Short-term labour market outlook and key challenges in G20 countries

Statistical update for the Meeting of G20 Labour and Employment Ministers

Guadalajara, 17–18 May 2012

Prepared by the ILO and the OECD

INTERNATIONAL LABOUR OFFICE, GENEVA
ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, PARIS
MAY 2012

Introduction[1]

The purpose of this note is threefold: (i) to provide an update of the most recent employment and labour market developments; (ii) to highlight selected key structural issues in G20 labour markets and the policy challenges to address them; and (iii) to present key youth labour market outcomes.[2]

1. Recent labour market developments and the short-term outlook

1.1 Employment growth perspectives weakening as recovery slows

As indicated in the IMF *World Economic Outlook* (April 2012) and in the forthcoming OECD *Economic Outlook* projections, the short-term economic prospects have improved relative to the situation prevailing in late 2011, but indicators still suggest a fragile recovery. On 20 April 2012, G20 Finance Ministers noted modest global recovery with moderate growth expectations for 2012 and persistence of downside risks. Stronger economic growth in the United States during the second half of 2011 and policy interventions in the euro area in response to its deepening economic crisis have reduced the threat of a sharp global slowdown. Going forward, the recovery will likely resume in the major advanced economies, but with further decoupling between North America where growth prospects continue to firm, and Europe where the short-term outlook remains weak. In emerging G20 countries, growth remains strong albeit at a more moderate pace.

The significant slowdown in economic activity recorded in several major economies and regions over the second half of 2011 weighed heavily on the labour markets of many G20 countries; some of the earlier improvements in the labour market faded and the risks that high unemployment and under-employment could become entrenched increased. The most recent improvements in the economic outlook give some hope that labour market conditions could start improving again soon – and have already done so in a number of G20 countries but the timing and strength of a future generalised recovery in employment remain highly uncertain. A continuation of a period of weak growth in employment in many G20 countries, in turn, will make it impossible to close the jobs gap of about 21.3 million persons accumulated since the onset of the global financial crisis in 2008.

The lingering employment crisis is exacerbating structural challenges in the form of high and mostly rising youth unemployment and a rising incidence of long-term unemployment. The jobs crisis is also bearing negatively on consumer demand and on household behaviour, putting additional pressures on the recovery.

1.2 Highly differentiated labour market situations across G20 countries

Overall, employment has increased at an average rate of 1.5 per cent since 2010 (1.1 per cent on a weighted average basis) in the G20 countries, approximately the same rate as the growth in the economically active population. Labour force participation has increased slightly on average (by 0.1 per cent but –0.4 per cent on a weighted average basis). Eleven G20 countries record no or negative change in the labour force participation rate over the last 12 months.

However, this overall performance hides large differences across the G20 countries. Five of 17 G20 countries for which quarterly data are available, have seen employment grow at 2 per cent or more over the past year, whilst five countries show employment growth of less than 0.6 per cent. Over the same period, the unemployment rate has declined in the majority of the G20 countries, often only moderately, but it has actually increased in most European countries (table 1). Argentina, Germany, Indonesia, Republic of Korea, the Russian Federation, Turkey and more recently the United States have experienced sizeable declines in unemployment.

The evolution of employment depends largely on the depth of the downturn and subsequent recovery (figure 1). When output growth is weak, net job creation also tends to be weak (countries on the bottom-left corner of figure 1), with certain exceptions (see Germany). Yet when output growth is strong, the growth in employment can be strong or weak,

[1] All data are drawn from published national sources and are not altered in any way by the ILO or the OECD. Data compiled by the ILO are publicly available in the ILO Short-term Labour Market Indicators database (http://laborsta.ilo.org/sti/sti_E.html) and in other ILO databases (www.ilo.org). Data compiled by the OECD are publicly available in the OECD databases (www.oecd.org/employment/keystatistics). The ILO encourages countries to adopt the recommendations of the International Conference of Labour Statisticians.

[2] The cut-off date for the statistical information presented in this document is 9 May 2012. Quarterly or monthly data, when available, are used to characterize recent labour market trends. Annual data are used to highlight key structural labour market characteristics.

Table 1. Recent labour market changes (year-on-year change)

		Unemployment rate		Labour force participation rate		Total employment		Total unemployment		Economically active population	
	Latest values[1]	Latest	%-points change	Latest	%-points change	Latest (000s)	% change	Latest (000s)	% change	Latest (000s)	% change
Argentina[2]	2011 Q4	6.7	–0.5	46.1	0.3	10,822	2.2	783	–6.0	11,605	1.6
Australia	March 2012	5.2	0.2	65.4	–0.4	11,491	0.3	629	5.6	12,120	0.6
Brazil[2]	March 2012	6.2	–0.3	57.2	0.2	22,646	1.6	1,500	–2.5	24,147	1.4
Canada	March 2012	7.2	–0.4	66.6	–0.3	17,437	1.1	1,356	–4.8	18,793	0.7
European Union	March 2012/2011 Q4	10.2	0.8	57.6	0.2	217,190	0.1	24,772	9.4	240,992	0.6
France	March 2012/2011 Q4	10.0	0.4	56.5	0.0	25,703	0.3	2,940	5.5	28,449	0.5
Germany	March 2012/2011 Q4	5.6	–0.6	60.4	0.8	40,242	2.9	2,382	–7.9	42,532	1.7
Indonesia	2011 Q3	6.6	–0.6	68.3	0.6	109,670	1.4	7,700	–7.4	117,370	0.7
Italy	March 2012/2011 Q4	9.8	1.7	47.9	0.1	22,948	0.7	2,506	23.4	24,848	0.8
Japan[3]	March 2012	4.5	–0.2	59.2	–0.2	62,710	0.3	2,970	-3.9	65,670	0.1
Korea, Rep. of	March 2012	3.4	–0.5	61.5	0.0	24,585	1.8	878	–12.0	25,463	1.3
Mexico	March 2012/2011 Q4	5.1	0.0	59.5	1.8	47,836	5.5	2,437	–4.0	50,273	5.0
Russian Federation	March 2012/2011 Q4	5.9	–0.6	69.1	0.6	70,885	1.1	4,877	–8.5	75,784	0.5
South Africa	2011 Q4	23.9	0.0	54.3	0.7	13,497	2.8	4,244	2.6	17,741	2.7
Spain	March 2012/2011 Q4	24.1	3.3	59.3	0.0	17,808	–3.3	5,540	15.6	23,081	–0.1
Turkey	December 2011/2011 Q4	8.3	–1.4	48.9	1.0	24,267	6.2	2,191	–12.1	26,406	4.3
United Kingdom	January 2012/2011 Q4	8.2	0.4	62.5	0.0	29,113	0.0	2,588	5.9	31,709	0.6
United States	March 2012	8.2	–0.7	63.8	–0.4	142,034	1.6	12,673	–7.0	154,707	0.9
China[4]	2010	4.1	–0.2	70.1	–1.2	761,050	0.4	9,080	–1.4	783,880	1.1
India[5]	2009–10	3.6	–0.6	38.4	–0.6	434,200	1.8	16,100	–13.9	450,400	1.1
Saudi Arabia	2009	5.4	0.2	49.9	-0.3	8,148	1.6	463	5.8	8,611	1.8

[1] For France, Germany, Italy, Spain, Turkey and the United Kingdom, unemployment rates refer to the harmonized unemployment data (Eurostat estimation based on labour force survey and registered unemployment figures) from the Short-term Indicators published by Eurostat and available on a monthly basis, while the other indicators are based on the European Union Labour Force Survey (EULFS) and available only on a quarterly basis. For Indonesia, only the labour force participation rate refers to the third quarter of 2010. For Mexico, the unemployment rate *(Tasa de desocupación, serie unificada)* is based on the monthly results of the ENOE *(Encuesta National de Ocupación y Empleo)*, while the other indicators areas based on the quarterly results of the ENOE. For the Russian Federation, the data are available on a quarterly basis excepted for the unemployment rate (seasonally adjusted).
[2] Selected urban areas.
[3] The results for whole Japan including three prefectures (Iwate, Miyagi and Fukushima) are available from September 2011 results. However, there are some enumeration districts in coastal areas where the survey is not conducted due to the damage caused by the Great East Japan Earthquake.
Figures from March through August 2011 for whole Japan are missing. Data excluding the three prefectures are filled in for the period.
[4] Unemployment data refer to registered unemployment in urban areas only. The labour force participation rate is an estimate based on the Statistical Yearbook 2011 (Economically active population and population aged 15 and over).
[5] Estimated persons/person-days (in million) based on the current weekly activity status for the entire population. Growth rates correspond to the annual average change between 2004–05 and 2009–10.
Source: ILO Short-term Indicators of the Labour Market Database; OECD Main Economic Indicators Database and national labour force surveys.

Figure 1. Real GDP growth and total employment in G20 countries, 2011 Q4[1] (base 100 in 2007 Q4)

* Selected urban areas.
[1] 2009 for India and Saudi Arabia; 2010 for China; 2011 Q3 for Indonesia.
Source: ILO Short-term Indicators of the Labour Market Database; OECD Main Economic Indicators Database and national labour force surveys. *Cut-off date: 23 April 2012.*

as illustrated by the contrasting positions of Turkey, Brazil, Indonesia and Argentina relative to the Republic of Korea, India and China. Growth in output is a prerequisite for growth in employment, but it is not a sufficient condition. The composition of output matters a lot, as does policy aimed at encouraging firms to hoard labour in response to a cyclical drop in demand.

