

Economic and Labour Market Analysis

The Challenge

The short to medium term challenge stems from the protracted impact of the global economic and financial crisis. With 27 million jobs lost, another 29 million people withdrawing from the labour market because of lack of jobs, young people and women harder hit, long term structural unemployment on the increase, and weakening in the steady progress in reduction in the working poor and the vulnerable. The long run challenge is creating 40 million jobs for the new entrants into the labour force each year, and cutting the back log of registered unemployed of 200 million. Nor do these numbers begin to capture adequately the problems of job quality, the creeping dualism in the labour market in advanced economies, the large proportions of the working poor in emerging economies and least developed countries, their underemployment, low productivity, low returns, and lack of social protection and rights.

To begin to meet this challenge, what is needed is better estimation and analysis of the labour market embedded in the macro economy, for better derivation of policy, at the global regional, comparative cross country and country levels.



The ILO Response

The Economic and Labour Market Analysis Department focusses its work on three areas:

- (i) Macro issues of growth and employment, and growth and development;
- (ii) Estimation and analysis of global and regional employment;
- (iii) Comparative cross country and country analysis of the labour market.

The Department takes primary responsibility for the macro work on growth and employment, and growth and development. The TRENDS team has primary responsibility for the econometric estimation and analysis of global and regional employment. The ANALYSIS team has primary responsibility for the comparative and country analysis of labour markets. The three teams also work in collegial constellations on thematic and timely issues, as for instance for the G20, least developed countries, regional analysis, and country work on labour market information analysis. Two long term projects involving technical cooperation are also integral to this work of the department, with the Swiss Government on construction and analysis of an Inventory of Crisis Policy Response, and with the French Government on examining labour markets and policy in North and West Africa.

The macro level work priorities are the following:

- **The macro drivers of global growth and employment:**

This work has gone in two empirical directions. One is towards an examination of demand and supply side factors, to determine the relationship between consumption, exports and investment, using a large sample of some 90 countries panel data, to establish some causality. A second direction is an examination of the relationship between Gross Domestic Product (GDP) growth and employment, to determine the pattern of its variance over time and space, to uncover some of the underlying factors that explain this spread, such as productivity, wages, unit labour costs, and capital intensity. Much of this work is for the G20.

- **Developing an economic model of the labour market:**

This work is based on setting up a stylised abstraction of the labour market, to understand the different mechanisms of adjustment needed to increase employment. This single market model is expanded to interact with other markets, principally for capital, commodities, domestic markets and exports. The model is then tested empirically.

- **Developing an econometric model of the labour market in a broader General Equilibrium model:**

The economic model of the labour market developed, is then formulated as a module in a broader

General Equilibrium model, to allow policy simulations and exogenous shock simulations, to determine their impact on GDP and employment.

- **The role of adjustment policies, especially during the crisis, including macro transfers, employment and social floors, and labour market reforms:**

This work has moved in two directions. One direction has been based on a collation and examination of the inventory of policies followed during this prolonged crisis, at the request of the G20, as a follow-up in collaboration with the World Bank, through a survey and report on 77 countries. A second direction has been based on an examination of the policy need for structural change in both advanced and emerging economies, over the medium and long runs.

- **Growth and development:**

This work examines the relationships between GDP growth, and key indicators of development, including, poverty, productivity, employment, the quality of employment, the working poor, and the vulnerable. While some of the relationships are positive, others involve tradeoffs, requiring the designing of policy incentives to strengthen the positive relationships, and reverse the tradeoffs.

- **Industrial policy:**

The work on development highlights for some sub regions and countries, deindustrialisation or stagnating manufacturing sectors, or a lack of structural transformation, and their negative impact on employment and the quality of employment. The work on industrial policy seeks to identify the causal factors leading to such deindustrialisation, stagnation of manufacturing, and lack of structural transformation, seeks comparative country experience on policies that have been observed to prompt structural change, and ascertains their replicability.

Key Tools and Resources

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—. 2011d. *Global Jobs Pact for Bulgaria* (Geneva).

—. 2011e. *Growth, employment and decent work in the Least Developed Countries; Report of the International Labour Office for the fourth UN Conference on the Least Developed Countries, 9-13 May 2011, Turkey* (Geneva).

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ILO/OECD. 2011a. *Country brief to the G20 Ministerial Meeting of Labour Ministers: India* (Geneva).

—. 2011b. *Country brief to the G20 Ministerial Meeting of Labour Ministers: Italy* (Geneva).

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Master of Science in applied labor economics for development.

http://www.ilo.org/empelm/what/events/WCMS_127683/lang--en/index.htm



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