



INTERNATIONAL
LABOUR ORGANISATION

GLOBAL EMPLOYMENT TRENDS



January 2009

The Economic Crisis Labour Market Impact in Developing and Low Income Countries

International Labour Organisation
Geneva, Switzerland



Structure

- I. Pre-crisis situation and domestic financial vulnerability
- II. Transmission channels to labour markets
- III. Labour market and social impacts/
ILO monitoring
- IV. Policy responses and mitigation strategies



Pre-crisis situation



Impact of crisis will depend on:

- **Economic/ financial performance & characteristics**

**Crisis impact likely to be particularly severe for countries with precarious domestic financial situation, as the externally originating impact is compounded by a domestic crisis. This has not been the case for many developing countries.*

- **Employment & labour market characteristics**

- **Labour market institutions**

- **Global integration of financial institutions**



Main Transmission Channels to Labour Markets



- **Exports**

- main transmission channel for many economies
- Sector impact
- Impact depends on type of export, share of domestic value added in exports, level of integration in global economy,

- **Labour Migration & Remittances**

- Regional impact
- Increase in supply of domestic labour at a time where demand is very weak

- **FDI**

- Decrease in overall level of investment, impact compounded over time

- **ODA**

- Impact will largely depend on nature of ODA



Impact on Labour Markets



... And reduced aggregate demand can lead to:

- Increased unemployment/ underemployment
- Increase in vulnerable employment/ informality
- Declining wages and earnings
- Declining working conditions/ erosion of labour standards/ labour rights
- Labour supply adjustments:
 - Relocation/ migration
 - Withdrawal from labour force
 - Longer work hours by self-employed to compensate for falling returns to labour
 - Increase in child labour

Different impact on different groups (women, youth, migrant workers, etc.)



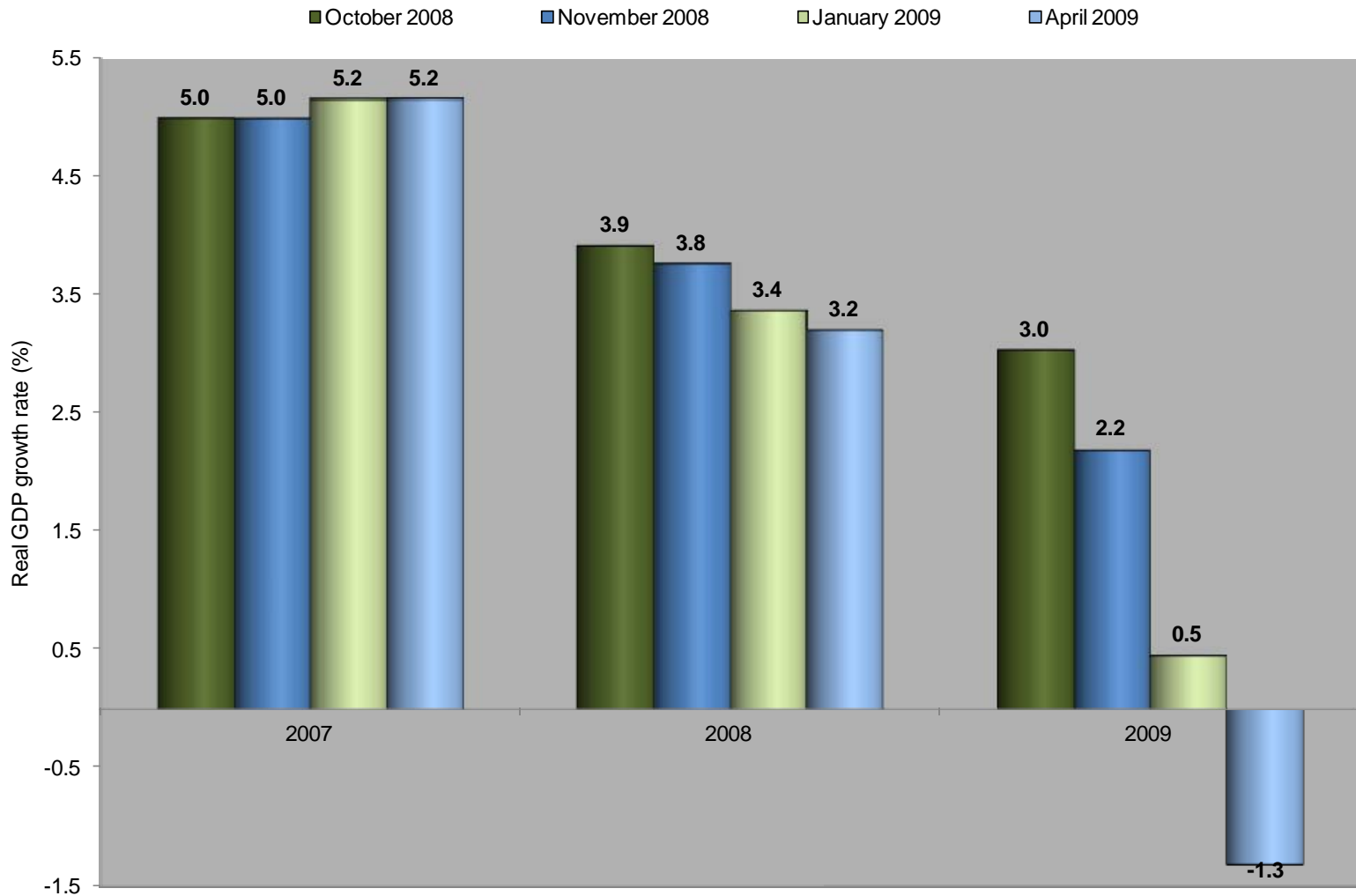
Global Employment Trends and ILO Monitoring of Crisis Impact