Figure 2 shows that the intensity of the recession – as measured by the change in peak-to-trough real GDP levels during this period – was severe in many G20 countries. China, India and Indonesia avoided drops in output but nevertheless experienced a major slowdown in GDP growth. The economic recovery, which started in mid- to late 2009 in most countries, was rather modest in many advanced economies and halted in most of them in the second half of 2011. It has been more vigorous in the emerging G20 economies, with the exception of South Africa. In particular, Brazil and the Republic of Korea both experienced a cumulated pick-up in GDP of around 15 per cent or more from the trough, while the pick up in Argentina, Indonesia and Turkey was 22.6 per cent, 22 per cent and 27.9 per cent, respectively.

The response of employment to the fluctuations in GDP has also varied significantly across the G20 countries. In some countries, notably South Africa, the United States and especially Spain, large declines in GDP were accompanied by severe contractions in employment. More importantly, employment continued to decline even in the subsequent recovery phase in Spain and marginally in Japan, while it remained flat in Italy. By contrast, job losses were more contained for commensurate declines in GDP in most of the emerging economies as well as in some advanced countries (most notably Germany and Australia), and the subsequent recovery was also rich in employment, especially in Australia, Brazil, Indonesia and Turkey.

Labour market performance relative to the pre-crisis situation is highly differentiated across the G20 countries. Taking also into account cross-country differences in demographic trends, figure 3 presents the changes in the three years to the fourth quarter of 2011 of the employment to working-age population rate (employment rate) and the unemployment rates in the G20 countries. Over this period, six of the 18 countries for which quarterly data are available experienced an overall increase in the employment rate and 11 an overall decline.

- Some countries have seen strong growth in the employment rate and significant declines in the unemployment rate, particularly Brazil, Germany, Indonesia and Turkey.
- Others had little to no growth in the employment rate and either increases or declines in the unemployment rate: Australia and the Russian Federation illustrate this situation.
- In other countries, the change in the employment rate has been negative since 2008 and the unemployment rate has increased, often sharply.
- Among the advanced G20 countries, the US unemployment rate has trended downwards and employment growth has accelerated markedly in the past few months. This contrasts with the situation in most European countries, where the average unemployment rate has begun to climb once again.

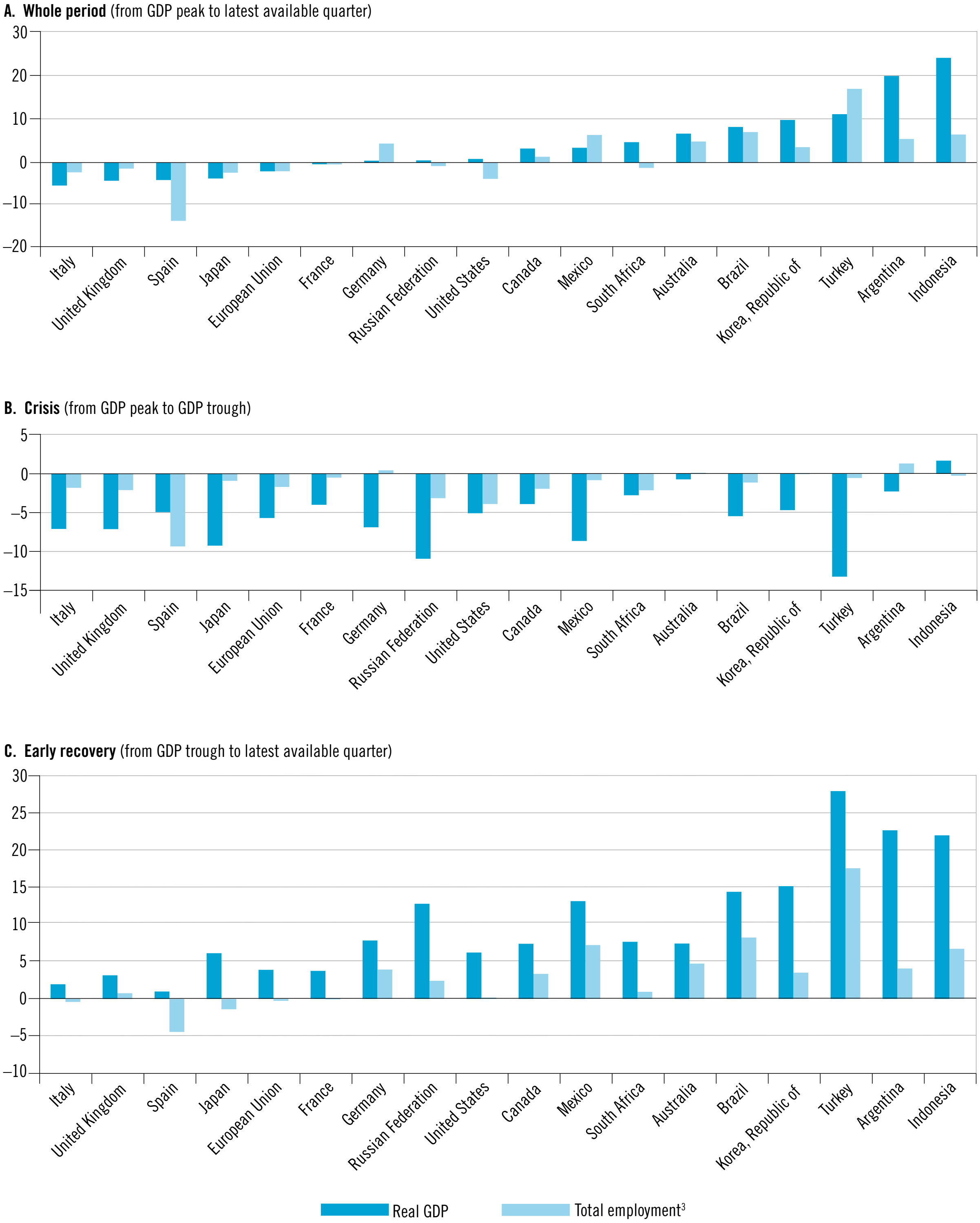
1.3 The crisis has accelerated structural employment shifts

The main economic sectors that have been hardest hit by the global economic crisis have also varied across G20 countries. With few exceptions, employment in the construction sector has been hard hit by the crisis (figure 4). Likewise, most advanced economies have seen large job losses in manufacturing with employment growth taking place mainly in public services. By contrast, a few emerging economies have experienced employment growth in manufacturing and market services. Longer-term trends are at work here, but the crisis has accelerated ongoing structural shifts. This implies that labour market policies must address the adjustment implications for re-skilling and mobility of persons.

1.4 Long-term unemployment has increased sharply in a few countries, bringing with it the risk of hysteresis effects

Long-term unemployment has risen substantially in a number of G20 countries (figure 5). Long-term unemployment (defined as those with a jobless spell of 12 months or more) began to rise sharply in 2010 in several countries, some quarters after unemployment peaked, as many workers who had lost their job during the recession were unable to get another one during the subsequent recovery. The rise in long-term unemployment has been greatest in countries where the recession hit labour markets particularly hard.

Figure 2. Real GDP and employment adjustment during the crisis and the early recovery
(percentage change between the real GDP peak and trough[1] and the real GDP trough to the lastest available quarter[2])



Countries shown in ascending order of real GDP growth from peak to the latest available quarter.

[1] Peak (trough) dates are defined as the start (end) of the longest spell of consecutive negative quarterly real GDP growth rate since 2006 Q1. For comparison purposes the dates for Indonesia correspond to the period when the real GDP growth rate slowed down.

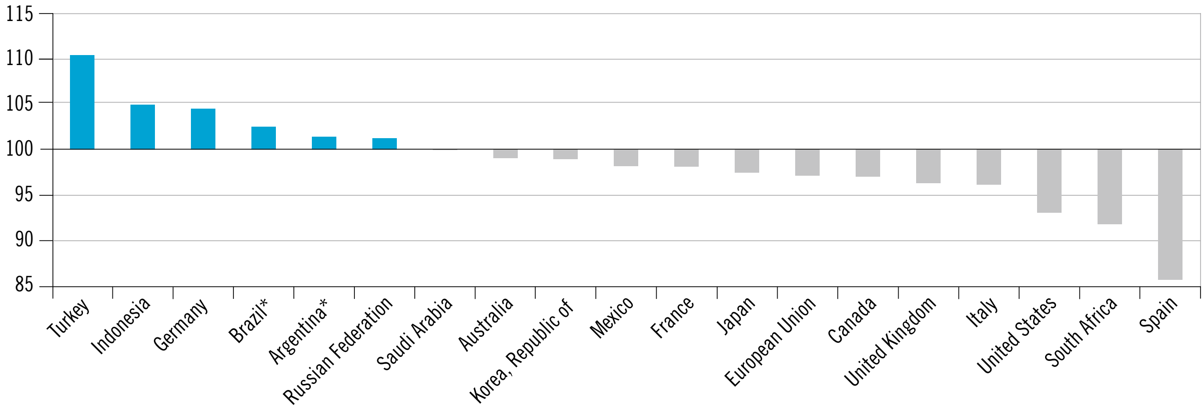
[2] 2011 Q3 for Indonesia.

[3] Selected urban areas for Argentina and Brazil.

