International Labour Organization

ILO Flagship Report

World Employment and Social Outlook

Trends 2025

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International Labour Office • Geneva

ISBN 9789220411575 (print); 9789220411582 (web pdf)
ISSN 2709-7080 (print); 2709-7099 (online)
DOI: https://doi.org/10.54394/IZLN1673

economic recovery / labour market / decent work / just transition / youth employment

03.04.3

ILO Cataloguing in Publication Data

Also available in French: *Emploi et questions sociales dans le monde: Tendances 2025*, ISBN 9789220411599 (print), 9789220411605 (web PDF); and in Spanish: *Perspectivas Sociales y del Empleo en el Mundo: Tendencias 2025*, ISBN 9789220411612 (print), 9789220411629 (web PDF).

Cover photo
Munya & Paida Shadaya, directors of Invictus Steel Africa. They are beneficiaries of the ILO Start and Improve Your Business (SIYB) training. Mutare, Zimbabwe, 8 October 2024. Photo: Shaun Chitsiga/ILO

Produced by the Publications Production and Publishing Management Unit of the ILO.

Code: DESIGN/WEI/PMSERV

Preface

As we celebrate the historically low global unemployment level, of 5 per cent, one may assume that this means that the labour market is thriving. But we live in a time of contradictions and challenges, where meaningful progress exists side by side with entrenched economic obstacles. Beneath 2024's encouraging figures lies a persistent reality: millions of people, particularly in less developed countries, remain trapped in cycles of informality, working poverty and economic marginalization. This reality, outlined in the *World Employment and Social Outlook: Trends 2025* report, calls for a profound reckoning with the state of global employment and decent work.

The closure of gender and skill gaps and the amelioration of wage inequalities are essential not only for economic growth but also for the advancement of social justice. Decent work and productive employment are central to achieving the Sustainable Development Goals (SDGs) by 2030.

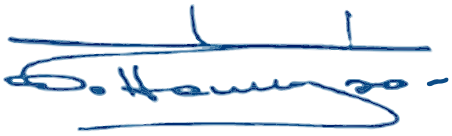
Fundamental imbalances persist in the labour market. Economic growth has slowed to 3.2 per cent, thereby constraining the opportunity for meaningful improvements in job creation and working conditions, particularly in low-income countries. Technological advances have lifted productivity growth and living standards less than expected. Despite the efforts made through industrial policies, structural transformation – the shift towards more diversified and productive economies – has stalled and the gains from it are concentrated in select regions.

The barriers to a thriving global labour market are numerous. Youth unemployment remains a critical challenge as young people – particularly in low-income countries – struggle to find work and to access quality education. Within-country spatial inequalities limit workers' – especially women's – ability to transition into better-paying jobs. Labour market concentration stifles the potential of small and medium-sized enterprises, curtailing productivity gains and wage growth. Meanwhile, fragmented labour markets, compounded by sluggish trade and unsatisfied potential for labour migration, weigh heavily on prospects for dynamic employment growth.

To counter these challenges, the world must embrace new approaches to social justice that generate decent work. Policies need to be coordinated across national and multilateral levels, with a focus on aligning financial and technological resources as well as relieving debt for those most in need. Too often, resources directed to the world's poorest regions fail to yield substantial results, owing to a lack of strategic vision and coordination that would target efforts upon formalization and productive employment.

A brighter path forward requires bold action. The Global Coalition for Social Justice aims to catalyse such a shift, leveraging the collective expertise of international bodies and stakeholders. The Coalition is bringing together knowledge and skills to promote coordinated responses at national, regional and global levels. This will help to bring about a human-centred approach and so ensure that social justice is recognized as the keystone of a sustainable global recovery.

As we look to 2025 and beyond, the message is clear: the global community cannot afford to be complacent. The achievement of social justice through decent work is not just a goal; it is the foundation of a fairer, more prosperous world.



Gilbert F. Houngbo
ILO Director-General

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Acknowledgements

World Employment and Social Outlook: Trends 2025 was prepared by the Macroeconomic Policies and Jobs Unit of the ILO Research Department. The report was prepared by Kanhu Charan Pradhan, Matthieu Charpe, Jorge Davalos, Sabina Dewan, Luca Fedi, Richard Horne, Stefan Kühn, Miguel Sanchez Martinez, Shamindra Nath and Diana Torres under the coordination and leadership of Ekkehard Ernst. The report was produced under the overall guidance of Richard Samans, Director (retired) of the ILO Research Department. The authors are grateful for all the input and suggestions received from the ILO Regional Offices for Africa, the Arab States, Asia and the Pacific, Europe and Central Asia, and Latin America and the Caribbean.

The ILO modelled estimates presented in this report were produced by the Data Production and Analysis Unit, led by Steven Kapsos, in the ILO Department of Statistics and by the Macroeconomic Policies and Jobs Unit of the ILO Research Department. The authors especially acknowledge the modelling work carried out by Evangelia Bourmpoula, Paloma Carrillo, Marta Golin, Roger Gomis, Stefan Kühn, Avichal Mahajan and Miguel Sanchez Martinez. The underlying database of international labour market indicators used to produce the estimates was prepared by the Data Production and Analysis Unit of the ILO Department of Statistics. The authors also wish to acknowledge the efforts of David Bescond, Vipasana Karkee, Donika Limani, Quentin Mathys and Yves Perardel.

Excellent comments and suggestions were provided by Sher Verick, Adviser to the ILO Deputy Director-General Celeste Drake. The ILO Research Department wishes to acknowledge the comments and suggestions provided by the following ILO colleagues: Andrew Allieu, Mario Berrios, Marlen de la Chaux, Marta Golin, Eleanor D'Achon, Sara Elder, Christoph Ernst, Roger Gomis, Paloma Carillo, Phu Huynh, Steven Kapsos, Asfaw Kidanu, Sangheon Lee, Maikel Lieuw-Kie-Song, Dragan Radic, Dorothea Schmidt-Klau, Mito Tsukamoto and Stephan Ulrich.

We would like to express our gratitude to Judy Rafferty and our colleagues in the Publications Production Unit for assisting with the production process, and to our colleagues in the ILO Department of Communication and Public Information for their continued collaboration and support in disseminating the report.

Executive summary

From job recovery to sustained resilience?

Employment growth remains steady, but labour market resilience continues to be tested.

In 2024, global employment expanded in line with a growing labour force, keeping the global unemployment rate steady at 5 per cent, similar to that of 2023. At the same time, employment growth remained too weak to have a significant impact on persistent decent work deficits around the world. Young people, especially, continue to face much higher unemployment rates – around 12.6 per cent – with few signs of improvements. With the return to pre-pandemic levels of informality and working poverty, the job recovery has lost much of its ability to generate further improvements and close the gap with the targets of the Sustainable Development Goals (SDGs). As the economic and social outlook remains highly uncertain – with geopolitical frictions, rising costs of climate change, and unresolved sovereign debt risks – the resilience of labour markets is being tested. Low-income countries appear to be particularly vulnerable, since progress in decent work creation has been slowest in these countries.

The economic recovery is losing steam …

The global economy continues to expand at a moderate rate, but it is projected to gradually lose steam, preventing a stronger and more durable labour market recovery. Economic growth stood at 3.2 per cent in 2024, down from 3.3 and 3.6 per cent in 2023 and 2022, respectively. A similar expansion is expected in 2025 and then a gradual deceleration to set in over the medium term. Rapidly decelerating inflation rates and strong growth in a few major economic centres have helped the global economy to stabilize. Headwinds have set in, however, as geopolitical frictions have risen and both monetary and fiscal policies have returned to pre-pandemic stances. Demographic shifts in advanced and some large emerging economies continue to be felt, while labour shortages have somewhat eased but not completely disappeared. Especially among European countries, labour hoarding remains high, preventing a faster return to pre-pandemic trends. Investment rates have fallen again and energy price hikes have taken a toll on industrial production. Except in Northern America, productivity growth shows no signs of acceleration despite major technological advances, especially in information technologies and medical research.

… which has helped bring inflation down …

On the back of weaker growth, inflation rates came down in 2024, approaching the target rates of most central banks. Monetary policy rates have started to decline again, after reaching levels last seen in the 1980s. After failing to properly anticipate the supply bottlenecks caused by the pandemic, central banks have managed to bring inflation rates down without causing a major labour market recession. Nevertheless, price levels remain elevated, and inflation rates have yet to drop to target rates in much of the developed world. However, further tightening, especially by fiscal policymakers, would run the risk of causing serious social disruption as some high-inflation countries have recently experienced while trying to bring down their inflation rates.

… but prevents real wages from recovering.

Although inflation rates have come down, wage growth has not fully caught up with the pandemic-related loss of earnings, in part because of weak employment growth. Global unemployment has remained steady, but real wage growth has picked up only in a few advanced economies with particularly strong labour demand. In most countries, real wages have not recouped the losses incurred during the pandemic years and the inflationary episode that followed.

Part of the reason that real wage growth has remained weak has to do with the shift in labour market power towards employers over the past decade. In countries for which data are available, rising market concentration correlates with a shift of labour market power away from workers towards employers, with particularly adverse effects for vulnerable groups and young people. Specifically, labour market concentration seems to have contributed to faster automation without leading to improved labour productivity.

Labour force participation continues to fall, adversely affecting young people.

Labour force participation has declined slightly, and this has weighed on employment growth. Large differences exist between low-income countries where participation rates have declined across the board and high-income countries where labour force participation has increased, especially among older workers and women. Rising old-age participation in advanced economies has compensated for an ageing working-age population, allowing the overall participation rate to increase by almost 1 percentage point over the past ten years in this country group, versus a drop in participation for the world as a whole.

Gender gaps in participation remain large, since significantly fewer women than men participate in the labour market, which means that countries forgo a significant potential for improvements in living standards. Where gaps have been falling, this has often come about not from improved female participation but from a continuous decline in male participation rates, especially among young men. Unfortunately, not all of this drop in young male participation owes to rising education levels. Indeed, the rate of young men not in employment, education or training (NEET) has increased over recent years in comparison with its historical average. In low-income countries in particular, there has been an increase of almost 4 percentage points in young men's NEET rate above the historical average, leaving many young men less well equipped to successfully participate in the labour market and more vulnerable to future shocks.

The global jobs gap has declined …

On the back of stable unemployment rates, the global jobs gap, ILO's summary estimate for the overall number of jobs missing, stood around 402.4 million in 2024. The jobs gap includes about 186 million who are unemployed, 137 million who are part of the potential labour force, mainly discouraged workers, and around 79 million who would like to work but who have obligations, such as care, that hinder them from taking up employment. Against a gradual decline in labour force participation, the jobs gap has continued its pre-pandemic downward trend but is expected to stabilize over the next two years.

… but with little progress to resolve decent work deficits.

Other social indicators have shown little sign of improvements since 2015. Working poverty, while improving globally, persists in low-income countries; extreme forms of working poverty affect 240 million workers or 7 per cent of the global workforce. Informality remains high and enduring in many parts of the world; more than half of the global workforce are not adequately covered by social security arrangements, legal protection or workplace safety measures. Inequality has increased. Reductions in working poverty and informality have been concentrated in a few countries in Eastern and South-Eastern Asia and Latin America. Many other countries have seen only limited reductions of informality and working poverty and continue to struggle to provide decent work.

Faster productivity growth is needed to resolve decent work deficits.

Slowing productivity growth remains a major bottleneck with respect to expanding the opportunities for decent work. As highlighted in previous *World Employment and Social Outlook: Trends* reports, productivity growth continues to follow a secular downward trend after a short blip during the pandemic. Global labour productivity growth has fallen by half a percentage point from the pre-pandemic long-term average. Many countries that have yet to reach high-income status have seen their productivity growth rates fall rapidly.