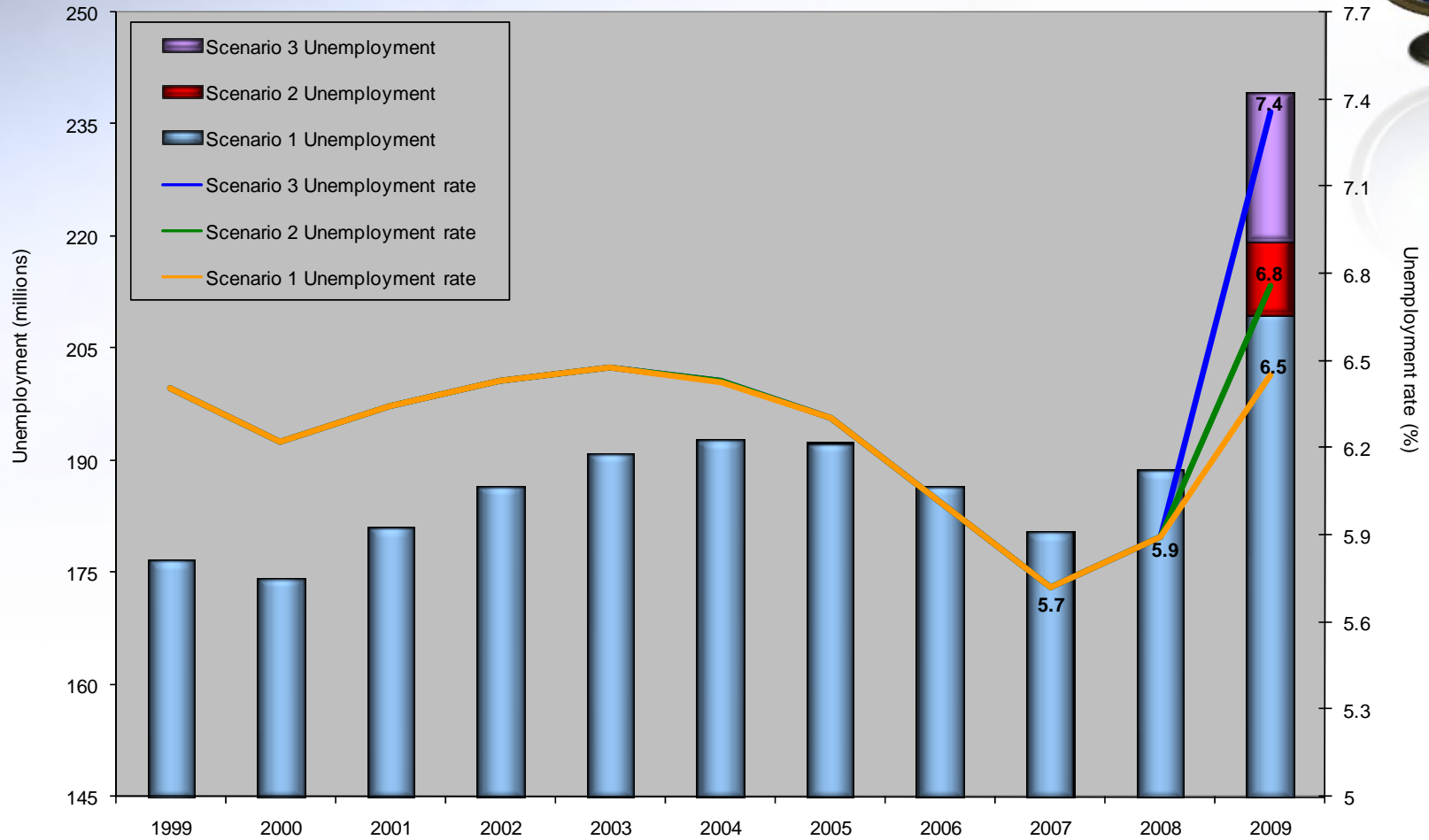
- **ILO Global Job Crisis Observatory:**
<http://www.ilo.org/public/english/support/lib/financialcrisis/>
- **Country Level Rapid Employment Impact Assessment**
- **The Global Employment Trends (GET)**
 - May 2009 Update
 - Selected Indicators:
 - ✓ Unemployment
 - ✓ The share of working poor (US\$1.25 a day) in total employment
 - ✓ Share of vulnerable employment in total employment