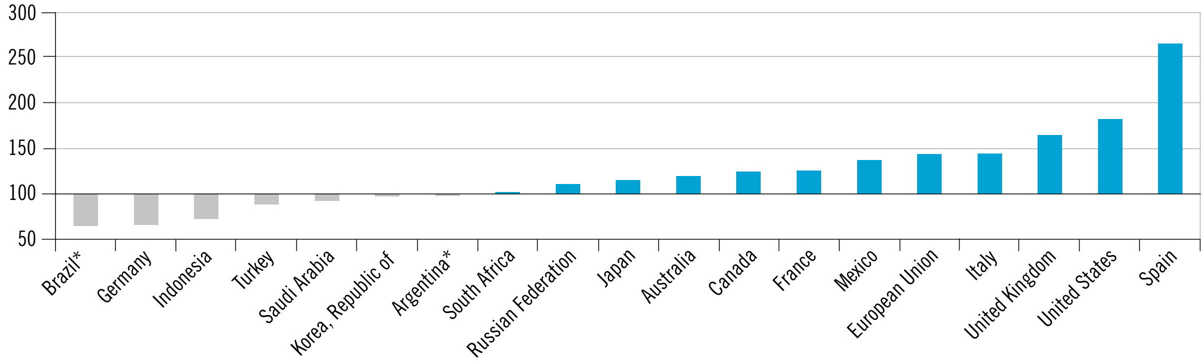
Source: ILO Short-term Indicators of the Labour Market Database; OECD Main Economic Indicators Database and national labour force surveys.

Figure 3. Labour market outcomes during the past four years (persons aged 15 years old and over,[1] fourth quarter of 2011[2])

A. Employment rates (index 100 = 2007 Q4[3])



B. Unemployment rates (index 100 = 2007 Q4[3])



* Selected urban areas.

[1] 15–72 for the Russian Federation, 15–64 for South Africa, and 16 and over for Spain and the United States.

[2] 2011 Q3 for Indonesia and the Russian Federation (base 100 in 2007 Q3), 2010 Q2 for Argentina, and 2009 for Saudi Arabia.

[3] Base 100 in 2007 for Saudi Arabia, 2009 Q2 for Argentina and 2008 Q1 for South Africa.

Source: ILO Short-term Indicators of the Labour Market Database; OECD Main Economic Indicators Database and national labour force surveys.

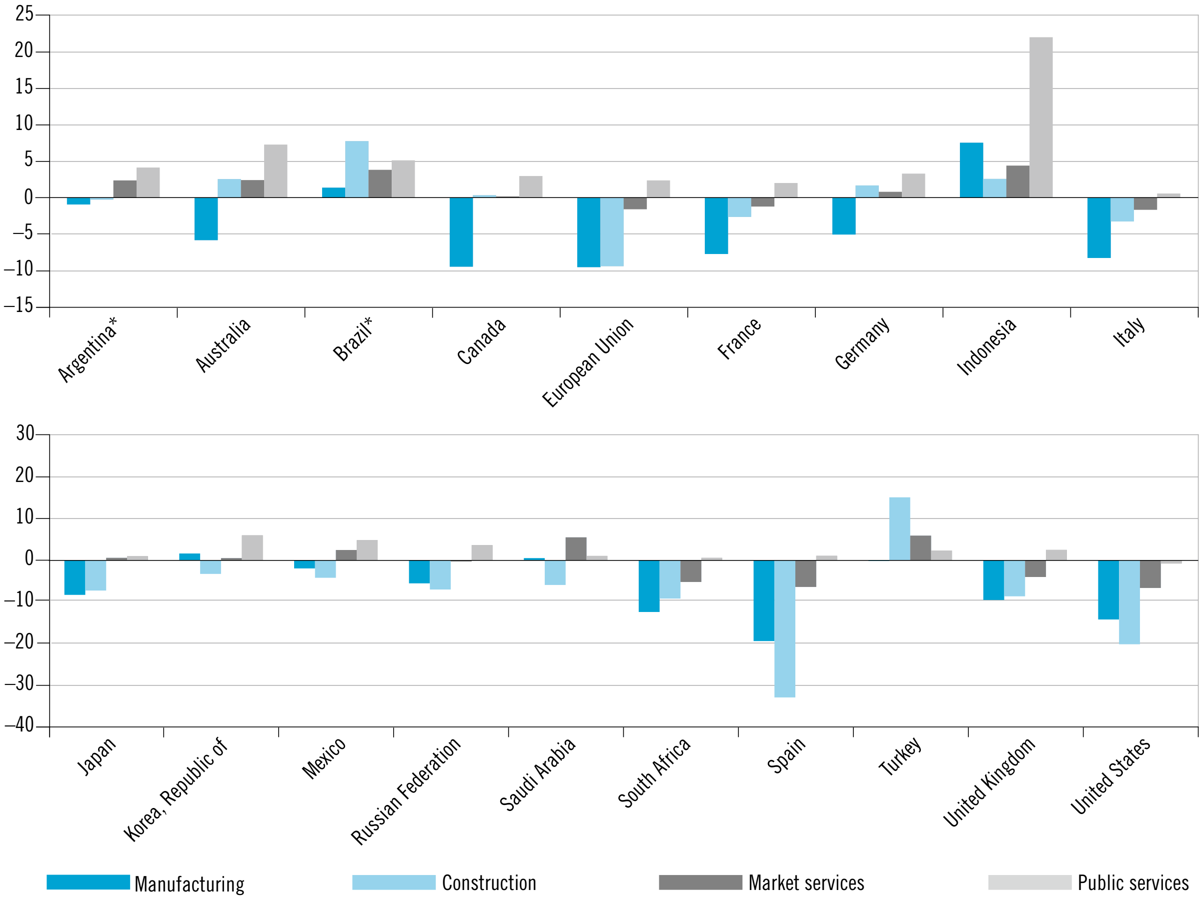
By the last quarter of 2011, one-third of the unemployed or more had been jobless for more than one year in France (41.3 per cent), Germany (47.2 per cent), Italy (51.2 per cent), Japan (44.2 per cent), South Africa (67.9 per cent), and Spain (43.2 per cent). Among the G20 countries for which data are available, the incidence of long-term unemployment increased most sharply in Japan, South Africa, Spain and the United Kingdom and, in particular, the United States, where the share of long-term unemployment tripled to reach an historical high by mid 2011.

The large increase in long-term unemployment is of particular concern because of the increased risk that many workers will become structurally unemployed. In previous recessions, this was the main channel through which a cyclical increase in unemployment in many advanced countries was transformed into persistently high unemployment rates that took many years to unwind. There are also social consequences related to long-term unemployment as it is associated with an increased risk of poverty, health problems and school failure for children of the affected individuals.

1.5 Labour market slack goes beyond open unemployment and also includes underemployment

Underemployment varies more across countries than within countries over time. Figure 6 presents the share of workers wanting to work additional hours and who were available to do so. In selected urban areas of Argentina, as well as in Spain and Indonesia, 10 per cent or more of the total workforce was in

Figure 4. Sectoral employment variation, 2008–11[1,2] (percentage change)



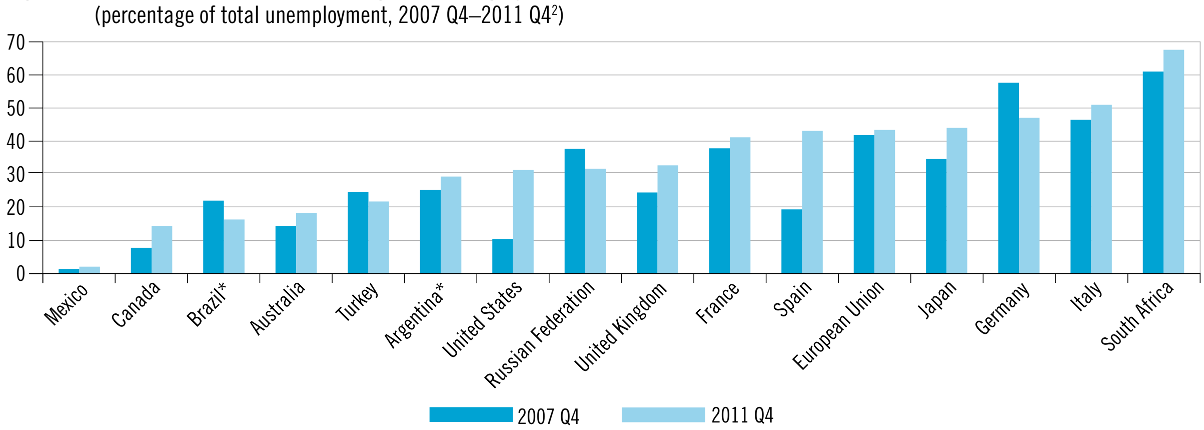
* Selected urban areas.

[1] 2008–09 for Saudi Arabia; 2008–10 for Argentina, Canada, China, France, Japan and the United States.

[2] "Market services" corresponds to the following ISIC industries: Wholesale and retail trades; Hotels and restaurants; Transport, storage and communications; Financial intermediation; and Real estate and business activities. Public services corresponds to the following ISIC industries: Public administration and defence, compulsory social security; Education; Health and social work; Other community, social and personal service activities; and Private households with employed persons.

Source: ILO Short-term Indicators of the Labour Market Database and annual national accounts.

Figure 5. Evolution of the incidence of long-term unemployment[1] in G20 countries
(percentage of total unemployment, 2007 Q4–2011 Q4[2])



Countries shown in ascending order of the incidence of long-term unemployment in 2011 Q4.