Countries are searching for answers to address this slowdown. Part of the slowdown is linked to slowing structural transformation towards manufacturing and highly productive services. Moreover, productivity growth within sectors has weakened as well, especially in industrial and modern services, despite significant investment in robotization over the past decade. Major industrial powerhouses are facing serious difficulties in achieving further industrial growth. High (and rising) energy prices as a result of international conflicts and the energy transition are only part of the problem, since weak industrial production pre-dates recent difficulties. At the same time, productive services are struggling to make up the shortfall left by industry. More than industry, (modern) services such as business services and information and communications technology (ICT) rely on a well-educated workforce and well-maintained public infrastructure. Absent such a skilled workforce and developed infrastructure, large spatial inequalities emerge that prevent more equitable growth across a country's territory.

Even within countries that have undergone a transformation towards manufacturing and modern services such as ICT and business services, inequality has not systematically declined. Such spatial inequalities within countries can account for the lack of convergence in living standards and productive employment between developing and advanced economies. In many emerging and developing economies, both manufacturing and modern services are failing to produce sufficient spillovers to generate productive employment outside a few advanced hubs. Without sufficient infrastructure investment, quality education and other public services, a few highly productive agglomerations will become congested and will not generate positive spillovers throughout the country's territory.

To spread the benefits of development more widely, countries have further explored the

role of industrial policies. With the rapid rise of new digital technologies, many countries are trying to tap into the developmental potential of artificial intelligence by designing – and often implementing – specific industrial policies geared to local digital ecosystems. However, given the significant requirements in terms of skills, digital infrastructure and energy cost, few countries and jurisdictions are able to tap into the high-value-added end of the digital economy. In contrast, in many countries – including some of the digitally advanced countries in South-Eastern Asia – a rising number of workers are being absorbed by data and gig platform work in which they face poorer working conditions and fewer prospects of occupational progression.

New opportunities for decent jobs are emerging with the green transition.

Increased investment to accelerate the transition towards green energy and mobility has caused policymakers to focus their industrial policies in these areas. Since 2023, there has been a further increase in renewable energy jobs to 16.2 million, more than half of all jobs in the energy and utilities sector. Large-scale subsidies and expansion of public infrastructure, with respect to electric charging stations and the electricity grid, have contributed to a surge in solar and hydrogen power generation that has helped to promote a rapid increase in the number of electric vehicles. However, job creation in renewable energy production is unequally distributed around the globe. Almost half of new green job opportunities have been in Eastern Asia; there have been few decent work benefits in other developing and emerging economies. Northern America and Asia and the Pacific have attracted the bulk of new job creation in renewable energy, China alone accounting for 46 per cent of all renewable energy jobs.

To accelerate progress towards social justice and the SDGs will require innovative solutions.

New ways of leveraging the substantial private funds available for local economic development are needed. One possible avenue, especially for low-income countries, that has yet to be exploited is to leverage the large and growing inflows of remittances. Some countries in sub-Saharan Africa started to explore diaspora funds as part of their attempts to strengthen healthcare financing during the pandemic. As developed economies are likely to resort increasingly to regular work migrants from developing countries, remittances – already the largest private funds, ahead of foreign direct investment – are likely to become even more important. Besides the macroeconomic challenges that the inflow of private funds through remittances creates for recipient countries, remittances are often used only for consumption or unproductive investment. Offering vehicles to consolidate them as a fund would give resources to countries to promote private sector investment.

Decent work and productive employment remain the cornerstone of achieving the SDGs by 2030. Yet, progress has stalled over the past ten years and, although economic growth has proved to be steadfast globally, signs of weakness and uncertainty are starting to reappear, especially in low-income countries. The report identifies key bottlenecks in the acceleration of structural transformation, including in some advanced economies that would benefit from a larger productive services sector. High and rising spatial inequalities within countries seem to indicate that workers face barriers to transiting to job opportunities with higher wages and better working conditions. Moreover, labour market concentration prevents new technologies from boosting productivity growth, especially among small- and medium-sized enterprises, thereby limiting the potential for faster wage growth, improved working conditions and the reduction of informality. Finally, bottlenecks resulting from an absence of structural transformation need to be removed, including by providing skills and education for young people to participate successfully in the labour market.

1 From recovery to sustained resilience?

Tepid growth is testing labour markets

The global economy continues to expand but is losing steam. This is slowing down improvements in labour markets and testing their resilience. Global growth rates remain stable, hovering around 3.2 per cent in 2024 and 2025, but are expected to slide over the medium term (IMF 2024a). Inflation rates have come down from 6.7 per cent in 2023 to 5.9 per cent in 2024 and are expected to decelerate further to hit target rates over the medium term (IMF 2024a). This seems to bode well for restoring purchasing power and consumer demand, but above-average inflation in services is slowing down progress on disinflation (IMF 2024a). Although global trade is expected to grow faster than gross domestic product (GDP) in the coming year, manufacturing remains subdued and a surge in cross-border trade restrictions is weighing down the sector (Gourinchas 2024). These trends will likely slow down the improvements labour markets witnessed after the pandemic.

Economic uncertainty remains high in an environment of stern geopolitical conflict and ongoing threats to supply chains, discouraging investors. Consequently, investment rates in 2024 remained below those a year earlier but continued to lie above those observed during the previous decade. In the euro area, investment has failed to catch up with pre-pandemic trends because companies are reluctant to invest when they face difficulties in filling their vacancies in times of protracted labour shortages that have eased but not completely disappeared (Ernst and Feist 2024). In addition, the energy price shock that has hit industrialized countries over the past two years has weighed heavily on manufacturing production, a capital- and investment-intensive sector of the economy. With notable exceptions such as India, growth is stable in developing and emerging countries. Especially in Africa, however, growth remains too low to achieve significant convergence of living standards with global averages. Economic growth in developing countries suffers from rising levels of geopolitical fragmentation, high food prices and high sovereign debt burdens (FAO 2024a; World Bank 2023). These factors exacerbate an uncertain outlook for labour markets. Growth in many of these countries is insufficient to provide enough productive, quality jobs for the large and growing populations of young people entering the labour market.

On the upside, monetary policy has proved to be successful in bringing down inflation without causing a recession, unlike previous episodes in which inflation ran high. Nevertheless, price levels remain elevated and inflation rates have yet to return below target rates in much of the developed world. Following a muted reaction at the beginning of the most recent inflationary episode, major central banks initiated one of the fastest policy turnarounds in recent history (ILO 2024a). Though this was painful at the beginning, it proved to be successful in staving off a sharp recession in most countries. On the other hand, letting inflation accelerate significantly meant that many wage earners saw significant declines in their disposable income which have yet to be fully compensated for. In most countries, real wages have not recovered from the losses incurred during the pandemic and the subsequent inflationary episode. This is dragging down private consumption.

Fiscal policy remains supportive in many parts of the world, but policymakers are increasingly worried about the long-term implications of rising sovereign debt levels. Some governments among the G20 countries have taken drastic action or are pursuing conservative fiscal policies imposed by fiscal rules such as the "debt brake" in Germany and Switzerland. Others are seeing their countries' long-term fiscal position gradually deteriorating, with rising long-term interest rates despite declines in short-term rates or downgrading of sovereign debt ratings. Over the medium term, stricter fiscal rectitude is to be expected in many parts of the world, which will further weigh upon the economic outlook with potentially damaging long-term effects (Klein Martins 2024).

Yet, underlying a gradual normalization of the macroeconomic policy mix are long-standing structural weaknesses that have become apparent again. Profound transformations – climate change, advancing technology, demographic transitions, geopolitical tensions and conflict – are compounding these weaknesses, exacerbating an already highly uncertain outlook. The most vulnerable, including women and youth, are the most adversely affected (ILO 2023). Progress towards achieving the Sustainable Development Goals by 2030 has stalled; many social indicators have shown few signs of improvement since 2015 (UN 2024). The world economy is entering a period of a new normal (UNCTAD 2024) in which labour market resilience will be tested. Though many countries have reclaimed their economic strength, returning to pre-pandemic levels of economic activity, their capacity to address structural weaknesses has been severely restricted by past economic actions (Dewan and Ernst 2020).

Benign headline jobs figures hide structural vulnerabilities

Ongoing economic expansion is continuing to generate employment, keeping the global employment rate stable. Unchanged labour force participation and unemployment rates suggest that there are jobs, but the rate of employment growth is moderating and improvements in job quality and productivity are slowing down. At the same time, employment growth is not strong enough to offer decent work opportunities for everybody. Informal employment, especially in low-income countries, remains high and absorbs many of the new entrants into the labour force.

The global labour force participation rate remained at 61.0 per cent in 2024, temporarily halting a long-term decline in participation. Yet, underneath this globally stable rate there hides significant cross-regional variation. Low-income countries saw a modest decline in their labour force participation rates. Upper-middle-income and high-income countries also saw a decline owing mostly to their ageing populations. Lower-middle-income countries saw an increase, largely a result of the growth in rural female labour force participation in India.

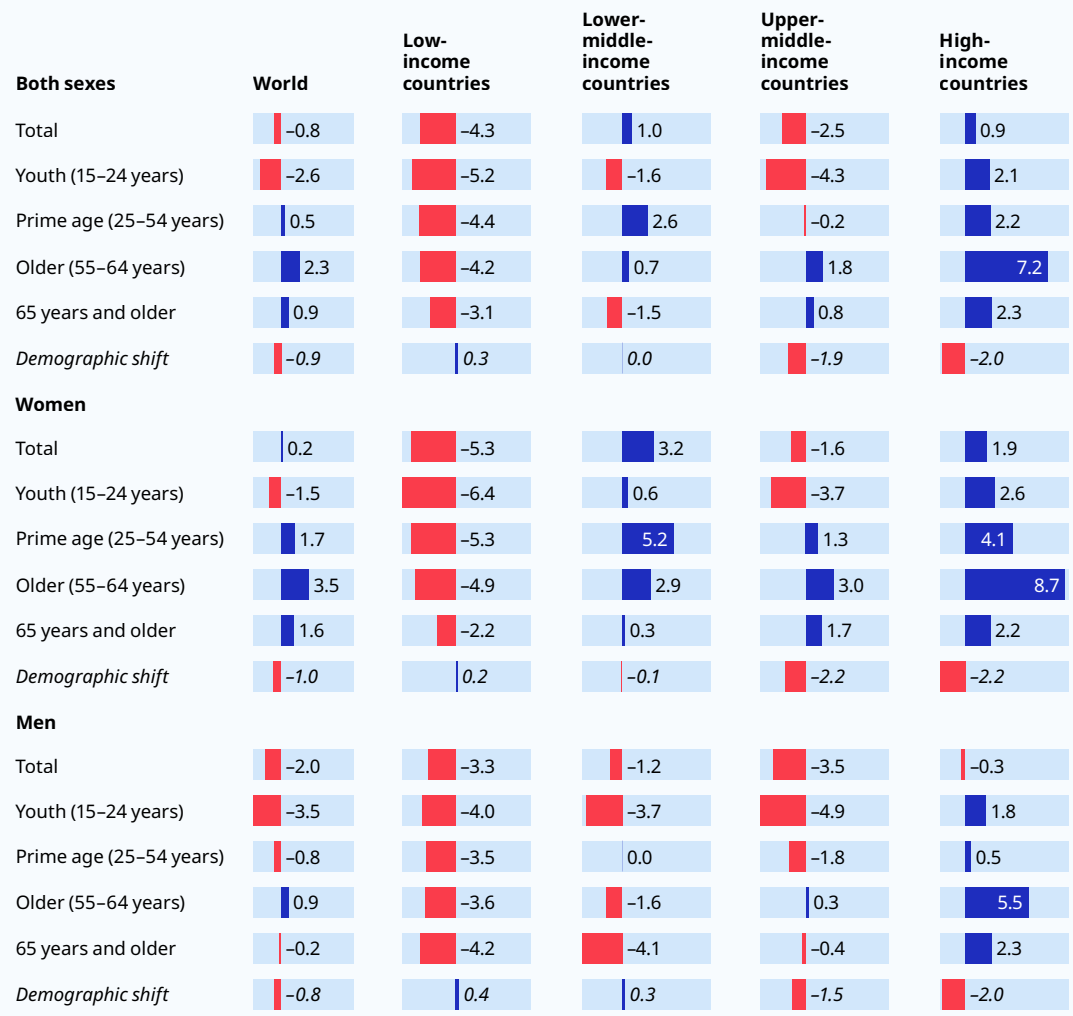
Over the past decade, the labour force participation rate has fallen by 0.8 percentage points, mainly driven by structural declines in low-income and upper-middle-income countries and by ageing populations in high-income and some upper-middle-income countries (figure 1.1). In contrast to the global trend, high-income countries and women in lower-middle income countries have experienced a rise in participation. Indeed, the global labour force participation rate would have risen by 0.1 percentage points over the past decade had it not been for the demographic shift. Women have also experienced a sizable increase in their participation rates in middle-income countries, at least in some age groups. On the other hand, the participation rates of young men have dropped significantly more than the global average, suggesting they are facing greater obstacles to integrating into the labour market.

