




International
Labour
Organization

► ILO Flagship Report

► **World
Employment
and Social Outlook**

**Trends
2023**

EXECUTIVE SUMMARY



Labour markets face enormous challenges

The global outlook for labour markets deteriorated significantly during 2022. Emerging geopolitical tensions, the Ukraine conflict, an uneven recovery from the pandemic, and ongoing bottlenecks in supply chains have created the conditions for a stagflationary episode, the first period of simultaneously high inflation and low growth since the 1970s. Policymakers face a challenging trade-off as they deal with elevated inflation in an environment of incomplete jobs recovery. Most countries have not yet returned to the levels of employment and hours worked seen at the end of 2019, before the outbreak of the COVID-19 health crisis. Yet, a series of supply shocks, predominantly in food and commodities markets, have raised producer prices, causing spikes in consumer price inflation and pushing major central banks into a more restrictive policy stance. In the absence of corresponding increases in labour incomes, the cost-of-living crisis directly threatens the livelihoods of households and risks depressing aggregate demand. Many countries have accumulated a significant amount of debt, in part to address the severe fallout from the pandemic. The risk of a global debt crisis therefore looms large, jeopardizing the fragile recovery in many frontier markets.

In the midst of these challenging circumstances, major decent work deficits persist around the world, undermining social justice. Hundreds of millions of people lack access to paid employment. Those who are employed all too often lack access to social protection and fundamental rights at work, the majority of workers being informal or unable to express their interests through social dialogue. Incomes are distributed highly unequally, such that many workers fail to escape poverty. Labour market prospects are highly unequal, not only across but also within countries. Gender gaps exist in all areas of the world of work, and young people face particular challenges.

Informality and working poverty rose further with the COVID-19 crisis. Despite the recovery that started in 2021, the ongoing shortage of better job opportunities is likely to worsen with the projected slowdown, pushing workers into jobs of worse quality and depriving others of adequate social protection. Real labour incomes fall when prices outpace nominal incomes. The resulting downward pressure on demand in high-income countries impacts low- and middle-income countries through global supply chain (GSC) linkages. In addition, persistent disruptions to supply chains threaten employment prospects and job quality, especially in frontier markets, further reducing their prospects of a swift labour market recovery.

In sum, an environment of high and persistent uncertainty has emerged globally, depressing business investment, especially of small and medium-sized enterprises, eroding real wages and pushing workers back into informal employment. Progress in poverty reduction achieved over the

previous decade has largely faltered and convergence in living standards and work quality is coming to a halt as productivity growth slows worldwide, making decent work deficits more difficult to overcome.

Challenging labour market conditions undermine social justice

Decent work is fundamental to social justice. Households rely overwhelmingly on labour income generated by decent work opportunities that offer a fair income, security in the workplace and social protection.

The global jobs gap stood at 473 million people in 2022, corresponding to a jobs gap rate of 12.3 per cent. The global jobs gap is a new measure of the unmet need for employment in the world. It consists of the 205 million unemployed – corresponding to an unemployment rate of 5.8 per cent – and 268 million people who have an unmet need for employment but are outside the labour force because they do not satisfy the criteria to be considered unemployed. This jobs gap is particularly large for women and in developing countries. Although men and women currently face similar global unemployment rates, the jobs gap for women is 15.0 per cent, compared with 10.5 per cent for men. Personal and family responsibilities (including unpaid care work), discouragement by the lack of decent employment opportunities, and scarcity of possibilities for (re)training can prevent many people from seeking employment or limit their availability to work at short notice. Low-income and lower-middle-income countries present high job gap rates, between 13 and 20 per cent, whereas upper-middle-income countries show a gap of around 11 per cent and high-income countries register a gap of only 8 per cent.

Globally, around 2 billion workers were in informal employment in 2022. The incidence of informal employment declined by 5 percentage points between 2004 and 2019. Employment recovery from the COVID-19 crisis has been driven mainly by informal employment, which has caused a slight increase in the incidence of informality. Informality lacks many characteristics of the formal employment relationship that are important to advancing social justice. For example, the jobs are

much less likely to give access to social protection systems than their formal counterparts. Overall, only 47 per cent of people worldwide are effectively covered by at least one social protection benefit, meaning that more than 4 billion people still lack any social protection.