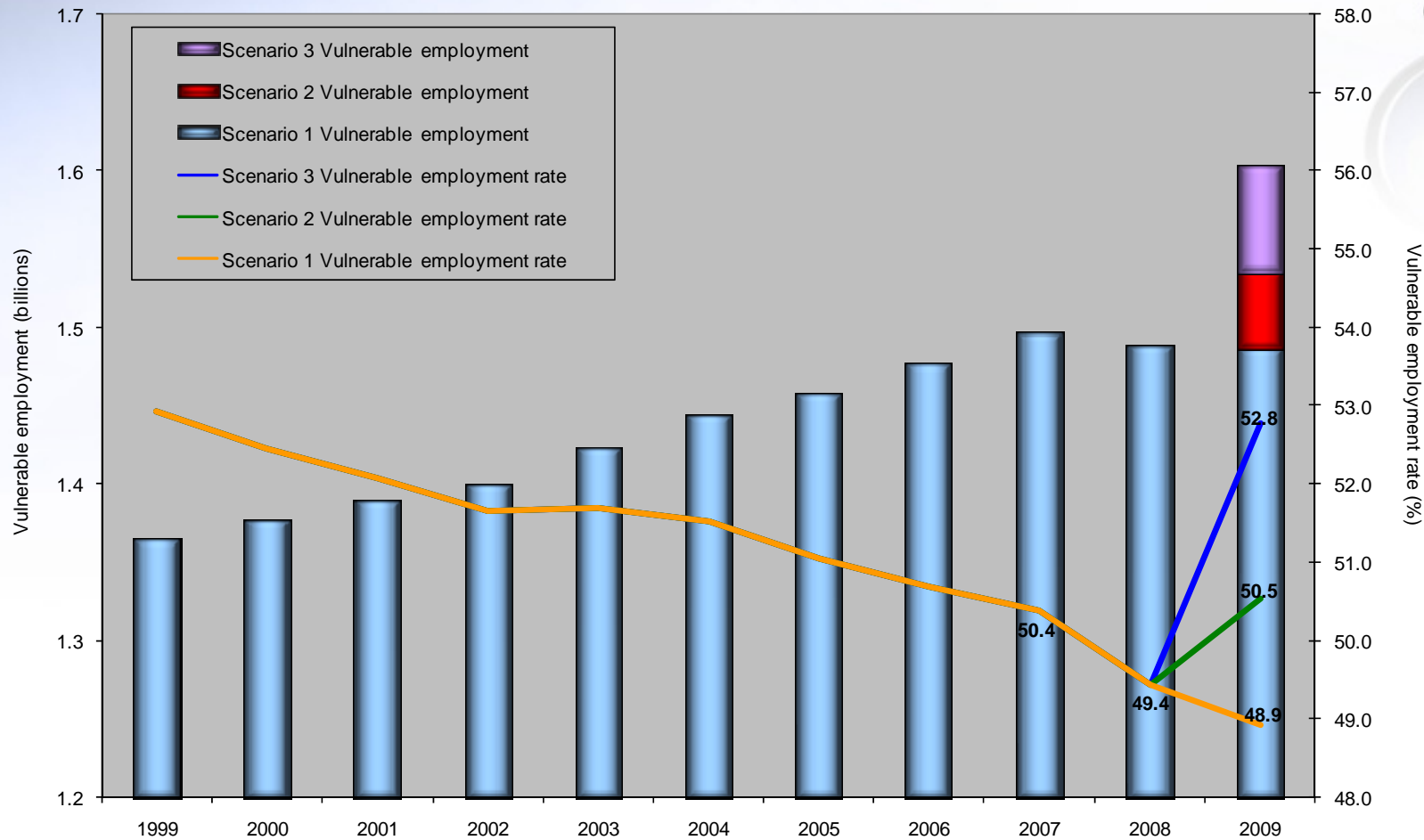
Growth Projection Revisions (IMF)