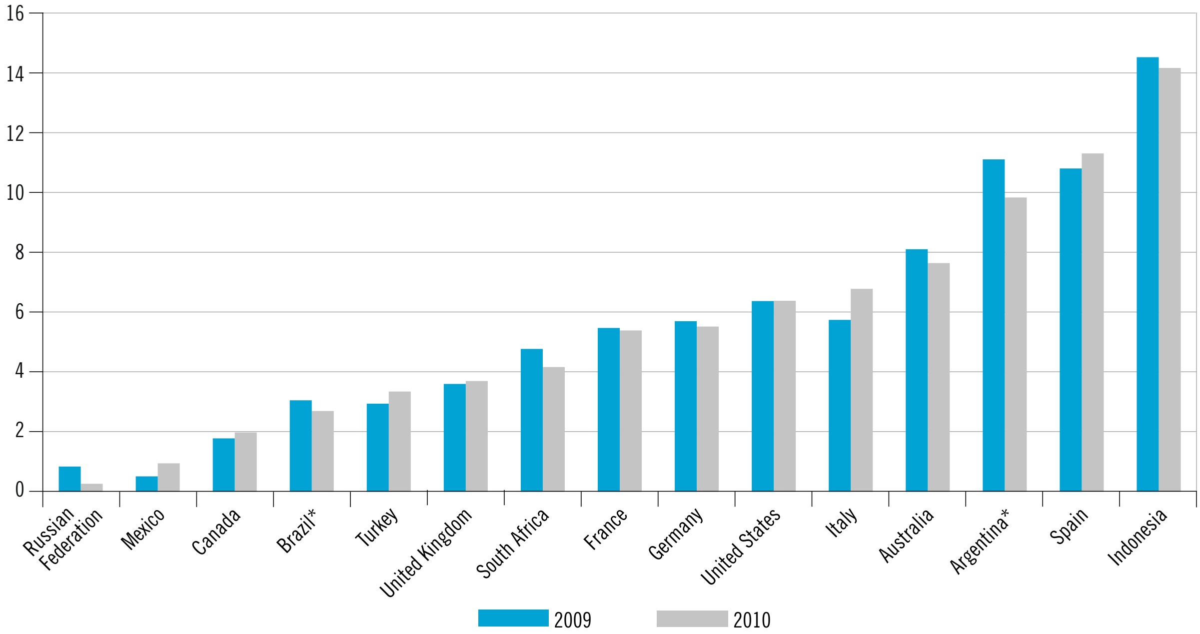
* Selected urban areas.

[1] Persons unemployed for one year or more.

[2] 2007 Q2–2011 Q2 for Argentina; 2007 Q3–2011 Q3 for the Russian Federation; and 2008 Q1–2011 Q4 for South Africa.

Source: OECD estimates based on various national surveys.

Figure 6. Time-related underemployment[1] remains sizeable (percentage of total employment, 2009–10[2])



Countries shown in ascending order of time-related underemployment in 2010.

* Selected urban areas.

[1] Persons in time-related underemployment are those who during the short reference period were willing to work additional hours, were available to do so, and had worked less hours than a selected number of hours. For France, Germany, Italy and the United Kingdom, time-related underemployment coresponds to the proportion of involuntary part-time employment as a percentage of total employment.

[2] 2008–09 for Mexico. 2009 refers to the average of the last three quarters of 2009 for Turkey.

Source: ILO Short-term Indicators of the Labour Market Database.

involuntary parttime employment, a significant under-utilisation of available labour resources and with significant risk of poverty for those involved.

1.6 Strong job creation is required to accommodate working-age population and jobs lost

Over the next few years, many G20 countries will be facing significant challenges to create enough jobs to accommodate their growing labour forces and/or to absorb the persistent jobs gap resulting from the crisis.

If the labour market has fully recovered in some G20 countries, this is not the case for a majority of them, as witnessed by the remaining so-called "jobs gap", i.e. the number of additional jobs that would be required to restore the employment–population rate to its pre-crisis level (figure 7). It is particularly large in South Africa, Spain and the United States – the latter alone accounts for over one-half of the total jobs gap that can be estimated at around 21.3 million persons across the 11 countries where the employment ratio has yet to return to its pre-crisis level.

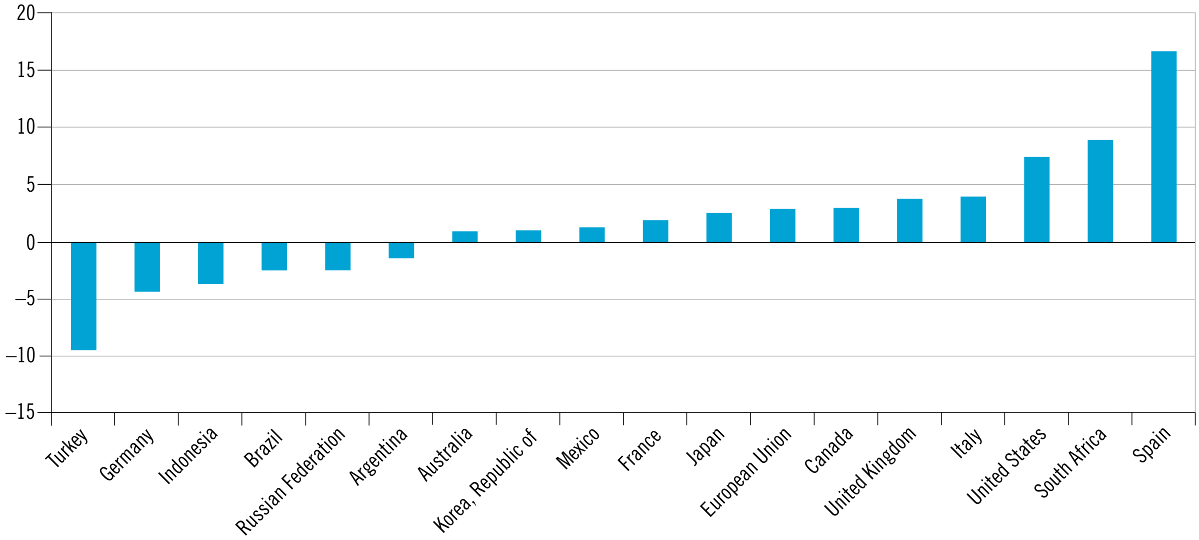
While the jobs gap will close eventually when the economy recovers from the 2008–09 downturn, a steady decline in unemployment requires actual growth to exceed potential by a significant margin. This reflects the need to allow for productivity gains in addition to absorbing a growing labour force, which is in some cases (e.g. Mexico) further increased by reverse migration flows. Near-term projections of actual and potential GDP growth over the next couple of years indicate that for most G20 countries growth is likely to fall short of potential, suggesting that even stemming the rise in unemployment will be difficult in some of them (figure 8). Among the countries where employment remains substantially below pre-crisis levels, growth sufficiently robust to lower unemployment is expected only in the United States.

2. Key structural challenges in G20 labour markets

2.1 Two key challenges are better utilization of labour resources and better quality jobs

Even before the economic crisis, G20 countries were grappling with a number of underlying structural challenges in the labour market. For most of

Figure 7. Large jobs gap[1] remains in some countries (percentage of actual employment[2,3], persons aged 15 and over[4], 2011 Q4[5])



Countries shown in ascending order of jobs gap in 2011 Q4.

[1] The jobs gap at a particular date is defined as the increase in employment required to restore the ratio of total employment to the working-age population to its value in 2007 Q4.

[2] Selected urban areas only for Argentina and Brazil.

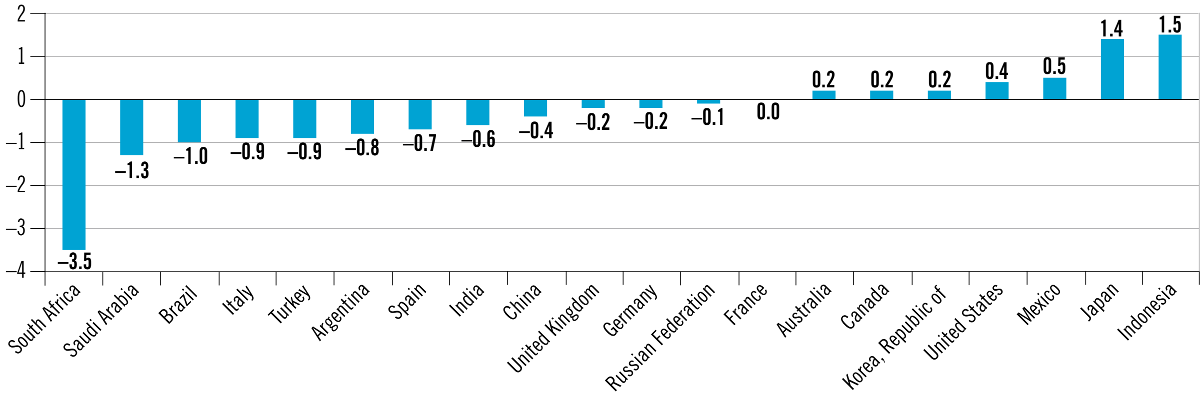
[3] Employment data for Mexico before 2011 have been adjusted to take account of the introduction of new population estimates from the 2010 Population Census.

[4] Data refer to persons aged 15–72 for the Russian Federation.

[5] 2011 Q2 for Argentina, 2011 Q3 for Indonesia and the Russian Federation.

Source: ILO Short-term Indicators of the Labour Market Database and OECD estimates based on OECD Economic Outlook projections for the OECD countries.

Figure 8. Growth will not be strong enough to reduce unemployment in many G20 countries
(difference between actual and trend GDP growth on average over 2012–13)



Source: Based on IMF and OECD projections.

them, better integrating youth, women and migrants into the labour market have been key issues. In the context of rapid technological change and globalization, which have tended to favour the hiring of high-skilled workers, another priority has been to improve labour market prospects for the low-skilled, especially in the more advanced economies. Many countries have also experienced a long-term trend decline in the effective age of exit from the labour market by older workers. Reversing this trend has been a key policy aim to cope with the challenge of rapid population ageing.