Despite accelerating population ageing, high-income countries have seen a sizable increase in their labour force participation rates over the last decade. This has allowed people of all age groups, especially women and those aged 55 to 64 years, to return to the labour force. The strong rise in labour force participation rates across age groups has more than countered the effect of demographic shift – the fact that the rising share of older people tends to lower the aggregate labour force participation rate of all those aged 15 years and above. Had the labour force participation rate not expanded so strongly across all age groups, and in particular among women, high-income countries would have experienced a decline of 2.0 percentage points in the aggregate labour force participation rate, owing to ageing populations, instead of the observed increase of 0.9 percentage points.

Between 2019 and 2024, labour force and employment growth slowed down in high-income countries (figure 1.2). The effective stagnation in the aggregate labour force participation rate was because of a reduced rise in the labour force participation rate across all groups, coupled with an increasing impact of the demographic shift. In this period, women saw their labour force participation rate increase, while that of men fell. The declining speed of entry into the labour market likely owes to a combination of reduced attractiveness of work when the growth of quality employment is falling and the fact that those more attached to the labour market are likely to have already entered it.

The global unemployment rate remains constant (figure 1.3). At 5 per cent in 2024, global unemployment remains below historic averages. However, the global unemployment rate hides large regional and country variations and fails to account for significant decent work deficits, especially among vulnerable groups. Several European countries have seen over the last decade a large improvement in the unemployment rate, which fell below 8 per cent in 2024 after hitting more than 12 per cent in the early 2010s. In South Africa, on the other hand, unemployment remains stubbornly high, above 30 per cent in 2024 and showing very little improvement (see Chapter 2 for a more in-depth discussion of regional trends).

Figure 1.1. Change in labour force participation rates between 2014 and 2024, by sex and age, world and country income groups (percentage points)



Note: "Demographic shift" denotes the change in the total participation which owes to the changing weights of cohorts with different labour force participation rates in the total population, especially the rising share of elderly people.

Source: ILOSTAT, ILO modelled estimates, November 2024.

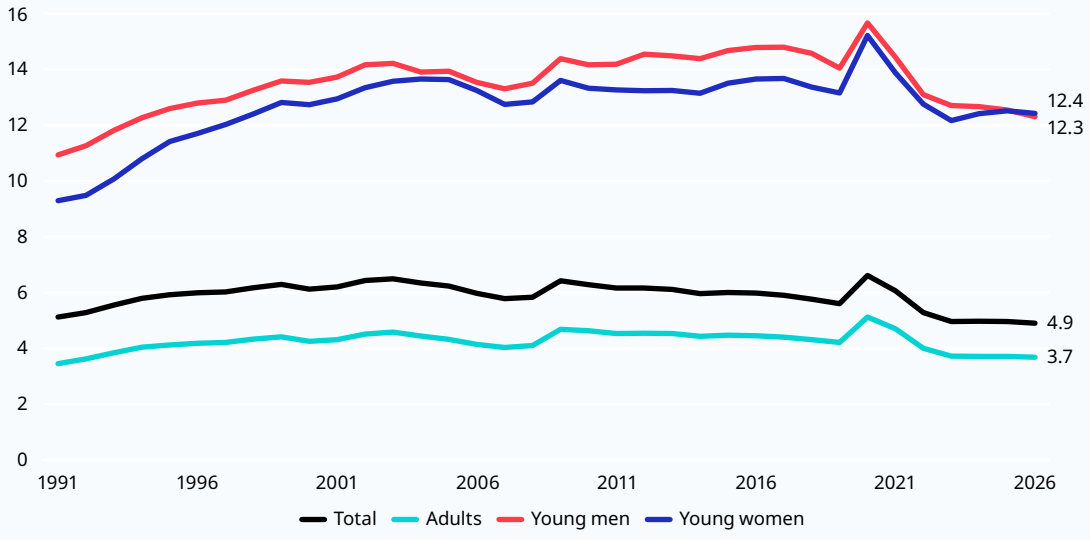
Figure 1.2. Change in labour force participation rates between 2014 and 2019 and between 2019 and 2024, by sex and age group, high-income countries (percentage points)

	Both sexes		Women		Men	
	2014–19	2019–24	2014–19	2019–24	2014–19	2019–24
Total (15+ years)	0.8	0.1	1.3	0.6	0.3	–0.6
Youth (15–24 years)	1.1	1.0	1.4	1.2	0.9	0.9
Prime age (25–54 years)	1.1	1.1	2.0	2.1	0.4	0.1
Older (55–64 years)	4.4	2.8	5.1	3.6	3.6	1.9
65 years and older	1.9	0.4	1.7	0.5	2.1	0.2
Demographic shift	*–0.9*	*–1.1*	*–1.0*	*–1.2*	*–0.9*	*–1.1*

Note: "Demographic shift" denotes the change in the total participation which owes to the changing weights of cohorts with different labour force participation rates in the total population, especially the rising share of elderly people. The demographic effect differs for women and men owing to differences in labour force participation rate levels and profiles across the age groups.

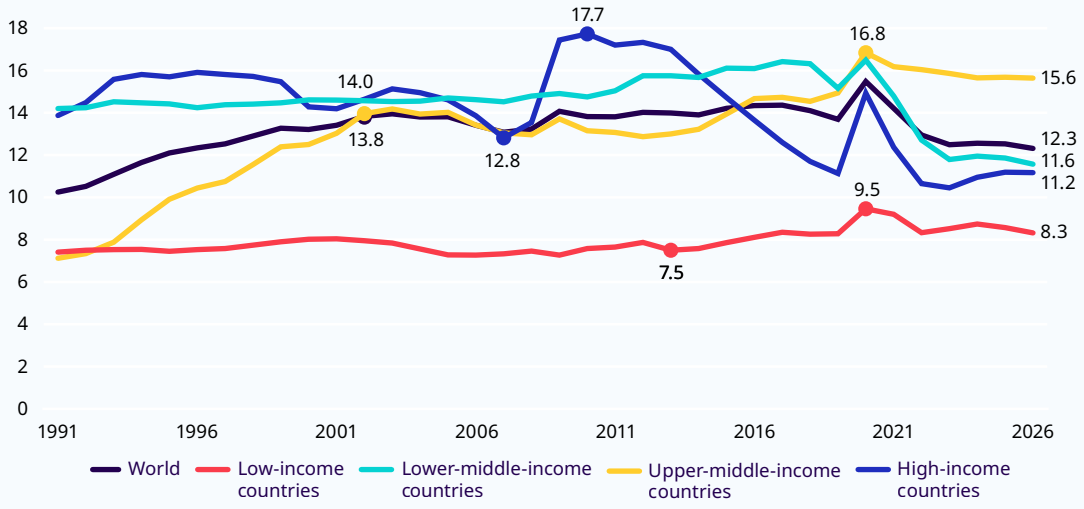
Source: ILOSTAT, ILO modelled estimates, November 2024.

Figure 1.3. Global unemployment rates by age and sex, 1991–2026 (percentage)



Source: ILOSTAT, ILO modelled estimates, November 2024.

Figure 1.4. Youth unemployment rates, world and country income groups, 1991–2026 (percentage)

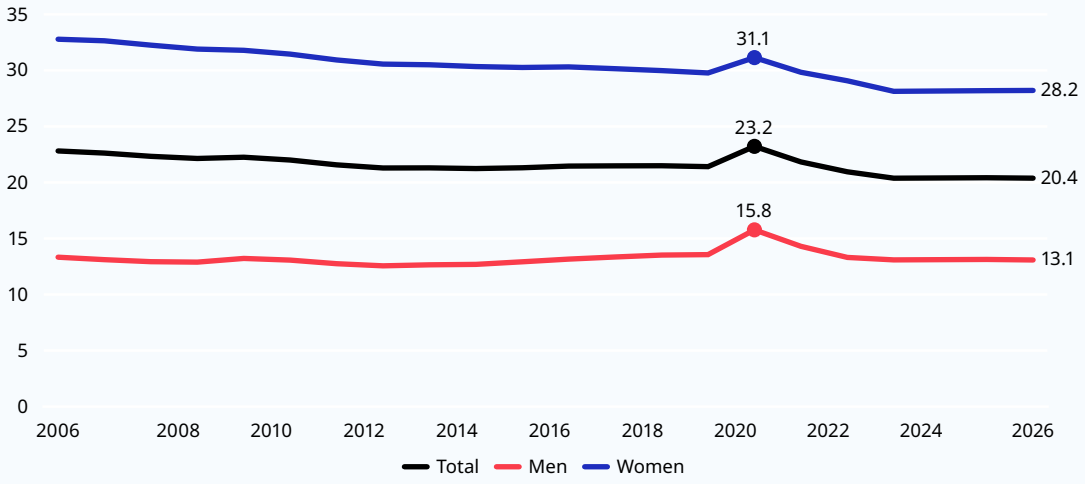


Source: ILOSTAT, ILO modelled estimates, November 2024.

Youth unemployment did not benefit from the economic recovery to the same extent as total unemployment and remained at 12.6 per cent in 2024 (figure 1.4). Youth unemployment continues to be significantly higher than the adult unemployment rate, in some countries three to four times as high. Upper-middle-income countries' progress in youth unemployment has stagnated; their rates of youth unemployment have not returned to the pre-COVID-19 levels of 2019. Moreover, many young people have either never entered the labour market or dropped out without pursuing education or training. The share of young people not in education, employment or training (NEET) stood at 20.4 per cent in 2024, with significant gender differences (figure 1.5). At 28.2 per cent, the share of young women who are NEET is much higher than that of their male counterparts (13.1 per cent). The consistently high NEET rates are indicative of the ongoing labour market exclusion of young people as well as a missed opportunity to build human capital (ILO 2024b).

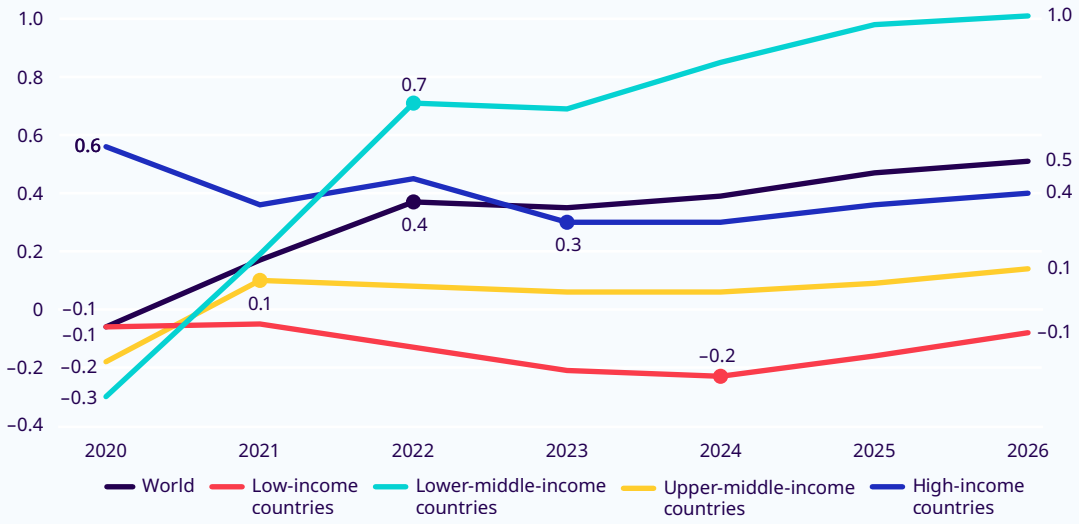
Although there has been progress in reducing both female and male unemployment rates since the outbreak of the pandemic, the gap between them continues to widen (figure 1.6). There are no significant differences between older and younger women in terms of unemployment patterns vis-à-vis their male counterparts. Nor are there any significant differences between older and younger cohorts of workers when it comes to unemployment outcomes. This means that the cohort effects cannot be expected to resolve the large gaps across socio-demographic groups – especially in lower-middle- and high-income countries, where the gap is larger than in the other groups of countries. There has been a tepid catch-up in the unemployment gap between younger and adult women in low-income countries only.