In 2022, an estimated 214 million workers were living in extreme poverty (earning less than US\$1.90 per day per person in purchasing power parity [PPP] terms), corresponding to around 6.4 per cent of employed people. Low-income countries are estimated to have the same rate of extreme working poverty as in 2019, and a rising number of working poor. Without significant progress to break this stagnation, the achievement of Sustainable Development Goal (SDG) 1 – the eradication of poverty in all its forms – will be impossible. As nominal labour incomes fail to keep up with inflation, the cost-of-living crisis risks putting more people into absolute or relative poverty – where “relative poverty” equates to falling below a national poverty line. This risk is particularly elevated for those at the bottom of the highly unequal income distribution; the lower half of workers globally earn only about 8 per cent of total labour income.

Women and young people fare significantly worse in labour markets, a fact indicative of large inequalities in the world of work in many countries. Globally, the labour force participation rate of women stood at 47.4 per cent in 2022, compared with 72.3 per cent for men. The gap of 24.9 percentage points means that for every economically inactive man there are two such women. Young people (aged 15–24) face severe difficulties in securing decent employment. Their unemployment rate is three times as high as that of adults (aged 25 or more). More than one in five – 23.5 per cent – of young people are not in education, employment or training (NEET).

Multiple crises are impeding employment growth

The ongoing impact of the COVID-19, cost-of-living and geopolitical crises is weighing heavily on labour market prospects. Supply and demand shocks have triggered price increases, leading to the highest inflation rates in decades. The Ukraine conflict and other geopolitical conflicts are worsening supply shortages and raising uncertainty. The ensuing cost-of-living crisis is eroding the purchasing power of household disposable income and reducing aggregate demand. Tightening of monetary policy is squeezing financing conditions not only in advanced economies but also through spillovers to emerging and developing economies. In the absence of proper policy coordination, the risk is that the dominant economies will pursue a policy agenda primarily catering to their domestic challenges without due regard for the potential collateral impacts. Job vacancies have started to fall sharply in those countries that have reported them; however, they are falling from record levels and in October 2022 remained high from a historical perspective.

Beyond these immediate challenges, longer-term structural changes in global labour markets are increasingly being felt. For example, climate change is contributing to a higher incidence of natural disasters and extreme weather events, including flooding, drought, land degradation, soil erosion, heatwaves and unpredictable rainfall. Adjusting to these new realities will require major adaptation initiatives, including significant infrastructure investment in highly affected regions. Yet, these adaptation measures also present opportunities for job creation, particularly in some of the poorest areas of the

world, including in Africa. Meanwhile, population ageing in almost all advanced and many emerging countries has accelerated, causing a depression of labour supply that is unlikely to be offset by outward migration from demographically more dynamic regions. At the same time, technological change, pertaining especially to new digital devices and tools such as artificial intelligence, has yet to live up to earlier optimistic projections about its potential to increase productivity growth and alleviate much of the drudgery of work, but such innovations are needed to address some upcoming labour shortages resulting from demographic shifts.

The interaction of macroeconomic factors, long-term trends and institutional settings varies and affects employment growth differently across country income groups. First, the macroeconomic outlook is pessimistic for high-income countries, whereas many other countries are likely to see a normalization of growth after the higher growth rates of 2021 and 2022. Second, low social protection coverage in low-income and lower-middle-income countries means that many workers won't stop working but will be forced into the informal economy as economic activity slows. By contrast, countries with tried-and-tested employment retention schemes – most of which are high income – will make use of them again, thereby limiting employment losses. Third, enterprises in high-income countries could face labour shortages in an ensuing upswing because of an ageing and contracting labour force, which will motivate them to hold on to their workers if they can.

Employment growth is likely to slow significantly

Global employment is projected to expand by 1.0 per cent in 2023, a significant deceleration from the 2.3 per cent growth rate of 2022. This projection for 2023 is a notable downward revision of 0.5 percentage points from the previous projection. No major improvement is projected for 2024, when employment growth is expected to have edged up to 1.1 per cent. The outlook is pessimistic for high-income countries, with close to zero employment growth. By contrast, low-income and lower-middle-income countries are

projected to see employment growth surpassing their pre-pandemic growth trend.