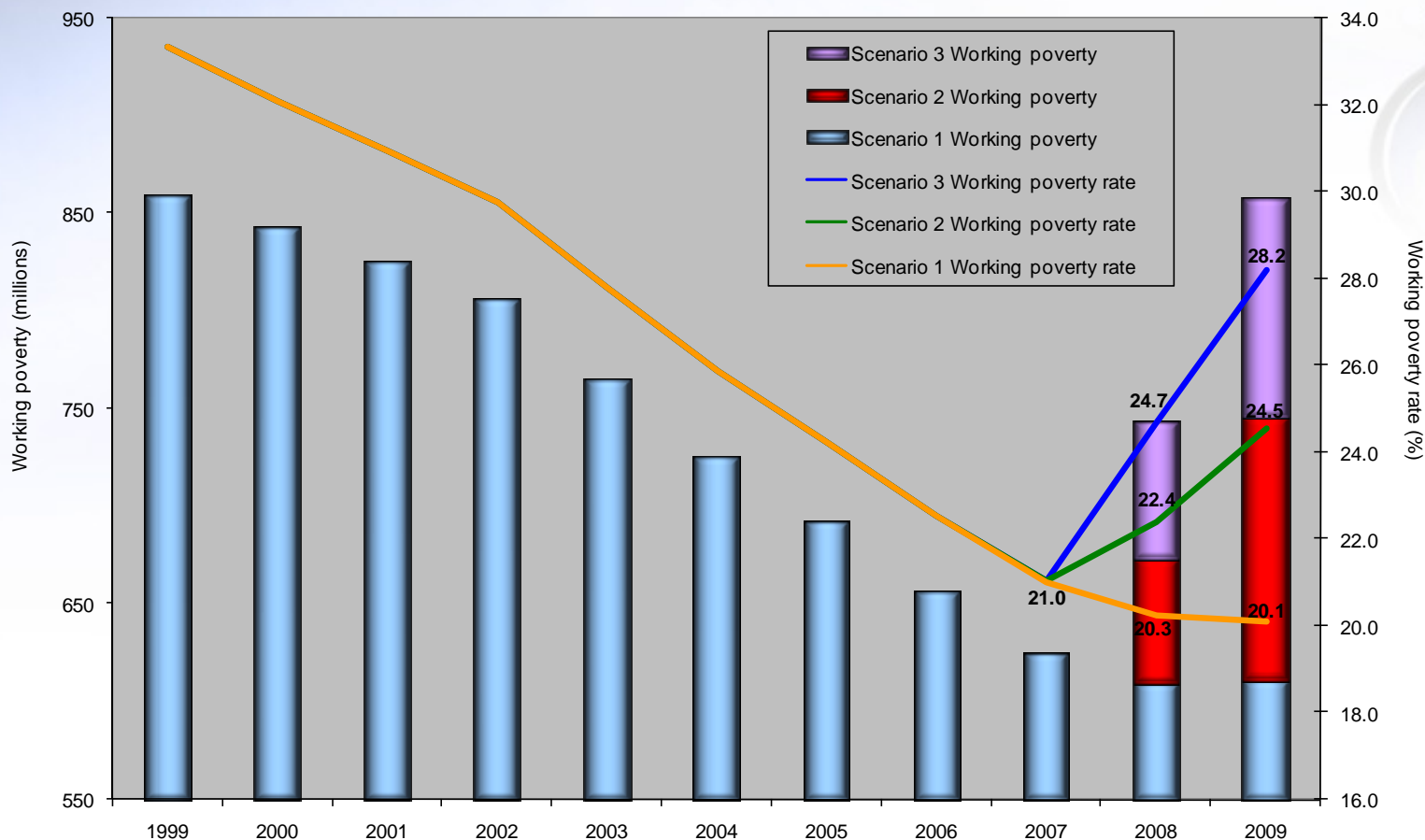
Three Scenarios of Global Unemployment



Three Scenarios of Global Vulnerable Employment



Three Scenarios of Extreme Poverty Global (USD 1.25)



Policy Response



- Context specific:
 - If precarious domestic financial situation: first need Interventions to restore sound financial system, stimulate demand, cushion employment
 - If exports largely affected: mitigate spill-over effects, sector-level policy to support the development of sectors with high income and employment generation potential. In medium to long-run develop backward and forward linkages of key sectors, diversify, etc.
 - Fiscal space (given levels of interbational reserves, internal and external balances) and available resources
- Focus on most vulnerable groups:
 - Women (in some cases), youth, migrant workers returning from abroad or returning from urban to rural areas, etc.

*Global Jobs Pact: a portfolio of policy options



Recommended Policies Include:



- Support for enterprises (particularly SMEs):
 - SMEs in particular suffer from access to credit, but constitute a major source of employment
 - Specific measures can include guarantee funds, risk-sharing mechanisms, faster loan processing, etc.
 - Should be done in the context of promoting sustainable enterprises
 - Ensure microfinance institutions have sufficient liquidity to continue funding microenterprises
 - E.g. India, Vietnam, Singapur. Republic of Korea



Recommended Policies Include:



- Measures targeting the vulnerable (youth, migrant workers, low income groups)
 - Social transfers, and implementing or expanding social protection: coverage for low income and informal workers (e.g. South Africa, China, Thailand, Mexico, Brasil, Argentina)
 - Set up training programs for unemployed migrant workers returning to their homes in rural areas (e.g. China)