Figure 1.5. Youth not in employment, education or training (NEET), by sex, world, 1991–2026 (percentage)



Source: ILOSTAT, ILO modelled estimates, August 2024.

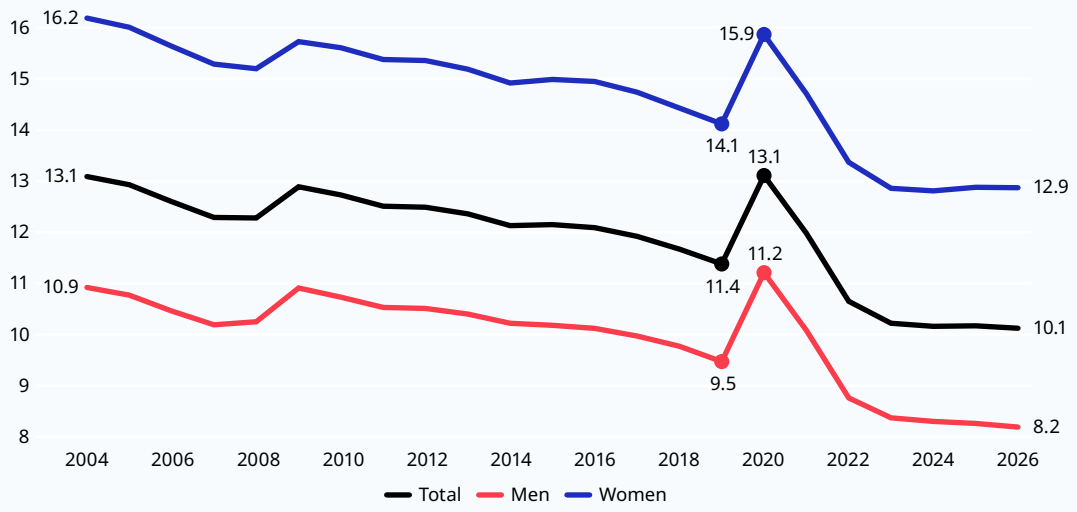
Figure 1.6. Gender gap in unemployment rate, world and country income groups, 2020–26 (percentage points)



Note: The gap is calculated by subtracting the male from the female unemployment rate.

Source: ILOSTAT, ILO modelled estimates, November 2024.

Figure 1.7. Jobs gap rate, by sex, world (percentage)



Source: ILOSTAT, ILO modelled estimates, November 2024.

The "jobs gap", ILO's summary estimate for the overall number of jobs missing, stood at around 402.4 million in 2024, an increase of approximately 2.3 million from the previous year (figure 1.7). This includes people who have stopped searching for a job, for instance, because of discouragement. The job gap includes about 186 million who are unemployed, 137 million who are part of the potential labour force, and around 79 million who are willing non-seekers. It provides an overall indication of shortfalls in both job creation and labour market participation. A significant difference exists in the jobs gap rate between men and women, almost 4.5 percentage points. The lowest job gap rates are found in high-income countries, where the rate for men is estimated to be 7.1 per cent and for women 9.3 per cent. Conversely, in developing and emerging economies, the jobs gap is significantly higher, especially for women. In low-income countries, the job gap rate for women is notably high, 22.5 per cent, compared with 15.2 per cent for men. Middle-income countries show an intermediate situation, women experiencing considerably higher job gap rates than men.

Large gender gaps in labour force participation rate, unemployment, NEET and the jobs gap are manifestations of deep structural barriers that women confront when entering the labour market and of the lack of productive opportunities for them. Those barriers are often rooted in prevailing gender stereotypes and social norms and may include discrimination, fragmented and segregated labour markets, the unequal distribution of unpaid care work and care responsibilities, and gender-based violence and harassment (ILO 2017 and 2019a). The large gender gaps are an indication of forgone opportunities for development. Closing these gaps – even partially – would allow, in particular, lower-middle income countries to accelerate their growth dynamics (see box 1.1).

▶ Box 1.1. Gains in per capita income growth from increasing women's labour force participation rate

Countries with significant gender gaps in labour force participation forgo significant developmental potential. A counterfactual exercise, of imagining that female participation rates could be lifted to levels similar to the observed global level, gives an indication of the significant contribution an increase in female participation could make (table 1.1), assuming productivity levels and unemployment rates similar to regional averages. Lower-middle-income countries and non-GCC (Gulf Cooperation Council) Arab States, in particular, would stand to advance significantly beyond their current level of development, even if only part of these gains in economic development were to be realized.

▶ **Table 1.1. Change in per capita GDP from increasing women's labour force participation rates** (percentage)

Income groups	World	Low-income countries	Lower-middle-income countries	Upper-middle-income countries		
	4.5	2.3	11.5	1.0		
Regions	**Arab States**	**Arab States (non-GCC)**	**Northern Africa**	**Asia and the Pacific**	**Southern Asia**	**Central and Western Asia**
	27.0	49.3	38.3	1.9	16.0	4.1

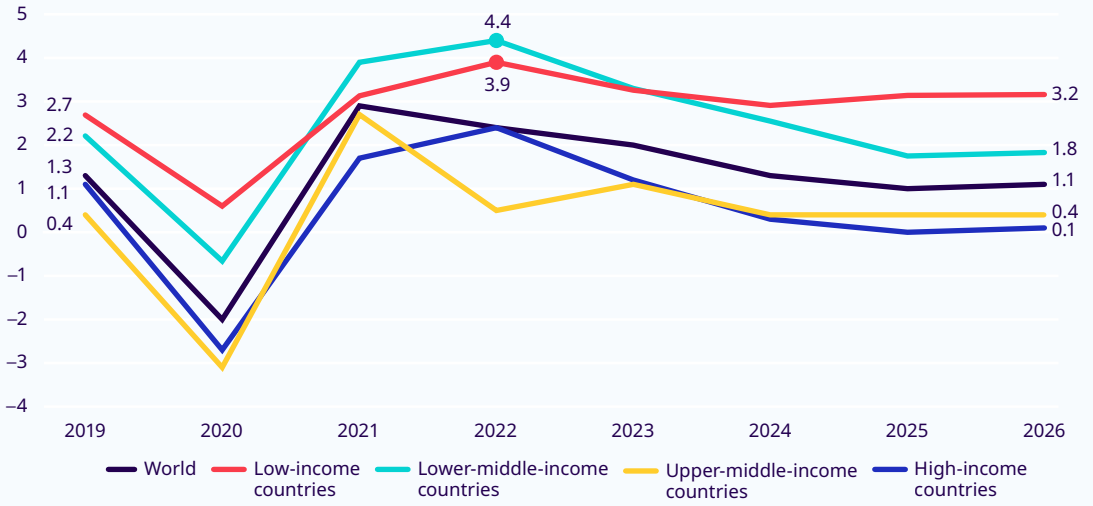
Table 1.1 shows the average percentage increase in GDP per capita (measured in 2021 purchasing power parity (PPP)) from increasing women's labour force participation rates to (i) the average high-income country level in each income group shown, and (ii) the average global level in each geographical region shown. The choice of these benchmarks is based on the fact that high-income countries display the highest women's labour force participation rates. Percentage gains are shown in decreasing order. In this simple exercise, we abstract from other channels how much women's labour force participation rates might affect GDP per capita.

The aggregate employment-to-population ratio, 57.9 per cent, was the same as in 2023. The female employment-to-population ratio has shown little improvement over the last year and, at 46.4 per cent, remains far below the male rate of 69.5 per cent. The pandemic arrested what had been a secular downward trend in male employment rates.

A stable labour force participation rate, unemployment rate and employment-to-population ratio, as well as a historically low jobs gap, underscore the fact that jobs have recovered since the COVID-19 pandemic but employment growth is slowing down. Going from a high of 2.4 per cent in 2022 to 1.3 per cent in 2024, the decline in employment growth is, in part, a result of the normalization after the post-pandemic surge. Meanwhile projections suggest a continued decline to 1.1 per cent in 2026 (figure 1.8). There are significant variations across regions and country income groups with respect to employment growth. Notably, in Northern Africa the increase in the working age population is outpacing the growth in the labour force and in employment. Employment growth in sub-Saharan Africa is increasing at a faster rate than unemployment, though evidence suggests that many workers lack productive and decent work. These trends could deepen against the backdrop of falling economic growth in Africa.

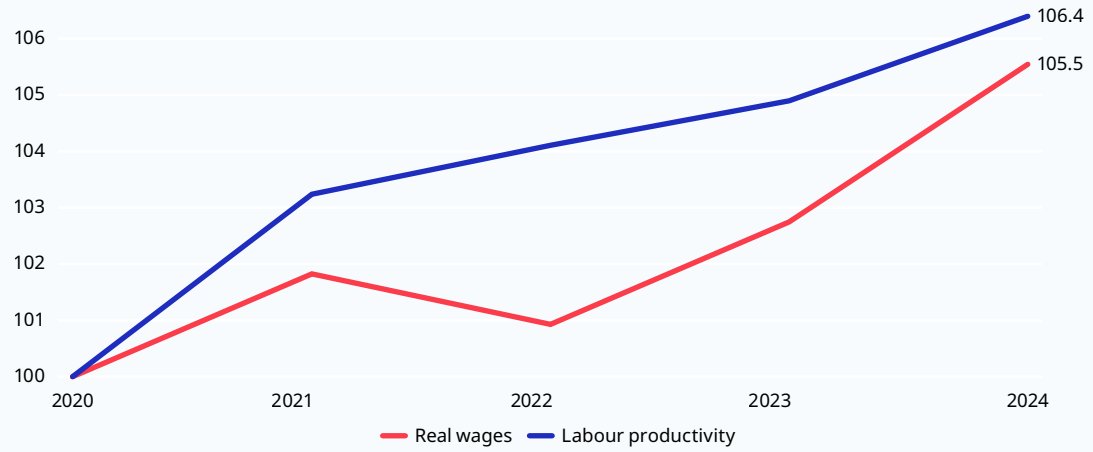
With unemployment and the jobs gap falling to historically low levels, real wages have managed to rebound quickly after a sharp decline in 2022 (ILO 2024c). However, not all losses in disposable income have been recouped yet, since real wages have not fully caught up with labour productivity developments since 2020 (figure 1.9). Beneath these aggregate numbers is significant variation across regions and country groupings.

Figure 1.8. Employment growth by country income group, 2019–26 (percentage)



Source: Calculations based on ILOSTAT, ILO modelled estimates, November 2024.

