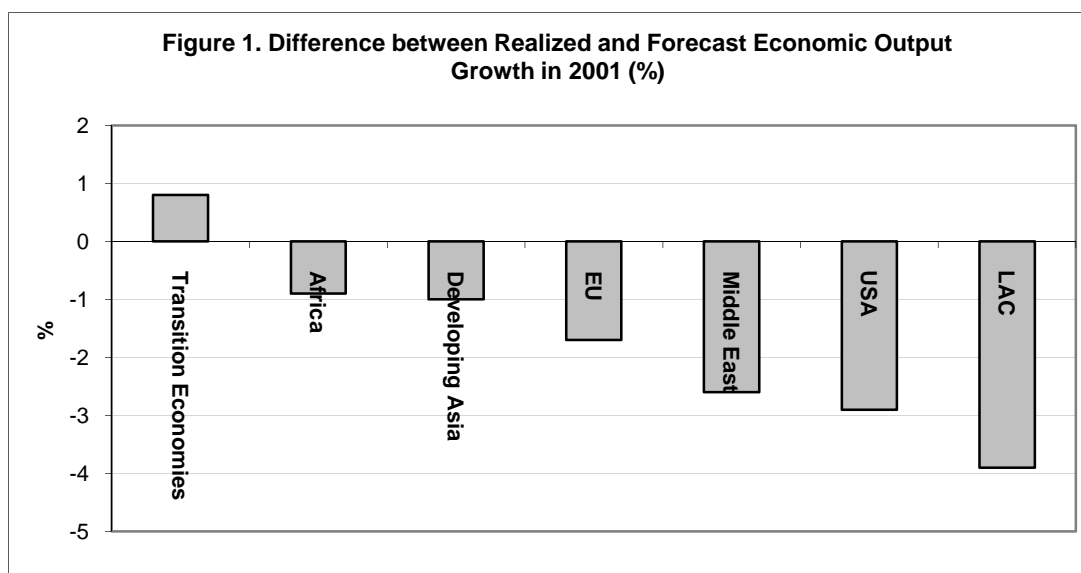


## Global Employment Trends 2003

Continued slowdown in the global economy has seriously affected the employment scenario in both developed and developing countries in the last two years. The 2003 edition of International Labour Organization's annual publication 'Global Employment Trends' (GET) has estimated that the number of unemployed grew by 20 million since the beginning of 2001 and is expected to reach about 180 million by the end of 2002. Along with the increase in unemployment, quality of employment has also suffered. ILO estimates suggest that by the end of 2002, the number of workers living on 1 US dollar or less have returned to the level of 1998 and reached the 550 million mark. Youth unemployment, which was declining during the 1990s, is also on the rise in the recent years. Other associated problems like increase in informal employment, poor working conditions, child labour and increased gender inequity are also the rise in most parts of the world.

According to this report, the main reasons for this increase in the unemployment rates are the slower growth rate in the industrialized countries, low export growth in developing countries and the severe downturn observed in the Information and Telecommunications (ICT) and tourism sectors in 2001. It is feared that in the aftermath of the September 11th attack on USA, more than 10.5 millions jobs were lost in the tourism sector alone. The report shows that the countries in Latin America and the Caribbean (LAC) were the worst hit from the economic slowdown and the September 11 attacks. Data presented in the report shows that the percentage point differences between 2001 GDP growth rate forecast in September 2000 and the 2001 GDP growth rate estimated in 2002 are the highest for LAC countries (data are shown in Figure 1). As a result, unemployment rate rose to about 10 percent for the region.



