developing countries. This is due to the fact that this increased prosperity would be more equal, leading to a substantial decline in poverty and income inequality.
- A universal basic old-age pension would also positively affect gender equality, reducing labor income gender gap by 3.6 percentage points, which is equivalent to the last 15 years of global progress registered. This provides a persuasive case for not only national investment but also global financial support for such universal social protection systems.
- However, the challenge of financing this social protection measure, especially for low-income and developing countries, is huge.

The following section discusses some measures on how this challenge can be overcome.

Part 3: Policies and financial support to build resilience and overcome the global employment divide

- The overall labor market globally is extremely uncertain and to stabilize and strengthen it, enhanced policy interventions are needed.
- Different economies and regions have different challenges which will have long-term negative impact on growth, resilience and development if not acted upon.
- The situation of polycrisis especially affects the low-income economies, risking creating an even bigger divergence between high-income and developing countries, especially the low-income countries.

- To work towards the goal of social justice, policy interventions are necessary to ensure employment growth.
- Proactive employment policies need to ensure employment growth and long-term structural transformation. The policymakers need to strike the balance between the use of macroeconomic policies to tame inflation and the management of debt, with goals of protecting and promoting employment opportunities and their growth.
- A more pro-employment approach towards macroeconomic policies is required for the same. Social protection is a key factor contributing not only to overcoming short-term challenges but also long-term structural processes.
- Pensions, a form of social protection, act as catalyst for social justice and overall economic development. UN Global Accelerator on Jobs and Social Protection for Just Transitions, and the Global Coalition for Social Justice are two platforms that work to promote and safeguard the cause of employment and social justice globally and can be utilized by low-income countries to work towards these goals.

Read More: [ILO Monitor: COVID-19 and the world of work. Eighth edition](#)

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