Figure 1.9. Evolution of real wages and labour productivity, world (index, 2020 = 100)



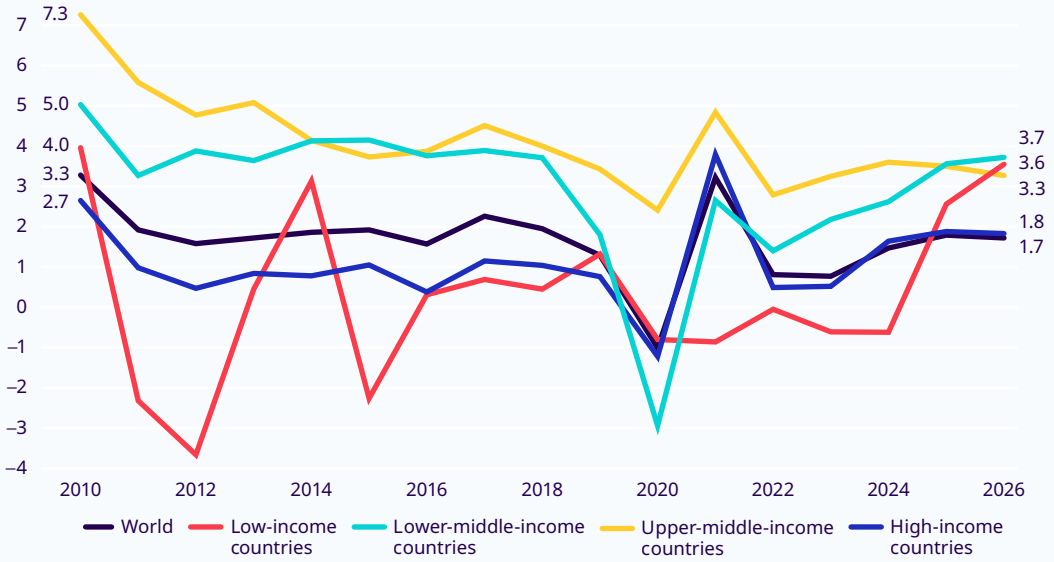
Source: ILO (2024c); ILOSTAT, ILO modelled estimates, November 2024.

Globally, productivity growth continues to decelerate. This is slowing the recovery of real wages and obstructing a faster expansion of productive employment (see box 1.2). Since 2019, productivity growth in upper-middle-income countries has remained positive. The female labour force participation rate in lower-middle-income countries has increased owing to expansion in India, but, since much of this expansion involves women working as contributing family workers, the increase in female labour force participation is unlikely to be reflected in GDP and will affect labour productivity estimates in the future. Productivity losses in low-income countries, on the other hand, have been pronounced and productivity growth is expected remain sluggish in these countries.

▶ Box 1.2. Evolution of labour productivity growth

Productivity – the key driver of economic growth – is distributed unevenly, even within countries (figure 1.10). Sluggish labour productivity growth threatens living standards and progress towards the Sustainable Development Goals. Factors that influence differences in productivity and production networks include variations in the sectoral, occupational and demographic composition of places; natural resources and other assets, such as educational and health institutions; existing firms; and local governance systems (Moro et al. 2021; OECD 2016) at subnational levels.

▶ Figure 1.10. Growth of GDP per worker, world and country income groups, 2010–26 (percentage)



Note: Labour productivity is defined as GDP per worker.

Source: Calculations based on ILOSTAT, ILO modelled estimates, November 2024.

The lack of faster global productivity growth is partly linked to the failure of structural change to move people out of (subsistence) agriculture into manufacturing and (modern) services (see also Chapter 3). Major hubs for productive employment remain scarce; this prevents countries generating sustained and broad-based economic growth to accomplish more equitable and shared development. Moreover, the spatial inequalities that result from this uneven pattern of development seem to have contributed to reverse capital flows from developing to developed economies, with adverse consequences for innovation and investment (Benigno, Fornaro and Wolf in press). These trends have accentuated wage inequality and the productivity slowdown (see box 1.3 and Davalos, Ernst and Torres, forthcoming).

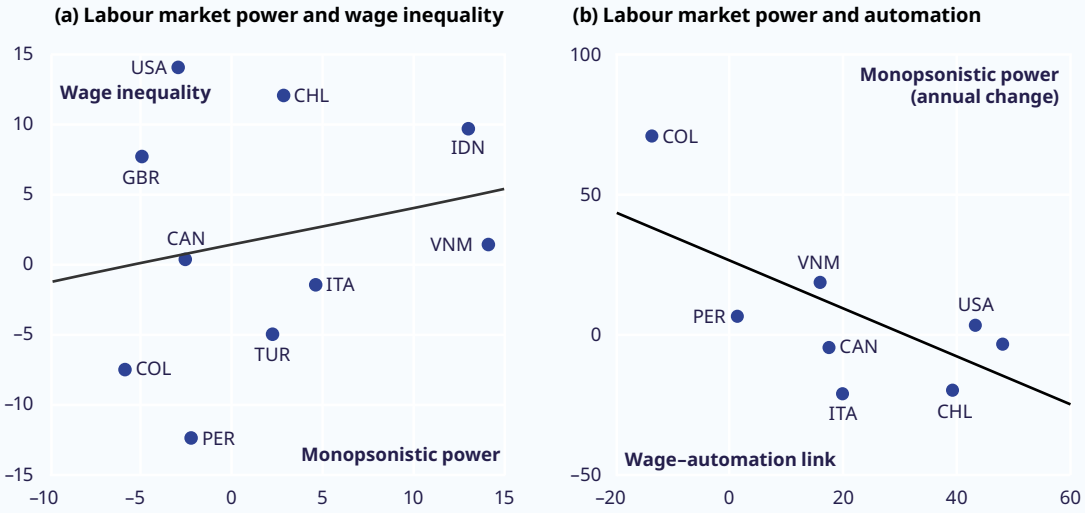
Sectoral shifts in employment have essentially stalled since 2015; employment in agriculture remained above 26 per cent of total employment globally in 2023 (figure 1.12). Given the poor working conditions in much of (subsistence) farming outside advanced economies, this also means that working poverty and informality have not benefited from people moving out of agriculture to better-paying jobs in industry and (modern) services (see also the discussion in Chapter 3). Employment continues to grow in services sectors, most of the new jobs being generated in retail and wholesale trade sectors that often display poor working conditions, especially in developing economies. To accelerate structural transformation, many countries are placing much emphasis on industrial policies, hoping to reap a

▶ Box 1.3. Labour market power and real wage developments

The slow recovery of real wages can be attributed in part to the increasing labour market concentration in many countries over the past decade (Davalos, Ernst and Torres, forthcoming). Labour market concentration occurs when job seekers have only the option to seek employment with one single employer, or a few employers, such as when a single retail company is the only company in town to offer jobs. Market concentration has been identified as a possible culprit for the sudden and significant burst in inflation (Weber and Wasner 2023). Moreover, labour market concentration can lead to sluggish adjustment of wages, and lower wage levels despite lower joblessness. In particular, rising market concentration in low-wage service sectors has been associated with suppressed wages, rising poverty rates and an increase in remedial government pay-outs (Lehner et al. 2024).

Some increase in market concentration is to be expected, especially in developing countries that are experiencing large inflows of foreign direct investment. However, long-term trends such as digitalization and the resulting winner-takes-all dynamics, geopolitical fragmentation and policy uncertainty have contributed to reinforcing the dominant market position of a few, internationally operating, firms. As a result, in those countries for which data are available, rising labour market concentration has been associated with increases in wage inequality and a lower transmission of productivity gains from automation into wage increases (see figure 1.11).

▶ Figure 1.11. Market power and labour market outcomes



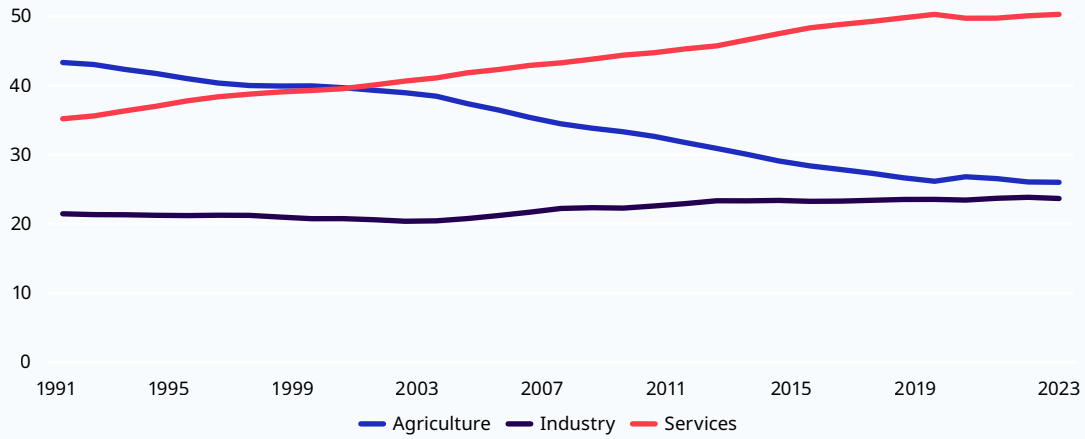
Note: The wage–automation slope measures the extent to which wages increase with automation; a higher value means that wages react positively to the introduction of automation. Monopsonistic power is measured by the number of alternative job opportunities employees have while in their current job: a higher number of alternative opportunities lowers the monopsonistic power of employers and hence the degree of labour market concentration. The three-letter abbreviations are ISO country codes.

Source: Davalos, Ernst and Torres (forthcoming).

double or triple dividend of benefits from digitalization, a greener economy and more productive employment (see also Chapter 3).

The transition to a greener economy has not accelerated structural change, but it does have profound implications economy-wide, from industrial sectors (manufacturing, construction, utilities) to transportation (ILO 2019b). Global renewable energy jobs in 2023 rose to 16.2 million from 13.7 million, but 46 per cent of these jobs were concentrated in China (IRENA and ILO 2024).

Figure 1.12. Global employment by broad sector (percentage of total employment)



Source: ILOSTAT, ILO modelled estimates, November 2024.

Geographical discrepancies in where jobs are being created largely depend on policy choices to attract jobs in battery production, renewable energy generation and electric vehicles. Moreover, there is a large gender bias in employment creation; women constitute only 32 per cent of the overall renewable energy workforce (IRENA and ILO 2024). Meanwhile sectors such as cement production and transportation will have to grapple with churn as they transition to cleaner energy. Many sectors will have to cope with the considerable secondary effects in downstream sectors. For instance, the shift from the internal combustion engine to electric vehicles will significantly restructure employment in the automotive industry (see box 1.4 and IMF 2024a).

Slow productivity and real wage growth resulting from a failure to accelerate structural transformation are weighing more broadly on working conditions because growth in formal employment is decelerating. The post-pandemic surge in formal job creation in 2022–23 ended when formal employment growth returned to 2019 levels. From a longer-term perspective, formal employment growth at the global level, as well as in low-income and upper-middle-income countries, is lower than a decade ago (figure 1.13). Simultaneously, informal employment growth has accelerated, closing the gap between formal and informal employment growth and thereby slowing down the rate of progress in formalization.

Box 1.4. The transition from internal combustion engine vehicles to electric vehicles

Several countries are attempting to transition from internal combustion engine vehicles to electric vehicles. This shift presents a significant competitive opportunity but also several challenges. The transition is going to be disruptive for both manufacturers and workers. Manufacturers must address the complex technological demands of electric vehicle production and maintenance. The rise of electric vehicle battery plants can create new jobs, but these roles differ significantly in terms of requisite skills, wages and working conditions. Workers in the sector are required to develop more advanced skill sets to keep pace with evolving technologies. Battery production and the sourcing of raw materials like lithium and cobalt also raise concerns about accessibility, labour conditions and environmental impact.

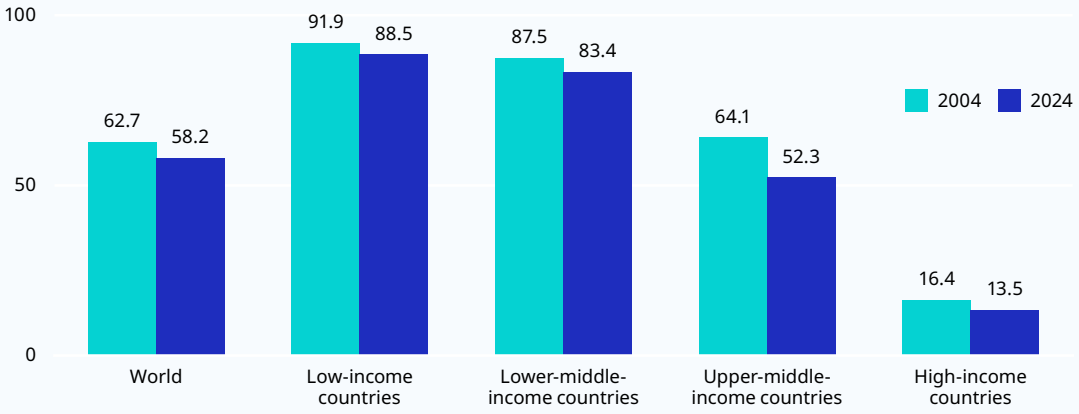
Figure 1.13. Annual growth of formal and informal employment, world, 2010–15 and 2024 (percentage)

Source: ILO calculations based on ILOSTAT, ILO modelled estimates, November 2024.