While the objective of creating a more inclusive labour market for these groups implies raising the demand for labour and removing obstacles to labour market participation, improving job quality is also an important issue for most G20 countries. This has ranged from concerns about rising wage inequality, low or negative real wage growth for some groups of workers, increases in temporary work, insufficient hours of work and persistence of high levels of informal employment.

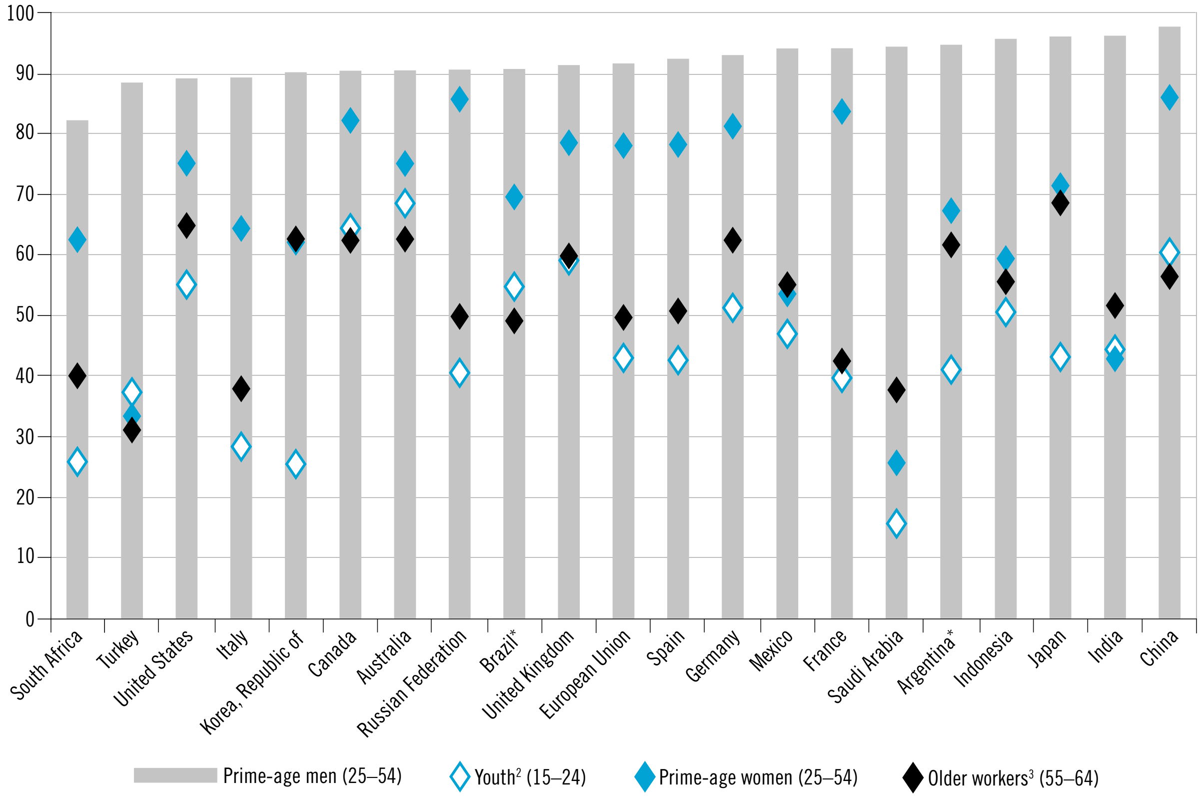
These long-term labour market challenges still need to be tackled and in some instances the crisis has exacerbated their magnitude. For instance, the fall in employment during the crisis has affected some workforce groups more than others. Youth, low-skilled, temporary and migrant workers were hardest hit. The crisis itself raises the challenge of adverting a structural rise in unemployment.

2.2 There is much scope to improve the utilization of labour resources

Labour market outcomes vary markedly across socio-demographic groups and the extent to which some groups are under-represented in the labour market contributes significantly to explain international differences in the overall rate of labour force participation. On the one hand, the participation rate of prime-age men varies little across G20 countries despite very diverse labour market contexts (figure 9). In all but South Africa, around 90 per cent or more of prime-age men were either employed or unemployed in 2009. On the other hand, the labour market participation of women, youth and older workers is much lower but with some marked differences across G20 countries:

- Participation rates for prime-age women are lower than those of prime-age men in all G20 countries.
- Participation rates of youth (aged 15/16 to 24) are very low in most G20 countries. To a large extent, this is due to the fact that many young

Figure 9. Labour force participation rates by socio-demographic characteristics, G20 countries
(percentage of the population of the indicated group in 2011[1])



Countries shown in ascending order of the prime-age male labour force participation rates.
* Selected urban areas.
[1] 2009 for China, India, Indonesia, the Russian Federation and Saudi Arabia.
[2] 16–24 for Spain and the United States.
[3] 55 and over for Indonesia.
Source: OECD calculations based on OECD Labour Force Statistics and ILO *Key Indicators of the Labour Market* (KILM).

people – especially teenagers – are still in education and relatively few combine work and study. However, in many G20 countries a sizeable share of youth is neither in employment nor in education or training (see Section 3). This particular sub-group of youth is at especially high risk of poor labour market outcomes.

- Older workers are significantly under-represented in the labour market compared with their prime-age counterparts. But it is noticeable that in many G20 countries the participation rates of older workers have risen.

2.3 Further improvements in job quality are required to achieve decent work

Improving job quality remains a major challenge for all G20 countries. One major concern is growing duality in the labour market between workers in decent work and those who are not. While concepts such as job quality and decent work encompass a range of characteristics, some of the more important ones can be captured by indicators of job characteristics in terms of earnings, contract-type (permanent/temporary, regular/casual) and sector (formal/informal), as well as coverage by social protection schemes.

Labour market segmentation is an issue in all G20 economies. In spite of strong economic performance in many emerging countries, in recovering from the downturn and before the global crisis, the share of informal employment remains sizeable in several countries (figure 10, panel A). Informal employment is largely the consequence of weak growth in formal employment. Raising the rate of growth of formal employment significantly above that of total employment should be high on the policy agenda of emerging countries. This should be accompanied by measures to raise the productivity and working conditions in informal enterprises and employment.

In many of the advanced G20 economies, a substantial and often growing share of the workforce is employed on temporary contracts. In ten countries the incidence of temporary employment lies between 10 and 25 per cent (figure 10, panel B), with a high share of women and youth. In a number of European countries and especially in Spain prior to the crisis, 50 per cent or more (of dependent employment) of youth (aged 15–24) were employed on a fixed-term contract or were working for a temporary work agency; even after the major job losses among temporary workers once the crisis hit, the proportion was still around 50 per cent in 2010. In a number of countries, changes in employment protection legislation enabled employers to hire workers in temporary jobs to meet changing production needs. Not surprisingly, temporary employees were often the first to lose their jobs during the crisis but in some cases they have also been the first to be hired in the recovery. A high incidence of temporary and casual employment is also observed in many emerging economies.

2.4 Contrasted trends in real wages

Trends in average real wages since 2008 in selected countries show wide variations (figure 11). Eight countries in ten have seen at least one year of negative growth since 2008. Wage growth of 1 per cent or more in 2010 was recorded in Australia, Canada, Japan and the Republic of Korea. In Germany, Italy and the United States, wage growth has been weak; it has been negative in Spain and the United Kingdom. Care is needed to avoid a cycle of wage deflation related to weak growth further weakening aggregate demand and future growth.

Several emerging countries, in particular India and Turkey, are experiencing an acceleration of consumer price inflation, including food staples, that is eroding the purchasing power of earnings, with severe consequences for low-income households at or near the poverty threshold.

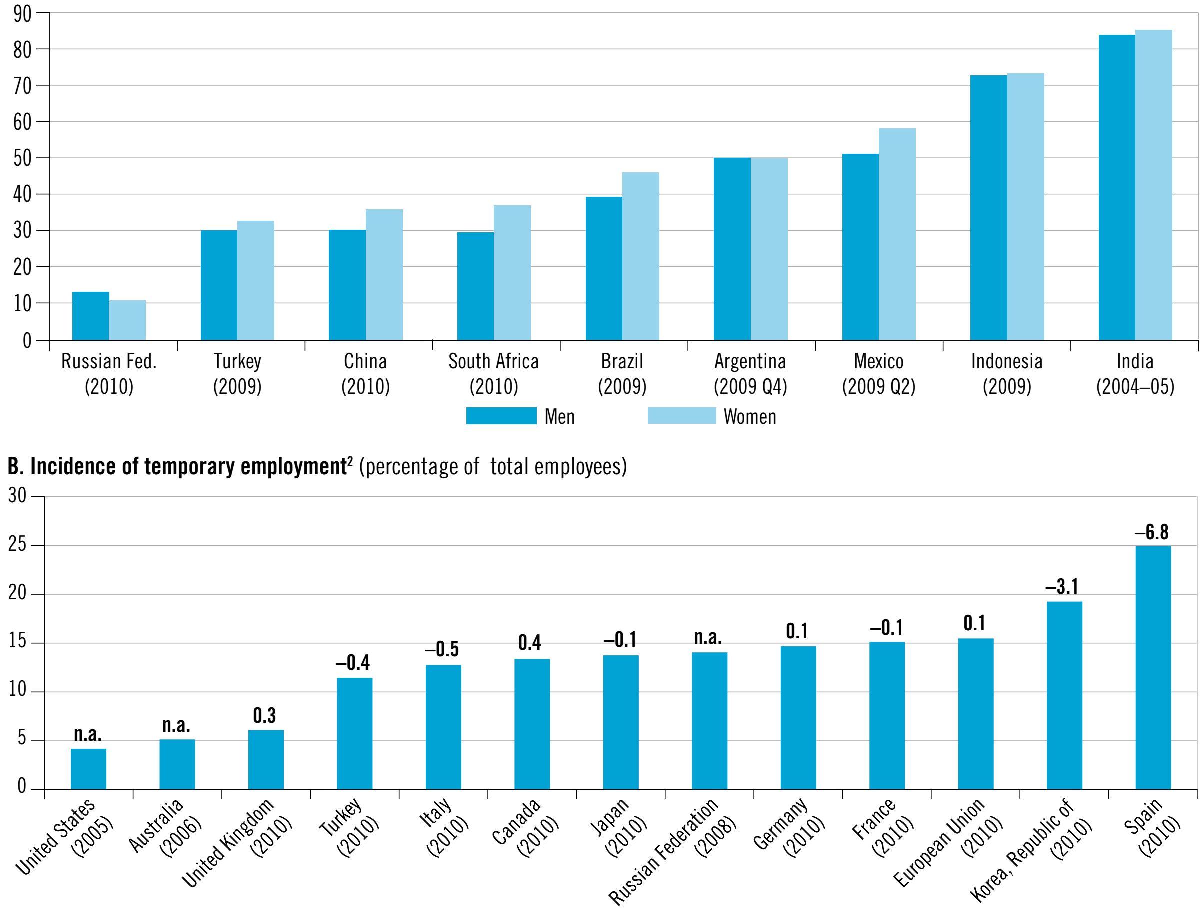
2.5 Growing earnings inequality is a concern…