The slowdown in employment growth means that gaps opened up by the COVID-19 crisis, globally, are not projected to be closed in the next two years. Strong employment growth in 2022 raised the global employment-to-population ratio to 56.4 per cent, up from 54.5 per cent in 2020 but still almost half a percentage point below the level of 2019. Total weekly hours worked in 2022

remained shy of their level in the fourth quarter of 2019 by 1.4 per cent when adjusted for population growth; this figure translates into the equivalent of 41 million full-time jobs (at 48 hours per week). Average weekly hours worked per worker are projected to decline slightly in 2023 as a result of the economic slowdown, to remain at just above 41 hours per week. This reduction in activity limits the earnings potential of workers and in all likelihood lessens opportunities for transitions into better-quality, well-paying jobs.

Employment growth in 2021 was robust as key sectors of the economy reopened, and labour market conditions continued to improve in 2022.

The employment-to-population ratio surpassed its pre-crisis level in Europe and Central Asia in 2022 and has recovered the majority of its losses in the other regions. Women, disproportionately affected by employment losses in 2020, have seen particularly strong employment growth. By 2022 their employment-to-population ratio had recovered to within 0.3 percentage points of the pre-crisis level, compared with a gap of 0.6 percentage points for men. However, this stronger recovery was mainly driven by informal employment: four out of five jobs created in 2022 for women were informal, versus only two out of three for men.

The labour market outlook for 2023 varies considerably by region. Africa and the Arab States should see employment growth in the order of 3 per cent or more. However, with their growing working-age populations, both regions are likely to see unemployment rates decline only modestly (from 7.4 to 7.3 per cent in Africa and from 8.5 to 8.2 per cent in the Arab States). In Asia and the Pacific and in Latin America and the Caribbean, annual employment growth is projected to be in the order of 1 per cent. In North America, there will be no employment gains in 2023 and unemployment will pick up. Europe and Central Asia are particularly hard hit by the economic fallout from the Ukraine conflict; employment is projected to decline in 2023, but unemployment rates should increase only slightly against the backdrop of limited growth in the working-age population. Indeed, in Europe and Central Asia the

labour force is set to decline in 2023. Regardless of these trends in headline labour market indicators, each region will continue to face a myriad of decent work deficits that are likely to worsen in the face of global economic conditions and long-term challenges like climate change.

Global labour supply growth is likely to continue its deceleration, which will contribute to substantial labour shortages in advanced economies in particular.

Part of this deceleration is to be expected because over the past decade both developing and emerging countries have experienced rising income levels that have allowed many younger citizens to extend their time in education. Nevertheless, a large share of young people remain outside employment, education or training (the so-called NEET rate), which will adversely affect their future labour market opportunities. Reducing these NEET rates continues to be a significant challenge that needs to be addressed if the global economy is to benefit from the youth bulge in the demographic profile of many developing countries. Even partially closing the global jobs gap by expanding gainful employment would reduce decent work deficits and boost economic activity. Advanced economies have made considerable progress in this regard, offering opportunities for older workers in particular to remain attached to the labour market; this is the only group of countries where labour force participation rates have increased over the past decade rather than declined.

Global unemployment is projected to edge up slightly in 2023, by around 3 million, to reach 208 million.

This corresponds to an unemployment rate of 5.8 per cent. Despite the negative global economic outlook, global unemployment is projected to increase only moderately, since a large part of the shock is being absorbed by rapidly falling real wages in an environment of accelerating inflation. However, although global unemployment declined significantly in 2022, down to 205 million from 235 million in 2020, it still remained 13 million above the 2019 level. In 2022, unemployment rates fell below their pre-crisis level only in the Americas and in Europe and Central Asia; they remain above that level in the other regions.

Job quality is under pressure as well

Beyond the gap in employment, job quality remains a key concern. Without access to social protection, many people simply cannot afford to be without a job. They often accept any kind of work, often at very low pay and with inconvenient or insufficient hours. The projected slowdown is therefore likely to force workers to accept jobs of worse quality than they might enjoy in better economic conditions. Furthermore, with prices rising faster than nominal wages, workers will experience rapidly declining disposable incomes even when they can keep their current jobs.

Such decent work deficits vary by region in form and severity, yet they are widespread. In the Arab States, North Africa and South Asia, gender-related differences in labour market indicators, including labour force participation rates, are substantial. In Latin America and the Caribbean, and sub-Saharan Africa, elevated rates of informality inhibit access to social protection and fundamental rights at work. All regions are afflicted by one or another form of decent work deficit. The current deterioration in global economic conditions is likely to reverse past progress and worsen these deficits in several directions.