As growth in formal employment has stalled, informality and working poverty have continued to affect significant portions of the global labour force. Informal employment affects approximately three in five workers (figure 1.14), and working poverty affects almost one in five (figure 1.15). Progress has stalled over the last five years, during which especially the most vulnerable groups and countries have not seen further progress (figure 1.14). As growth in formal employment fell by half a percentage point between 2023 and 2024, 23 million informal workers were added to the global workforce, and they were highly concentrated in low-income countries.

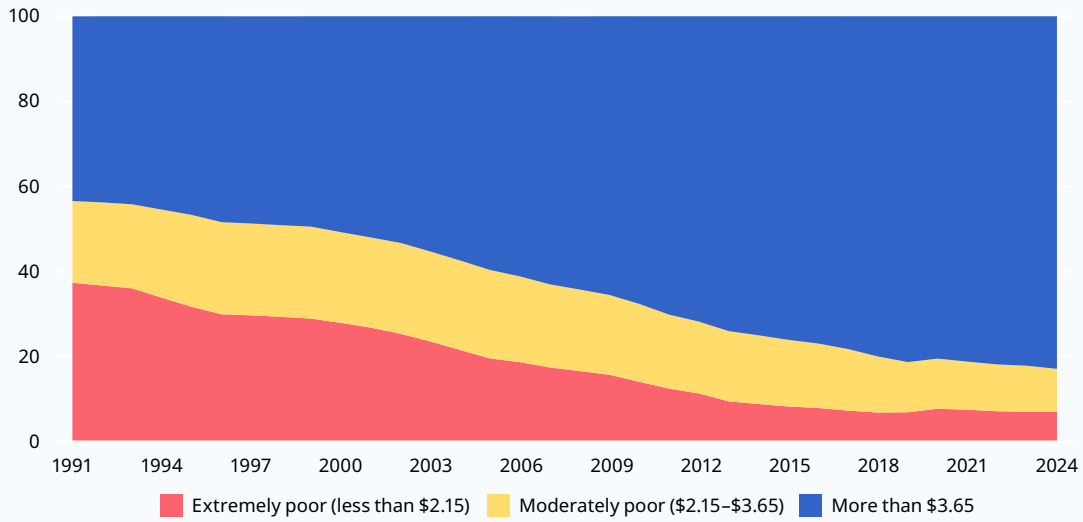
Extreme forms of working poverty remain a challenge (figure 1.15). While moderate working poverty has declined by more than 5 percentage points since 2015, and fell to an even lower level during the pandemic, the most extreme forms of working poverty have persisted in low-income countries. They affect around 7 per cent of the global workforce, more than 240 million workers worldwide.

Figure 1.14. Share of informal employment, world and country income groups, 2004 and 2024 (percentage)



Source: ILOSTAT, ILO modelled estimates, November 2024.

Figure 1.15. Share of working poverty and employment by economic class, world, 1991–2024 (percentage)



Note: The figure shows the share of workers living in households with the denoted income per head per day, in PPP international dollars.

Source: ILOSTAT, ILO modelled estimates, November 2024.

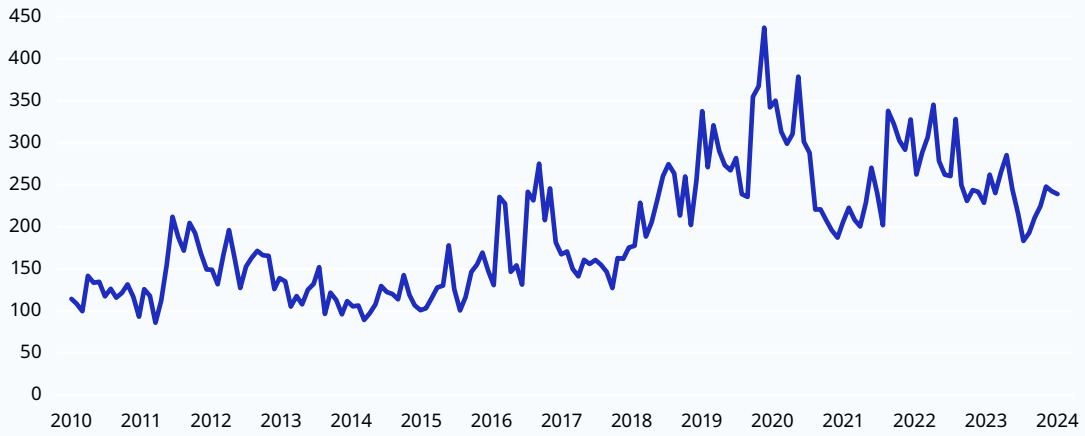
Outlook: Uncertainty hinders structural change

In its return to pre-pandemic growth and employment levels the global economy has proved to be resilient; but, further ahead, deep structural challenges threaten sustainable progress and so give rise to economic uncertainty. The Economic Policy Uncertainty Index – an indicator that takes stock of how many news stories in major publications cite uncertainty – reflects a significant rise in economic policy uncertainty in 2024 (figure 1.16). This is both a product and a cause of growing labour market precarity.

With uncertainty remaining stubbornly high, global growth is not expected to accelerate. Major economic hubs in Europe and Eastern Asia are struggling to regain a faster rate of economic expansion. This is weighing down economic activity among their trading partners in Africa and Latin America and the Caribbean. Global sovereign debt has reached an all-time high, exacerbating uncertainty and raising the risk of a major debt crisis in vulnerable countries (IMF 2024b). There is limited room for additional fiscal stimulus in these countries. Moreover, countries in which a demographic transition towards an older population is underway need to mobilize larger fiscal resources to bolster their social security systems, which leaves little room for short-term adjustments and stimulus.

As we go forward, labour force participation may come down. The increase in the labour force participation rate of some demographic groups, most notably women and those aged 55–64 in advanced economies, will likely become smaller owing to ageing populations. This could exacerbate labour shortages in certain sectors.

Figure 1.16. Economic Policy Uncertainty Index, world



Note: Based on data for the following 29 economies: Australia, Belgium, Brazil, Canada, Chile, China, Colombia, Croatia, Denmark, France, Germany, Greece, Hong Kong (China), India, Ireland, Italy, Japan, Mexico, Netherlands, New Zealand, Nigeria, Pakistan, Republic of Korea, Russian Federation, Singapore, Spain, Sweden, United Kingdom of Great Britain and Northern Ireland, United States of America.

Source: Economic Policy Uncertainty Index.

Unemployment is likely to remain flat even though employment growth is expected to decelerate. The long-term downward trend in employment generation since the turn of the twenty-first century is particularly worrying.

Global growth is expected to remain too shallow to have much effect in reducing the jobs gap or improving working conditions. The structural transformation of the global economy is too slow to accelerate productivity growth sufficiently to allow the growing global labour force to find productive employment outside a small number of interconnected hubs. Labour shortages in advanced economies add to these problems precisely because they reduce the capacity of affected countries to grow faster and invest more heavily in innovative capacity. In other words, population ageing and falling fertility rates reduce the speed at which the global economy can achieve the Sustainable Development Goals (Fernandez-Villaverde 2024).

Over the medium term and despite weak growth, labour shortages are likely to return, especially if the recovery continues. Indeed, as major central banks continue to lower their interest rates, economic activity is expected to accelerate. Migration is unlikely to provide much relief for either sending or recipient countries. Political resistance is high and it will be some time before the agreements on skills partnerships signed over the past several years will enable a significant number of jobs to be filled with suitable candidates. For most sending countries, the partnership agreements will provide only limited relief for the labour markets. What can be hoped for is an increase in remittances that will help to alleviate poverty.

Major transformations such as the green transition and the continuing advance of technology, including artificial intelligence (AI), will increasingly require the global workforce to adjust to large-scale disruptions. The world having come closer, in 2024, to surpassing the 1.5°C threshold fixed in the Paris Agreement, the effects of climate change on people's livelihoods have become ever more visible (Banerjee et al. 2024). The energy transition will also have widespread and cascading effects across economies. In 2023, there was an increase of 16.2 million jobs in renewable energy, but such jobs are unevenly distributed: almost half of new green jobs are in Eastern Asia. There are far fewer decent green jobs in other developing and emerging economies.

At the same time, technological change like AI is reshaping entire sectors. Artificial intelligence will sometimes change how tasks within jobs are performed; in other instances, it will create new jobs and make others obsolete. Several factors – such as skills, access to technology, and the geographic location of the new jobs – will impede workers from transitioning between sectors and occupations as these changes ensue (Dewan 2023).

The global economy faces significant challenges. Numerous countries are grappling with fiscal distress, and this is limiting their ability to provide essential services and infrastructure. High interest rates have pushed government debt to unsustainable levels, particularly in developing nations; 70 countries are at risk of debt distress.[1] Post-pandemic spending cuts and tax hikes, combined with under-taxation of capital in the digital economy, are exacerbating these issues. Climate-vulnerable nations are especially exposed to debt problems, and geopolitical instability is hindering international financial support. These debt burdens impact on governments' capacity to address climate-, energy- and AI-related job displacement, potentially intensifying global economic slowdowns. The vulnerability of global food production systems to various shocks, including extreme weather and geopolitical tensions, further complicates matters. Since the COVID-19 pandemic, multiple crises have pushed an additional 122 million people into hunger (FAO 2024b).

These challenges point to the fact that, despite the resilience that countries have displayed in the aftermath of the pandemic, there is a pressing need for structural improvement to enable sustainable economic growth. This will entail prioritizing job creation but also enhancing human capital formation through investment in education and skills training. Effective social protection systems can create jobs while also helping workers transition in the face of disruptions. The capacity of governments to navigate the large-scale transformations and to equip their populations to engage productively in labour markets will play a key role in progress towards the Sustainable Development Goals in the period up to 2030.

1 https://www.imf.org/external/pubs/ft/ar/2023/in-focus/public-debt/.

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2 Employment and social trends by region

Africa

Gross domestic product (GDP) growth in Africa is undermined by persistent challenges to the region's outlook, including sluggish per capita GDP growth. GDP in Africa is expected to have grown by 3.3 per cent in 2024, and 4.1 per cent is forecast for 2025 (IMF 2024a). Northern Africa and sub-Saharan Africa have some commonalities, including improved agricultural performance owing to favourable weather conditions, and strong demand for hydrocarbons and other commodities. Growth has suffered setbacks from recent climatic shocks that have further worsened fragilities in countries such as Libya. GDP per capita paints a different picture, with negligible annual average growth between 2014 and 2024. Long-standing issues such as inequality and poverty continue to blight the region. Regional conflicts affecting countries in Northern Africa, the Sahel and the Horn of Africa continue to hold back several countries, including Sudan and Ethiopia, impacting on tourism receipts and industrialization strategies (AfDB 2024a).

Commodity exports and a drop in inflation have improved the economic outlook in sub-Saharan Africa. The contribution of agriculture and mining to GDP growth is expected to remain elevated (EIU 2024a). GDP growth in sub-Saharan Africa is expected to have been 3.6 per cent in 2024 and is forecast to be 4.1 per cent in 2025 (IMF 2024a). Thanks to a slowdown in global energy and food prices (IEA 2024; FAO 2024), several African economies, including South Africa, are getting inflation under control, which is likely to facilitate monetary policy loosening and higher consumer spending (AfDB 2024a). Monetary easing in advanced economies also supports easing in sub-Saharan Africa as the risk of capital outflows goes down. Meanwhile growth in the agricultural sector and extractives is likely to be met by expanded export demand (EIU 2024a). Demand for hydrocarbons as well as energy transition minerals is expected to bolster growth in resource-intensive economies such as Angola, the Democratic Republic of the Congo and Nigeria (EIU 2024a; World Bank 2024a).