Reversing the long-standing rise in earnings inequality is recognized as a priority in many countries. In many G20 countries earnings inequality has increased over the past 20 years (figure 12), and in some countries for which data are available this has occurred over an even longer period of time, e.g. in the United States. With very few exceptions (France, Japan and Spain), earnings of the 10 per cent best-paid workers have risen relative to those of the 10 per cent lowest-paid. In most countries, wage disparities grew more in the upper half of the distribution than in the bottom half. The reasons for rising earnings inequality range from skill-biased technological changes giving a premium to better-skilled

Figure 10. Atypical work in G20 economies

A. Persons in informal employment[1] by sex (percentage of non-agricultural employment)

B. Incidence of temporary employment[2] (percentage of total employees)



Countries shown in ascending order of the proportion of women in informal employment in Panel A and of the incidence of temporary employment in Panel B.

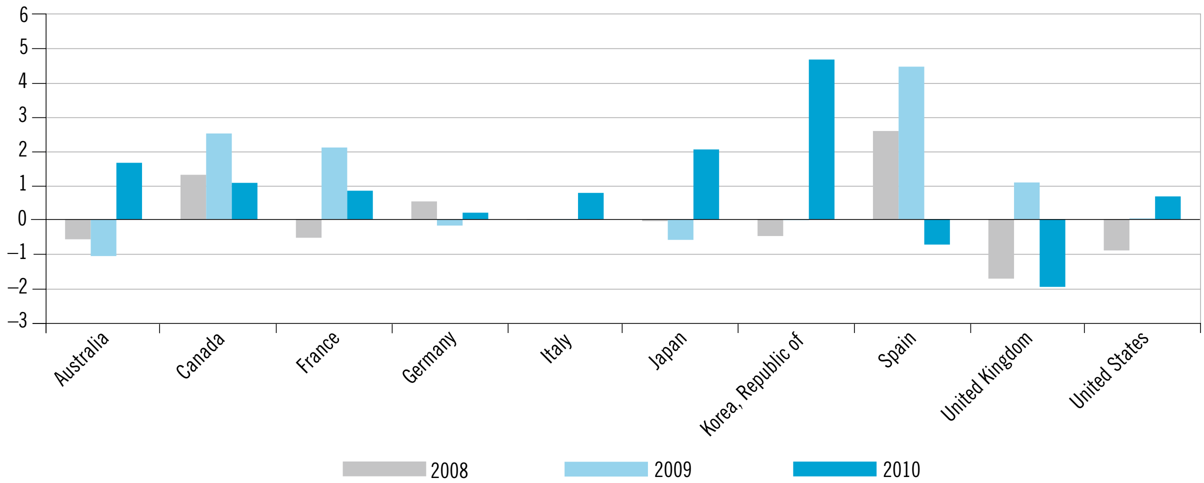
n.a.: not available

[1] Data for the Russian Federation correspond only to persons employed in the informal sector.

[2] Values above each bar represent the percentage change of the incidence of temporary employment during 2007 and 2010.

Source: ILO/WIEGO Informal Employment Database, ILO Short-term Indicators of the Labour Market Database and OECD Labour Force Statistics Database.

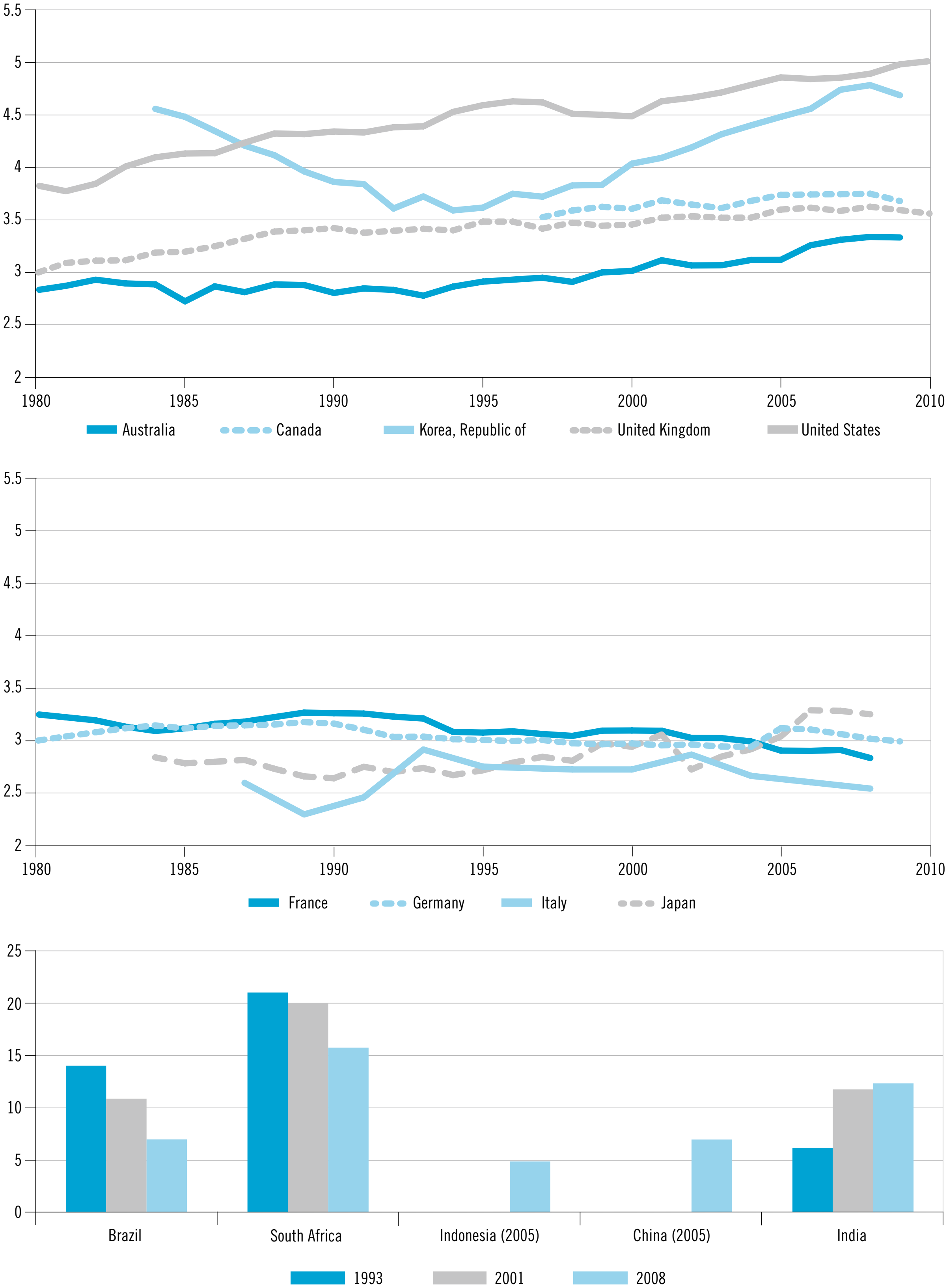
Figure 11. Trends in average wages in G20 economies (annual average wage growth, % change)[1]



[1] Average wage converted to USD PPPs using 2010 USD PPPs for private consumption.