Inflation has a strong impact on the distribution of real incomes. Many workers and enterprises are unable to increase their income in line with inflation and they hence suffer real income losses. However,

some workers and enterprises – for example, those operating in the energy sector – experience income gains higher than the inflation rate, which thus raise their real income. Falling real incomes are particularly devastating for poorer households, which risk slipping into poverty and food insecurity. In sub-Saharan Africa and South Asia, respectively, 60.8 per cent and 34.7 per cent of the employed population in 2021 were considered to be working poor at the US\$3.10 per day (PPP per capita) level.

Global supply chain linkages are propagating to low- and middle-income countries the slowdown in demand in high-income countries. An estimated average of 11.3 per cent of jobs in the sample of 24 middle-income countries with available data – excluding those in agriculture and non-market services – are dependent on GSC linkages to high-income countries (see Appendix D). In some smaller economies, the proportion well exceeds 20 per cent. In middle-income countries, sectors with higher GSC integration tend to have a larger share of wage and salaried employment, a lower incidence of informality and a lower proportion of low-paid employees – and hence in principle a higher quality of employment. Since a slump in demand in high-income countries is likely to shift employment growth in middle-income countries to activities not linked to GSCs, the average quality of employment may then decline.

Productivity growth remains vitally important

The long-term slowdown in productivity growth in advanced economies has spread to major emerging economies. This is a matter of much concern, since growth in productivity is key to addressing today's multiple crises in purchasing power, well-being and ecological sustainability. To address threats to decent work and well-being, including widespread poverty, informality, and lack of safe and secure workplaces, will require investment, innovation and the diffusion of technological progress. For example, investment in people's skills and capabilities is widely recognized as a central factor in labour productivity growth. Moreover, the climate goals of the Paris Agreement require an acceleration of technical progress to enable economies to grow while using energy and other natural resources much more efficiently and

generating dramatically lower greenhouse gas emissions. The last two decades, however, have seen a gradual deceleration in productivity growth, most pronounced in advanced economies but increasingly evident in major emerging economies as well.

Not only has productivity growth slowed but the fruits of such growth are also being shared less equally. The global labour income share was on a declining trend in the decade and a half preceding the COVID-19 crisis. Decades of falling (real) minimum wages, erosion of once strong labour market institutions, and failure to revive social dialogue on a larger scale have prevented labour from participating more fully and equitably in the benefits of economic growth. Rising industrial concentration in certain sectors is further

fuelling inequality and hindering economic dynamism, especially among small and medium-sized enterprises. Worsening inequality and slowing productivity growth reinforce each other because they concentrate income gains in a way that fails to stimulate investment.

The pace of technological innovation in the digital economy is high but the benefits are not being shared widely. Industry concentration is particularly prevalent in the digital economy because of the substantial role of intangible assets in the business model, causing productivity growth to diverge between a few leading companies and the rest. Digital innovations have yet to produce economy-wide spillovers in productivity that would boost jobs and growth. Rather, concentrated productivity gains have skewed the distribution of high-skilled job opportunities towards a few tech-based industries, exacerbating both inequality and the (aggregate) productivity slowdown. Technological breakthroughs are still missing that bring with them society-wide benefits, for instance in mobility management or grid management for the transition to sustainable energy. Other opportunities could arise to facilitate the shift towards remote and hybrid work and to address the need for innovative solutions to support collaboration in an ever more diverse labour market. Regulatory and policy innovation is needed to strengthen technological development in areas with high social returns, using a mix of standard-setting and public procurement approaches and productivity-enhancing collaborations among social partners.

Productivity growth has suffered from weakening investment, partly owing to high levels

of economic uncertainty. Ever since the global financial crisis, economic uncertainty has been pervasive, hindering investment notwithstanding the low level of interest rates. This investment slowdown has often been accompanied by a shift from business to residential investment, which is less conducive to rapid productivity improvements. Part of the reason is the volatility of general economic conditions stemming from recent crises, which have made businesses reluctant to expand capacity or start new ventures. Movement towards a more stable macroeconomic environment would probably help to close some of the investment gap that the pandemic has magnified. Stronger action to address inequalities would also help to stimulate investment activity by leading to more broadly based increases in disposable incomes.