 - Strengthen programs to encourage return migrant workers to move to areas with potential work opportunities, less affected by crisis (e.g. Indonesia)



Recommended Policies Include:



- **Increasing investment in infrastructure and high employment intensity public works:**
 - Multiplier effect, short-term employment generation, and sets the stage for more sustained long-term growth
 - Take into account skills of locally available workforce
 - E.g. South Africa, Republic of Korea
- **Invest in food security and rural development**
- Spreading employment creation broadly can contribute to **‘rebalancing’** of some economies - a shift away from a heavy reliance on exports (particularly on one main export) towards a growth path based on both export growth and domestic demand
- **Ensure that labour standards are upheld in the crisis:** balance of employers’ need for flexibility with workers need for security



Examples Successful Policies in India



- *National Rural Employment Guarantee Act (NREGA):*
 - Introduced in 2005: rural households entitled to 100 days of manual work per family each year at the minimum wage for agricultural labour. Participation based on self-selection has benefited many including a large number of women
- *National Health Insurance Scheme (Rashtriya Bima Yojana)*
 - Introduced in 2007 to protect members of households living below poverty line from major health shocks
- *Unorganized Workers' Social Security Bill*
 - Introduced in December 2008, designed to provide health, life and disability insurance, old-age pension and a group accident scheme for workers in the informal economy, including agriculture and migrant workers (still new, expected implementation challenges, but an important step)





THANK YOU!