The threat of climate-change-related shocks remains a significant risk to the outlook. Vulnerability to climate-change-related shocks – including flooding, droughts, land degradation, soil erosion, heatwaves and unpredictable rainfall – remains a major threat to agricultural output as well as food security in the region (World Bank 2024a). Although there is potential for employment-intensive job creation in climate adaptation, including though the adoption of climate-smart agricultural practices, and in sustainable infrastructure and construction, the wider implications of climate-change-related shocks on the economy and labour markets are vast and continue to present a major downside risk in the subregion's economic outlook and an obstacle to the sustainability of growth. The risk to the economic outlook includes the impact on public debt, which has implications for the capacity for climate change adaptation (Mawejje 2024); public debt is already increasing as a result of loss and damage costs arising from climate change (Songwe and Signé 2024).

Labour market trends in Northern Africa

Growth in the working-age population in Northern Africa is outpacing growth in employment and the labour force. Northern Africa had a working-age population of 185 million in 2024, an increase of 3 million (2 per cent) from the previous year. Meanwhile employment growth and labour force growth stood at 0.7 per cent and 1.2 per cent, respectively. The result of these trends is a decrease in the labour force participation rate from 42.2 per cent to 42.0 per cent and a decrease in the employment-to-population ratio from 38.4 per cent to 37.9 per cent over the same period (table 2.1). These trends are expected to moderate in 2025.

Youth unemployment is particularly elevated in the subregion, particularly among young women. At 22.8 per cent in 2024, the youth (aged 15–24) unemployment rate in Northern Africa is one of the highest of all regions and subregions in the world, surpassed only by the Arab States, where it is 27.5 per cent. It reflects a lack of opportunities in Northern Africa for youth, and particularly young women, for whom the unemployment rate was 37.9 per cent, compared with 19.5 per cent for young men. This highlights a distinct lack of productive opportunities for women in the labour market and reflects wider labour market gender disparities in the subregion, which are exacerbated for youth. For instance, the adult (aged 25+) labour force participation rate of women is markedly lower than that of men, the rates being 19.4 per cent and 77.6 per cent, respectively. Less than one in ten (9.0 per cent) of young women (aged 15–24) are in the labour force.

Labour market trends in sub-Saharan Africa

Employment in sub-Saharan Africa is growing at a faster rate than unemployment, but most workers are not in productive and decent employment. Between 2023 and 2024, total employment increased by 3 per cent, corresponding to an employment-to-population ratio of 65.9 per cent in 2024. The unemployment rate remained 5.9 per cent in 2024 and is expected to remain stable into 2025. Average weekly hours worked remain stable at around 38 hours per

Table 2.1. Estimates and projections of employment, unemployment, labour force, informal employment and working poverty, regional and subregional, Africa, 2021–26

Region/ subregion	Employment-to-population ratio (percentage)						Employment (million)					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
Africa	59.3	60.0	60.4	60.3	60.3	60.3	502.1	522.0	541.0	555.6	571.4	587.6
Northern Africa	38.0	38.3	38.4	37.9	37.9	37.9	66.4	68.4	69.8	70.3	71.7	73.3
Sub-Saharan Africa	64.9	65.5	66.0	65.9	65.9	65.8	435.7	453.6	471.2	485.3	499.7	514.3
	Unemployment rate (percentage)						Unemployment (million)					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
Africa	7.4	6.6	6.4	6.5	6.4	6.3	40.1	37.0	37.0	38.4	39.0	39.6
Northern Africa	10.4	9.4	9.7	10.1	9.7	9.2	7.7	7.1	7.5	7.9	7.7	7.4
Sub-Saharan Africa	6.9	6.2	5.9	5.9	5.9	5.9	32.3	29.9	29.5	30.5	31.3	32.1
	Labour force participation rate (percentage)						Labour force (million)					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
Africa	64.0	64.2	64.5	64.5	64.4	64.3	542.2	559.0	578.1	594.1	610.4	627.2
Northern Africa	42.4	42.3	42.5	42.2	42.0	41.7	74.2	75.5	77.3	78.2	79.4	80.8
Sub-Saharan Africa	69.7	69.8	70.1	70.1	70.0	69.9	468.0	483.5	500.8	515.8	531.0	546.4
	Informal employment rate (percentage)						Working poverty rate (US$3.65 PPP per day) (percentage)					
	2021	2022	2023	2024			2021	2022	2023	2024		
Africa	85.3	84.0	83.7	83.6			54.5	53.9	53.6	57.1		
Northern Africa	62.8	62.9	62.8	62.4			15.9	15.4	16.7	18.9		
Sub-Saharan Africa	88.7	87.2	86.8	86.6			60.4	59.7	59.1	62.6		

Source: ILOSTAT, ILO modelled estimates, November 2024.

person employed, a number only marginally higher than in 2021. However, despite these relatively positive messages from the headline indicators, most of those in employment are not in productive and decent work.

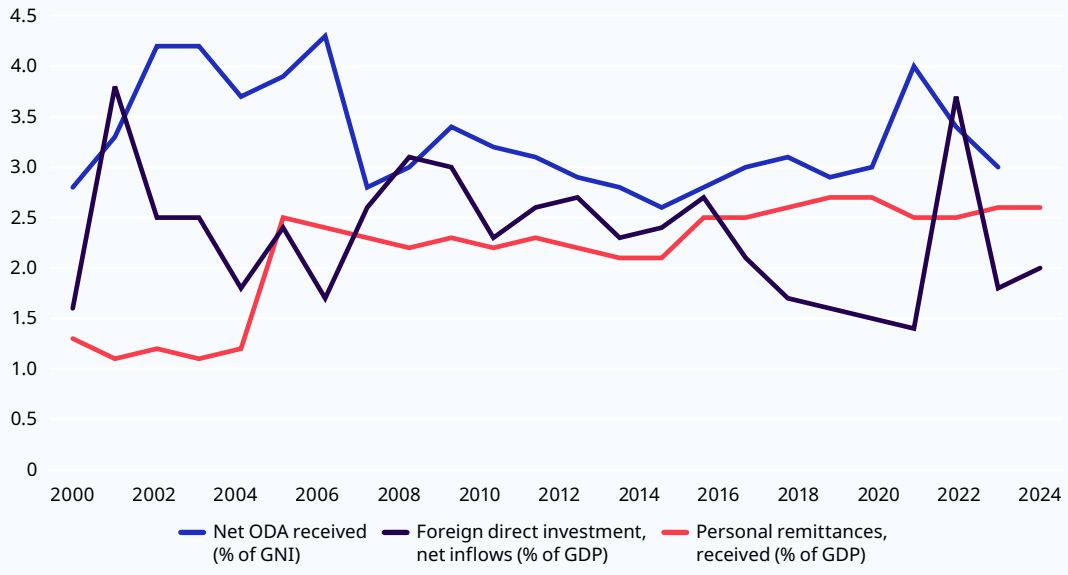
Decent work deficits, including informality, continue to undermine the headline employment and unemployment indicators. There is evidence that after periods of low growth, such as during the COVID-19 pandemic, formal employment opportunities decrease and workers and new entrants are forced to take informal jobs (IMF 2024b; ILO 2023). Of the 485 million in employment in sub-Saharan Africa in 2024, 86.6 per cent were informally employed and 62.6 per cent were in households living on less than US$3.65 per day in purchasing power parity (PPP) terms (the moderate poverty threshold). Those in informal employment, especially in agriculture but also in other economic activities such as wholesale and retail trade, lack regular income and access to social protection. A recent report found that, in Africa, only 19.1 per cent of the population in 2023 had access to at least one social protection benefit – the lowest figure of all regions (ILO 2024a). This compares with 68.2 per cent in the Americas, 30 per cent in the Arab States and 53.6 per cent in Asia and the Pacific.

Formalizing and bolstering remittances as a form of private capital mobilization

In 2020, an estimated 28.3 million Africans were living outside their country of origin, many of them sending back remittances (UN DESA 2020).[2] For many migrants the possibility of a better livelihood is a driving factor for migration, or even a necessity. For many Africans, labour migration is a means of providing for a family or community back home, by sending remittances. Private remittances, which are often a share of the earnings a migrant worker has earned abroad, are a major source of private capital flows in countries of origin. The cost of sending remittances has been declining globally, per Sustainable Development Goal (SDG) 10.c on transaction costs of migrant remittances, yet remains stubbornly high in many areas of sub-Saharan Africa (Katjomuise and Liwaaddine n.d.).

Remittances from migrant workers originating from sub-Saharan Africa have grown by 12.1 per cent per annum over the last 20 years in nominal terms. Remittances are private capital flows that represent an increasingly significant source of financial inflows, particularly during periods of instability. Their growth rate compares with a growth rate of 5.2 per cent per annum for inflows of foreign direct investment (FDI) and 4.7 per cent per annum for inflows of official development assistance (ODA). As of 2023, remittances accounted for 2.6 per cent of GDP in sub-Saharan Africa, and FDI for 2 per cent of GDP; ODA accounted for 3 per cent of gross national income (GNI) in 2022 (figure 2.1). The variation in flows of remittances, especially during times of crises, is much lower, and so remittances provide recipients with essential insurance against shocks (Chami et al. 2021). The evidence is far from conclusive on the complementarity and contributions of FDI, ODA and remittances with respect to recipient economies and job creation.

▶ **Figure 2.1. Remittances, ODA and FDI, sub-Saharan Africa, 2000–23**



Note: ODA = official development assistance; FDI = foreign direct investment; GDP = gross domestic product; GNI = gross national income.

Source: World Bank, World Development Indicators.

2 Migrant numbers could be significantly higher, especially given the difficulties in estimating irregular migration.

Several countries are seeking to formalize and bolster remittances as a form of private capital mobilization. For many low-income economies, low-cost financing is becoming increasingly difficult (Mawejje 2024). Public debt remains an endemic issue in Africa; median public debt is around 65 per cent of GDP. The cost of debt servicing alone, an estimated US$165 billion in Africa in 2024, means that many countries are paying more on servicing high-interest debt than they are on health and education (AfDB 2024b; Schwidrowski 2024). Remittances have become a more important financial flow, yet the contribution of remittances to debt sustainability in low-income economies was only added to the International Monetary Fund (IMF) and World Bank debt sustainability analysis framework in 2017 (Ratha et al. 2023). Remittances may be one of the only sources of private capital expected to increase over the next decade (World Bank 2023). Diaspora bonds are one means by which countries are seeking to formalize and bolster remittances as a form of private capital mobilization, as has been done in Nigeria and Ethiopia (Schneidman, Tadesse and Lissanu 2022).

Americas

GDP growth in the Americas is accompanied by receding inflation across the region. Despite an overall positive outlook across much of the Americas, GDP growth for the region was 2.4 per cent in 2024 and is expected to slow to 2.3 per cent and 2.2 per cent in 2025 and 2026, respectively, driven by a slight slowing in GDP growth in the United States (IMF 2024a). In both Northern America and Latin America and the Caribbean, receding inflation over 2024 has helped to improve domestic drivers of growth (IMF 2024c; EIU 2024b and 2024c).

Regional growth is buoyed by steady growth performances in major economies, including the end of recession in Argentina. In Latin America and the Caribbean, GDP growth is projected to increase to 2.5 per cent in 2025, up from 2 per cent in 2024 (IMF 2024a). Growth patterns vary across the Latin America and Caribbean countries, with a strong acceleration in Argentina, which is expected to exit a two-year recession in 2025, and decelerations in other major economies such as Brazil and Mexico. Growth across the Americas as a whole has improved; the Caribbean's growth is driven by a resurgence in tourism (IMF 2024c). Among the risks to the outlook are the geopolitical and trade implications of the new US administration. In Mexico and the Central American countries, restrictive migration policies in the US may affect remittance flows, which in turn could affect private consumption.

Long-term structural issues continue to weigh on growth prospects in Latin America and the Caribbean, including inequality, persistent poverty and low productivity growth. In 2023, it was estimated that more than half of the countries in Latin America and the Caribbean had poverty levels that remained higher than pre-pandemic levels and were made worse by inflation-led reductions in real incomes (OECD 2023). Furthermore, low productivity growth continues to plague the subregion, constraining long-term growth. This partly owes to the prevalence of self-employment and small-scale enterprises, which tend to have lower levels of technological innovation and uptake and cannot benefit from economies of scale (Maloney et al. 2024).