A deteriorating labour market outlook and increases in informal employment have further undermined incentives for productive investment. Given the substantial rise in uncertainty regarding the future course of the global economy, employment expansion is fastest among informal workers. This will have knock-on effects on investment rates that have continued their long-term decline, at least in advanced economies and regardless of the short-term direction of interest rates. Moreover, increases in this type of work are associated with lower wage growth and reduced incentives for employers to invest in workforce upgrading and upskilling. With weakened labour market institutions, many countries lack mechanisms to limit or prevent further erosion of real wages and hence to support aggregate demand and balanced and inclusive economic growth.

Downside risks are therefore significant in 2023

The labour market outlook is characterized by multiple downside risks. Today's "polycrisis" could push global economic growth in 2023 below 2 per cent, with serious implications for employment creation. Even without such further deceleration of growth, labour market prospects could deteriorate if for example businesses were unable to hold on to workers owing to financing constraints, or governments found themselves in a debt crisis and unable to support labour markets. In low- and middle-income countries, inequality

and declining real incomes in the face of rising prices could suppress demand for domestically produced goods and services, thereby further reducing employment growth, particularly in the formal sector.

Despite the overall slowdown in employment growth, shortages of qualified labour remain a risk in certain countries and sectors. A major increase in investment in education and training is necessary to unlock the full potential of the global labour force. Currently, two thirds of

the global youth labour force remain without a basic set of skills, a circumstance that restricts their labour market opportunities and easily pushes them into lower-quality forms of employment. Indeed, the expansion of labour force participation in advanced economies often came at the price of a gradual decline in the average quality

of education over the past decade, thereby contributing to the deceleration of productivity growth. In the current environment of challenges to both productivity and employment, a broad-based labour market initiative focusing on both employment and skills is necessary to make the labour market work for all.

Global policy space is fragmented

The coronavirus pandemic has created significant capacity challenges for major policy-making institutions. Central banks around the world face difficult trade-offs between further supporting recovery from the pandemic and addressing elevated inflation. Although many countries have not yet recovered to pre-pandemic levels in terms of hours worked, shocks to energy and food prices have brought a need to normalize policy and reduce the emergency measures introduced during the pandemic. Governments that have accumulated a significant amount of debt to support local businesses and households now find themselves under pressure to phase out some of their support measures, if they have not done so already.

Just as the recovery from the pandemic has remained uneven across countries, so has the exposure to geopolitical tensions and price hikes stemming from supply disruptions. European countries are facing substantial and sudden rises in energy costs which are contributing to a stagflationary dynamic. Among African countries, the food price increases experienced in previous years have worsened; many sub-Saharan countries are not self-sufficient in food production and their food imports are not well diversified. Around the world, ensuring access to basic goods and services at reasonable prices has become a national preoccupation, sometimes without regard for the international spillover effects of such action.

In the response to multiple economic and geopolitical crises, international solidarity is more

critical than ever. Strong commitment to initiatives such as **the UN Global Accelerator on Jobs and Social Protection for Just Transitions** as well as the close involvement of social partners in all areas of policymaking at national and international levels are key measures that will strengthen policy coherence and partnerships to tackle current challenges and respond to long-term trends in the future of work.

Amidst large deficits in decent work and social justice, a new global social contract is needed to enhance the resilience of economies and societies in the face of today's multiple crises. The ILO's 2019 Centenary Declaration and 2021 global call to action for a human-centred recovery from the COVID-19 crisis which is inclusive, sustainable and resilient frame the core elements of such a strategy at the national and international levels. To this end, **in 2023 the ILO will promote a Global Coalition for Social Justice** aimed at strengthening global solidarity and improving policy coherence in order to bring about action and investments in decent work and social justice.

Accelerated progress in reducing the global jobs gap, strengthening the quality of jobs and protecting real incomes will require renewed policy coordination and social dialogue. **A strengthened global social contract will also need to integrate longer-term objectives**, addressing threats from climate change while resolving deficits in development and living standards, in part through faster productivity growth. Governments and social partners should seize the moment to deepen their collaboration to this end.

Advancing social justice, promoting decent work

The International Labour Organization is the United Nations agency for the world of work. We bring together governments, employers and workers to drive a human-centred approach to the future of work through employment creation, rights at work, social protection and social dialogue.

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