*Note: The graph shows the percentage point difference between 2001 GDP growth rate forecast in September 2000 and the 2001 GDP growth rate estimated in 2002. Assuming that both forecast and the estimates as realistic, GET uses this measure as an indicator of loss of output attributable to 2001 slowdown and the September 11 attacks.*

The downturn in the ICT sector severely affected some of the East and South East Asian economies as their exports of ICT products to developed countries shrank significantly during this period. Singapore was the worst affected as its GDP contracted by 2 percent in 2001. The four crisis countries, Indonesia, Malaysia, Thailand and Philippines were also severely affected by this downturn. Among the East Asian countries, Hong Kong, South Korea and Taiwan suffered from declining external demand for ICT products. Poor export outlook of ICT products has led to decreased investment and lower employment generation for this region as a whole. Other countries of this region, which are less dependent upon ICT exports like Cambodia, Lao and Vietnam were less affected by the events of 2001 and posted steady growth rates. However, in spite of good economic results of these countries, the unemployment rate of South East Asia went up to 6.6 percent in 2001.

The other big factor which resulted in severe job loss in East and South East Asian countries is the massive downturn in tourism activities in this region. As mentioned before, the global uncertainty following the September 11 attacks led to a huge reduction in tourism activities across the world. Tourism activities in this region suffered a further setback following the Bali bombings in October 2002. Estimates suggest that in only in China, about 1.8 million tourism related jobs were lost in 2001-02. This decline in tourism has affected countries in other regions as well. Estimates suggest that tourism recession in the Caribbean countries can contract their GDP by 1.5 to 5 percent. As more than 900,000 people are directly or indirectly linked with tourism in these countries, the impact of this slump in tourism on employment is likely to be very high.

General sluggishness and slow growth in developed countries had profound negative effect on the GDP and employment scenario in most of the developing countries. Stagnation of developing country exports to developed countries resulted in sharp employment declines in export oriented industries in developing countries. Labour intensive industries like garments were the worst hit and the employment decline is likely to have a disproportionately greater impact on women who are most likely to lose jobs in these situations.

During 2001, declining global demand led to a drop in commodity prices, particularly for oil, coffee and sugar. Coffee prices reached their lowest level in 30 years and this has severely affected commodity exporters in Latin America and the Sub-Saharan Africa. According to the GET report, this had a disastrous impact on the employment situation in Sub Saharan Africa. It is also estimated that the decline in commodity prices are likely to reduce the global exports of LAC countries by about 5 percent by the end of 2002.

As far as South Asian countries are concerned, this report shows that in spite of decent GDP growth rate (5.48 percent for the period 1995-2000) and increased integration with the global economy, unemployment rate in South Asia rose from 2.9 percent in 1995 to 3.4 percent in 2001. Security concerns, poor weather conditions, low export growth rate and a declining tourism are said to be responsible for this increase. Also, according to this report, employment prospects for the countries in South Asia in medium term are quite bleak.

The ILO report suggests that the deterioration of the employment scenario is unlikely to change in 2003. Though GDP growth projections suggest that world output is slated to grow faster in 2003 than in 2001 and 2002, the estimated export growth rate for 2003 is quite bleak. According to the GET report, WTO has projected a very modest increase in global trade in 2003. Given this situation, it seems unlikely that employment situation in those developing countries, which are more trade dependent and where a large number of workforce is in the exports sector, will improve significantly in the next one or two years.

Overall, this report indicates that the developing countries which are more integrated with the global economy are facing increased employment problems in the last few years. This conclusion again highlights the anomaly that while the benefits accruing to the developing countries from higher integration with the world economy are few, the shocks are very easily transmitted across the countries. Also the pressure of multilateral agencies like the World Bank, IMF and the WTO to make developing country economies more market oriented has reduced the policy options available to counter such shocks. In such an integrated world, developing countries will have to depend upon a global recovery to pull the employment rates up in these countries. The report estimates that to absorb new entrants into the labour market and reduce working poverty and unemployment, at least one billion new jobs are needed during the coming decade to achieve the UN Millennium Development Goal (MDG) of halving extreme poverty by 2015. However, given the pessimistic projections cited in this report, it does not seem likely that employment situation in developing countries is likely to improve in the immediate future.

The full report can be accessed at:

<http://www.ilo.org/public/english/employment/strat/download/trends.pdf>