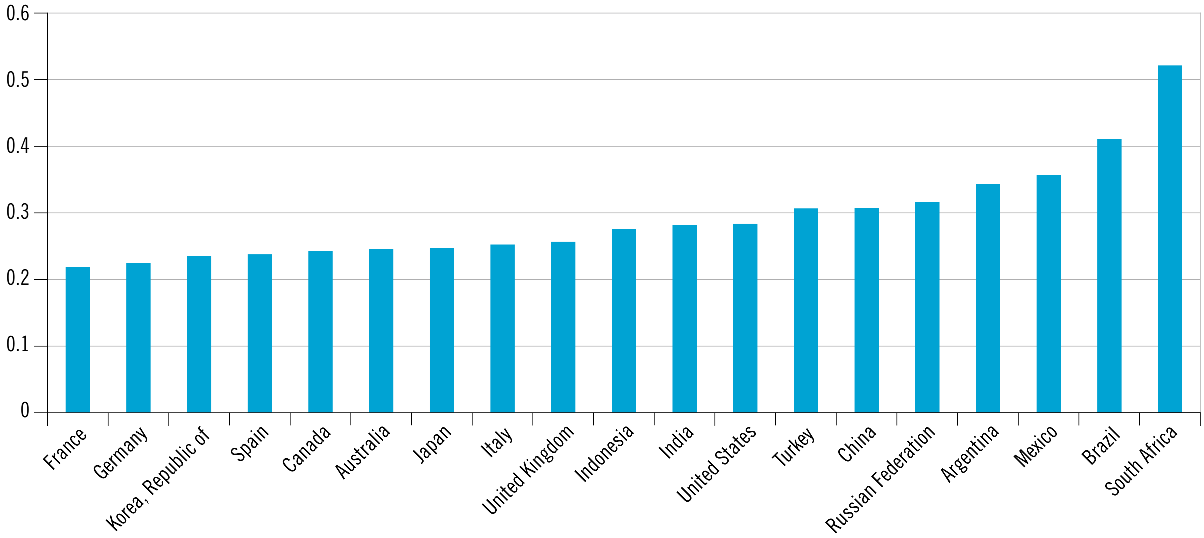
Source: OECD Labour Force Statistics Database.

Figure 12. Trends in earnings inequality, 1980–2010 (Ratio D9/D1)



Source: OECD Earnings Database, OECD–EU Database on Emerging Economies for Brazil, China, India, Indonesia and South Africa.

Figure 13. Income inequality in G20 countries (Gini coefficient, most recent year)



Source: OECD Income Distribution and Poverty Database (www.oecd.org/els/social/inequality), OECD-EU Database on Emerging Economies and World Bank Development Indicators Database.

workers, to greater competition in product markets and declining strength of trade unions and collective bargaining, distortions in financial markets and the spread of a "winner takes all" culture.

2.6 …as is the rising (or high) income inequality

Growing earnings inequality in most G20 countries has often translated into growing household income inequalities (figure 13). Such inequalities are generally lower and increased by less than inequalities of market incomes, due to the redistributive effect of taxes and benefits. However, over the past decade, tax-benefit policies in many countries have been unable to fully offset growing market income disparities.

Beyond a certain threshold, levels of income inequality generate negative spillovers that risk undermining social cohesion and economic perform-ance. Growing attention is being given to the adverse implications for growth of high and rising inequality. Policies to reverse such trends include fiscal and tax policies to expand basic social protection where needed and to ensure that the rich pay a fair share of taxes, policies and regulatory measures to generate more and better jobs, and policies for decent work.

3. Youth labour market conditions and policy challenges

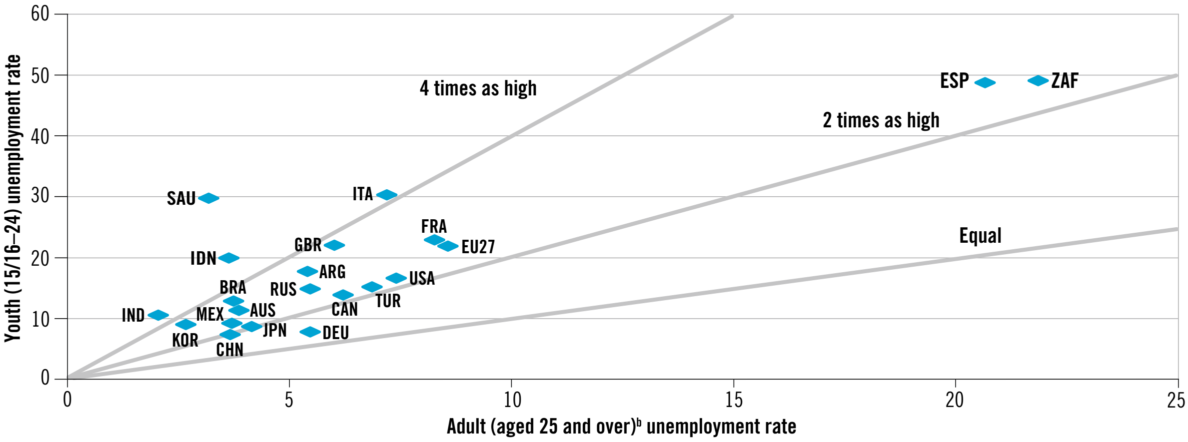
3.1 Youth are more affected than adults by unemployment

In all G20 countries, the unemployment rate of youth (aged 15/16–24) is higher than that of adults (aged 25 and over). On average, youth who are in the labour force are two to three times more likely than their adult counterparts to be unemployed, and this ratio is even higher in Indonesia, Italy and Saudi Arabia where it reaches 5.5 (third quarter of 2011), 4.2 (third quarter of 2011) and 9.4 (2009), respectively (figure 14).[3] Germany is the one major exception to this pattern as its youth unemployment rate is only 50 per cent higher than its adult rate, reflecting the success of its long-standing dual system of vocational education and training in securing a relatively smooth transition from school to work.

A number of factors help to explain the higher likelihood of unemployment among young people. First, youth entering the labour market for the first

[3] It is noteworthy that youth and adult unemployment are highly correlated, as they both vary along the business cycle. However, youth unemployment is more sensitive than adult unemployment to GDP fluctuations – *i.e.* it rises more rapidly during a downturn (see OECD: *Off to a good start for youth* (Paris, 2010) and S. Scarpetta et al.: *Rising unemployment during the Crisis: How to prevent negative long-term consequences on a Generation?*, OECD Social, Employment and Migration Working Paper No. 106 (Paris, 2010)).

Figure 14. Youth and adult unemployment rate, 2011 Q4[a] (percentage in the labour force)



Note: Harmonized quarterly unemployment rates (seasonally adjusted) for Australia, Canada, European Union (27), France, Germany, Italy, Japan, Korea, Mexico, Spain, Turkey, the United Kingdom and the United States; LFS-based unemployment rates (not seasonally adjusted) for Brazil, Indonesia, the Russian Federation and South Africa; Annual unemployment rates for China, India and Saudi Arabia.

Argentina, Brazil: Selected urban areas.

China: Annual unemployment data refer to registered unemployment in urban areas only.

India: Annual estimated persons/person-days (in millions) based on the current weekly activity status.

[a] 2011 Q2 for Argentina; 2011 Q3 for Indonesia and the Russian Federation; 2009 for China and Saudi Arabia; and 2009–10 for India.

[b] Data refer to the unemployment rate of persons aged 25–72 for the Russian Federation and 25–64 for South Africa.

Source: OECD calculations based on OECD Main Economic Indicators Database; and ILO Short-term Indicators of the Labour Market Database.

time lack labour market experience and this may hamper their ability to quickly find a job. Second, in some G20 countries youth tend to change jobs more frequently than adults as they go through the process of identifying the best match for their competences and aspirations, and these job changes are often interspersed with unemployment spells. Finally, youth are likely to be over-represented in precarious jobs – notably temporary and informal jobs – of short duration and limited stability. As a result, they are often the first to lose their jobs in times of adverse economic conditions and the last to be recruited during an economic expansion. Indeed, youth unemployment rates rose sharply between 2007 and 2010 in countries where the recent global economic crisis was most severe – notably, France, Italy, Spain, the United Kingdom and the United States – while they fell in Brazil and Indonesia, two countries largely spared by the crisis (figure 15).

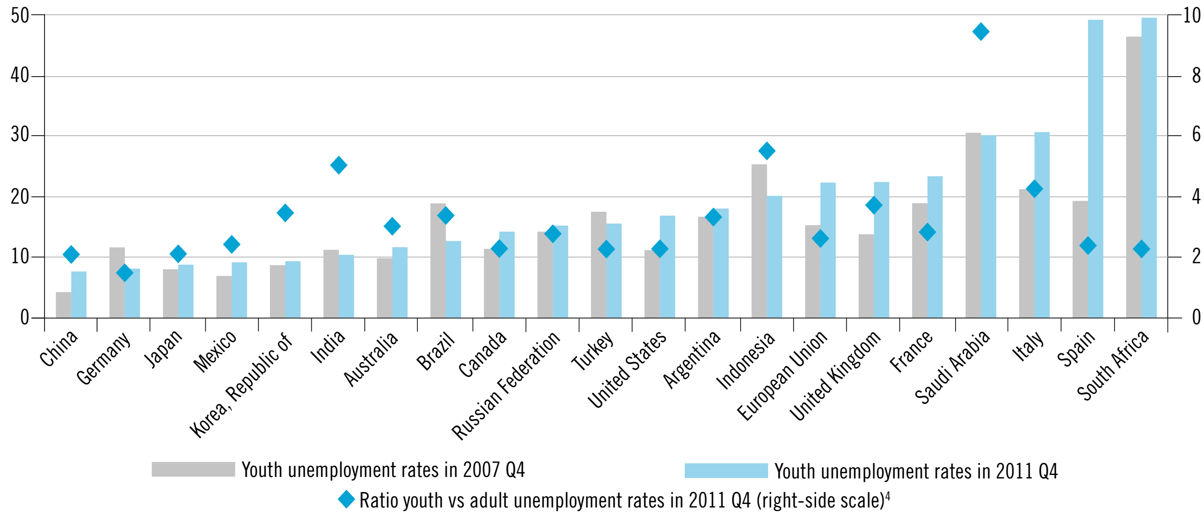
3.2 Among out-of-school youth, inactivity is a bigger problem than unemployment

While the unemployment rate represents a good measure of the difficulties faced by young people in the labour market, it does not capture the situation of inactive young people who are not engaged in education or training – some of whom face a high risk of social and economic exclusion. A measure that captures both the risk of unemployment and inactivity is the share of youth neither in employment nor in education and training – the so-called NEET rate (figure 16). This share ranges from under 10 per cent in Germany to 30 per cent or more in Indonesia, South Africa and Turkey. Unemployment accounts for a significant share of NEET youth in several G20 countries. However, inactive youth not engaged in learning make up an even larger share in most countries for which the NEET rate can be split into its key components. Some inactive youth may have chosen to withdraw from the labour market – particularly young women engaged in child bearing and rearing. But for many young people inactivity is the result of discouragement and marginalization, which may reflect the accumulation of multiple disadvantages such as the lack of qualifications, health issues and poverty, and other forms of social exclusion.

3.3 Youth are often found in jobs of poor quality, compromising their future career prospects

Not only are young people more likely to be unemployed than their prime-age counterparts but they are also more likely to be found in jobs that offer limited labour market stability, social protection and opportunities for training and career progression. In fact,

Figure 15. Youth (aged 15/16–24) unemployment[1] during the crisis (percentage of the labour force, 2007 Q4–2011 Q4[2,3])



Countries shown in ascending order of the youth unemployment rates in 2011 Q4.

[1] Harmonized quarterly unemployment rates (seasonally adjusted) for Australia, Canada, European Union (27), France, Germany, Italy, Japan, Republic of Korea, Mexico, Spain, Turkey, the United Kingdom and the United States; LFS-based unemployment rates (not seasonally adjusted) for Brazil, Indonesia, the Russian Federation and South Africa; annual unemployment rates for China (registered unemployment in urban areas only), India (based on the current weekly activity status) and Saudi Arabia.

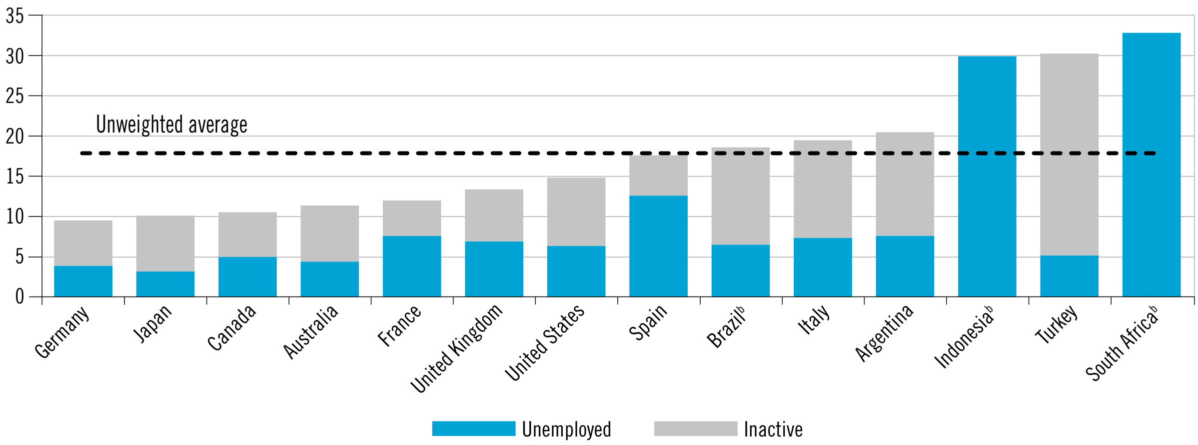
[2] 2007 Q4–2011 Q2 for Argentina; 2007 Q3–2011 Q3 for Indonesia and the Russian Federation; 2007-09 for China, India and Saudi Arabia.

[3] Selected urban areas for Argentina and Brazil.

[4] "Adult" refers to persons aged 25 and over in Argentina, Australia, Brazil, Canada, China, India, Indonesia, Japan, Republic of Korea, Mexico, Saudi Arabia and the United States; persons aged 25-74 in France, Germany, Italy, Spain, Turkey and the United Kingdom; persons aged 25–72 for the Russian Federation; and 25–64 for South Africa.

Source: ILO Short-term Indicators of the Labour Market Database; OECD Main Economic Indicators Database and national labour force surveys.

Figure 16. Youth neither in employment nor in education or training (NEET), 2011[a] (as a percentage of youth aged 15–24)



[a] Data for Indonesia refer to 2007; for South Africa to 2008; and for Brazil to 2009.

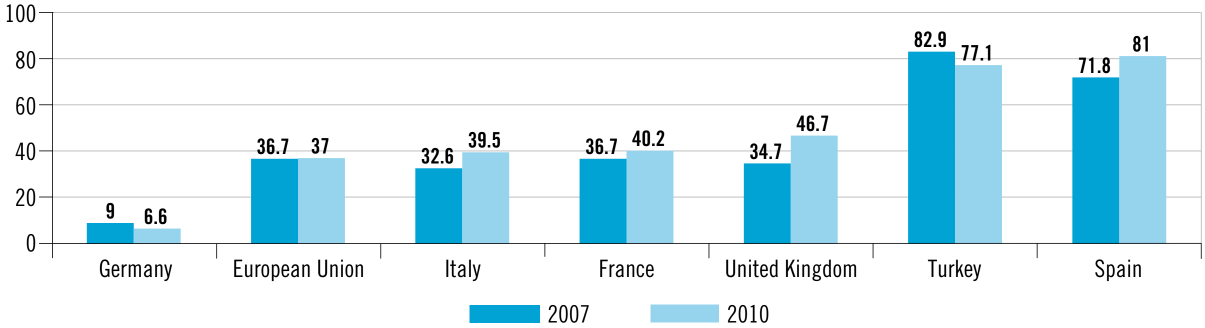
[b] Data refer to total NEET rate.

Source: OECD estimates based on national labour force surveys, OECD Education database for Brazil; Encuesta Permanente de Hogares (EPH) for Argentina; Indonesia Family Life Survey, fourth wave for Indonesia; General Household Survey for South Africa.

as new entrants to the labour market, youth are frequently hired on temporary jobs (figure 17) or in the informal economy (figure 18). In addition, in some countries child labour is still a major concern, with its deleterious effects on children's health and investment in education, which can undermine the quality of their employment throughout their working lives.

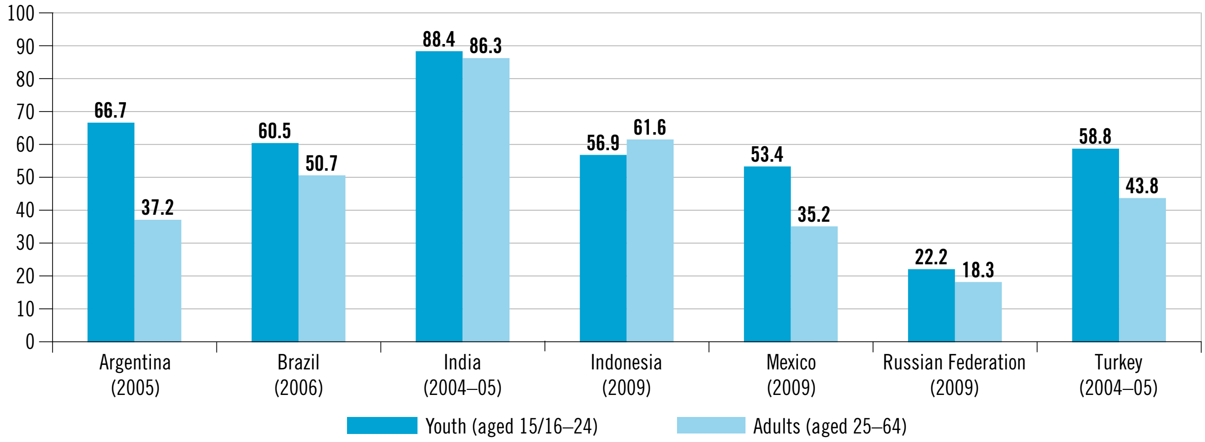
In many G20 countries, youth tend to be more involved than their adult counterparts in situations of unprotected work in the informal economy. The gap between youth and adults is most striking in Argentina, where young people are almost twice as likely as adults to engage in informal employment, but it is also sizeable in Mexico and Turkey.

Figure 17. Involuntary temporary work[1] among youth (aged 15/16–24), selected G20 countries, 2007 and 2010
(percentage of employed youth)



[1] The figures refer to the share of youth who reported being in temporary jobs because they could not find a permanent job.
Source: Eurostat.

Figure 18. Informal employment, by age group, selected G20 countries[1]
(percentage of total youth and adult employment (aged 15–24 and 25–64, respectively)[2])



[1] The figures refer to both unprotected work in the formal sector or informal employment in the informal sector. Data refer to various years as indicated in parenthesis besides each country name.

[2] For Turkey and India, the adult rate refers to the total population; for Mexico, the adult rate refers to 30–59-year olds and the youth rate refers to 15–29-year olds.

Source: For Argentina, L. Gasparini and L. Tornaroli: «Labor informality in Latin America and the Caribbean: Patterns and Trends from Household Survey Microdata», *Revista Desarrollo y Sociedad* (Bogota, Universidad de los Andes-CEDE, 2009); for Brazil, ILO: *Trabajo decente y Juventud en Brasil* (Lima, ILO, 2009); for India, National Commission for Enterprises in the Unorganised Sector: *The Challenge of Employment in India: An informal economy perspective* (New Delhi, 2010); for Indonesia, National Labour Force Survey; for Mexico, ILO: *Global employment trends for Youth* (Geneva, 2010); for the Russian Federation, Federal State Statistics Service; and for Turkey, Turkish Statistical Institute.