Monetary policy easing is expected to contribute to domestic-led growth in Northern America. Strong growth of around 2.6 per cent in 2024 is estimated to have occurred in Northern America, and a decline to 2.2 per cent is projected for 2025 (IMF 2024a). The dip is driven by the United States, whose growth is expected to decelerate to 2.2 per cent in 2025 after achieving 2.8 per cent in 2024 (IMF 2024a). The anticipated slowdown in 2025 reflects the lagged effects of tighter monetary policy when the Federal Reserve sought to reduce inflation. Because inflation reached target levels in 2024 and monetary policy has started to loosen, the US economy is expected to see a pick-up in 2026 (EIU 2024b). Meanwhile Canada is expected to have had 1.3 per cent growth in 2024 and to see an increase to 2.4 per cent in 2025 (IMF 2024a), in part owing to interest rate cuts mid-2024 (EIU 2024b).

Labour market trends in Latin America and the Caribbean

Low labour force participation rates and high unemployment rates for women reflect widespread gender disparities in the labour market. The labour force participation rate in Latin America and the Caribbean is relatively stable, at 62.6 per cent in 2024 (table 2.2). However, the male rate (74.6 per cent) was 23.4 percentage points higher than the female rate (51.2 per cent). Moreover, many of the jobs undertaken by women in the subregion are likely to be informal and in low-paid activities. The unemployment rate in Latin America and the Caribbean remained unchanged from 2023 at 6.2 per cent in 2024, corresponding to around 20 million job seekers. Unemployment rates and numbers are expected to remain stable in 2025. Youth unemployment has also remained relatively stable, at 13.6 per cent, significantly lower than the peak of 21.1 per cent in 2020 during the COVID-19 pandemic. Female youth continue to exhibit a higher unemployment rate than their male counterparts: 16.4 and 11.6 per cent in 2024, respectively. Furthermore, around a fifth of all youth are not in employment, education or training (NEET); for young women the proportion was nearly 26 per cent in 2024.

Decent work deficits, including high rates of informal employment, have contributed to low productivity growth in the subregion. Although the employment-to-population ratio has remained relatively stable at 58.7 per cent, total employment increased by 3 million between 2023 and 2024. Total employment in the subregion is characterized by low rates of productive employment, with decent work deficits, including high levels of informality – around 52 per cent of total employment in 2024. Many of the workers in question are engaged in small-scale service activities or smallholder farming. This small-scale informal employment has contributed to low productivity growth in the subregion over the last decade. Between 2014 and 2024, labour productivity growth in the subregion was recorded to be –0.4 per cent per annum, the lowest in the world after the Arab States (–0.9 per cent per annum). One challenge is that job creation in the subregion is largely driven by small-scale informal enterprises, particularly in the service sector, which lack the capacity for innovation and productivity growth associated with larger enterprises (ECLAC 2024).

Labour market trends in Northern America

In Northern America the employment-to-population ratio is estimated to be 59.6 per cent, below its pre-COVID pandemic level (60.7 per cent in 2019). Total weekly working hours remained stable at around 141 million full-time equivalent (FTE) jobs in 2024. Total weekly working hours are unlikely to change much despite the loosening of monetary policy potentially boosting job creation in the medium term. In the United States the Federal Reserve has announced its intentions to shift its focus to protecting the labour market while keeping inflation contained (EIU 2024b). The unemployment rate in Northern America increased to 4.4 per cent in 2024 from 3.8 per cent in 2023 and is expected to increase further in 2025 to 4.5 per cent, partly because of the delayed effects of monetary policy tightening in recent years.

Ageing populations and skills mismatches in both Canada and the United States are expected to contribute to increasing labour and skills shortages. Ageing populations, an expected sharp reduction in immigration, skills mismatches and resulting labour shortages in specific sectors and occupations are all placing long-term pressures on the labour market in Northern America. To address these challenges, Canada has implemented legislation to facilitate targeted skilled immigration with the aim of reducing skills gaps and mitigating the pressures from an ageing population (Government of Canada 2021). Between 2016 and 2021, around 1.3 million immigrants entered Canada (LMIC 2024), and a target number of close to 1.5 million more are expected to have entered the country between 2023 and 2025, although such targets are now facing some opposition (Government of Canada 2022). Similar measures face political opposition in the United States, which may limit the scope of managed immigration to alleviate labour shortages (Ainsley, Seidman and Martinez 2023).

Labour productivity in Northern America is likely to be bolstered by technology and innovation. Labour productivity in Northern America is forecast to grow at an average of 1.6 per cent

Table 2.2. Estimates and projections of employment, unemployment, labour force, informal employment and working poverty, regional and subregional, Americas, 2021–26

Region/ subregion	Employment-to-population ratio (percentage)						Employment (million)					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
Americas	57.1	59.0	59.3	59.0	58.9	58.8	460.2	480.0	487.8	491.0	494.8	499.0
Latin America and the Caribbean	56.2	58.5	58.8	58.7	58.6	58.6	278.6	292.8	297.9	300.8	303.8	306.9
Northern America	58.4	59.8	60.0	59.6	59.3	59.2	181.6	187.2	189.9	190.2	191.0	192.1
	Unemployment rate (percentage)						Unemployment (million)					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
Americas	7.8	5.7	5.3	5.5	5.6	5.5	38.8	29.2	27.3	28.7	29.2	28.9
Latin America and the Caribbean	9.2	6.9	6.2	6.2	6.2	6.1	28.1	21.7	19.7	20.0	20.1	19.9
Northern America	5.6	3.8	3.8	4.4	4.5	4.5	10.7	7.5	7.6	8.7	9.1	9.0
	Labour force participation rate (percentage)						Labour force (million)					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
Americas	61.9	62.6	62.6	62.5	62.3	62.2	499.1	509.2	515.1	519.7	524.0	527.9
Latin America and the Caribbean	61.9	62.8	62.7	62.6	62.5	62.3	306.7	314.5	317.6	320.8	323.9	326.8
Northern America	61.9	62.2	62.4	62.3	62.1	62.0	192.4	194.7	197.5	198.9	200.1	201.1
	Informal employment rate (percentage)						Working poverty rate (US$3.65 PPP per day) (percentage)					
	2021	2022	2023	2024			2021	2022	2023	2024		
Americas	36.2	35.5	35.2	35.1			5.2	4.5	4.4	4.7		
Latin America and the Caribbean	53.1	52.5	51.9	51.8			8.5	7.3	7.3	7.6		
Northern America	10.4	9.0	8.9	8.7			0.0	0.0	0.0	0.0		

Source: ILOSTAT, ILO modelled estimates, November 2024.

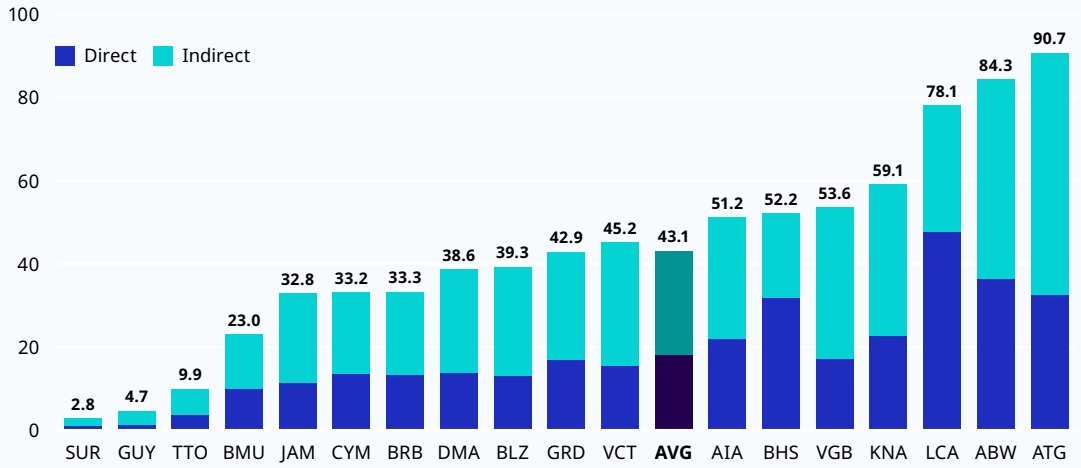
per annum over the next two years (2024–26), compared with an average of 1.3 per cent per annum over the 2014–24 period. In recent years the region's labour productivity growth has outpaced that of the European Union; digital advancement, innovation and technology are likely contributing factors (Schnabel 2024). Capital investment, particularly in research and development, and growth in technology sectors, particularly those located in Silicon Valley, are expected to contribute to labour productivity growth in the medium term (Fernald 2024).

Climate-related risks and the Caribbean tourism industry

Estimates suggest that more than 40 per cent of total employment in the Caribbean is related to the tourism sector, which is highly vulnerable to climate-related shocks. Tourism is estimated to contribute nearly 33 per cent of GDP in the Caribbean, to directly account for around 18 per cent of all employment there,[3] and to be indirectly linked to 43.1 per cent of total employment (ILO 2020).[4] These estimates suggest that in total around 413,000 people in the Caribbean are directly employed in the tourism sector, and that employment in the sector reaches nearly 1 million when both direct and indirect employment are included (ILO 2020). In Antigua and Barbuda, more than 90 per cent of total direct and indirect employment is in the tourism sector; in Aruba it is 84 per cent and in Saint Lucia 78 per cent (figure 2.2). The tourism sector has a large number of women workers, who account for 50–60 per cent of the sector's workforce, and is also an important source of employment for youth. The reliance on tourism and the lack of diversification make those directly or indirectly employed in this sector particularly vulnerable to disruption of the industry.

Given the intensifying effects of climate change, the Caribbean is particularly exposed to climate-related shocks. For a start, many Caribbean islands including Barbados, Dominica, Grenada and Montserrat are located in "Hurricane Alley" – a regional belt of major hurricanes. On top of this, the low-lying nature of many areas in the Caribbean, including Trinidad and Tobago and the Bahamas, increases their exposure to both long-term rising sea levels and short-term tidal surges (Andrewin, Rodriguez-Llanes and Guha-Sapir

▶ **Figure 2.2. Direct and indirect employment in the tourism industry, share of total employment, Caribbean countries and non-mainland territories, 2019** (percentage)



Note: SUR = Suriname, GUY = Guyana, TTO = Trinidad and Tobago, BMU = Bermuda, JAM = Jamaica, CYM = Cayman Islands, BRB = Barbados, DMA = Dominica, BLZ = Belize, GRD = Grenada, VCT = Saint Vincent and the Grenadines, **AVG** = average, AIA = Anguilla, BHS = Bahamas, VGB = British Virgin Islands, KNA = Saint Kitts and Nevis, LCA = Saint Lucia, ABW = Aruba, ATG = Antigua and Barbuda.

Source: ILO (2020).

3 Estimates refer only to the English- and Dutch-speaking Caribbean and include the following: Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago. They exclude Haiti and Spanish-speaking Cuba, Dominican Republic and Puerto Rico.

4 These figures are based on estimates derived from the World Travel and Tourism Council (WTTC). The definition of tourism sector employment used by the WTTC differs from the ILO definition. See further information in https://ilostat.ilo.org/blog/tracking-the-rebound-in-tourism-employment/ and in footnote 18 of ILO (2020).

2015). This exposure is set to increase as climate change and rising temperatures impact on weather patterns and long-term trends such as rising sea levels, coastal erosion and increasing frequency of storms and flooding. Many areas' vulnerability to such impacts is made worse by large coastal populations, reliance on energy and food imports, and lack of fiscal space for investment in climate adaptation, resilience and post-impact response and reconstruction (Patrick 2024; Roy 2023). Expenditure on climate events has contributed to many Caribbean countries' elevated levels of public debt.

While employment in the tourism industry is directly affected, the impact on incomes and livelihoods is multifaceted and indirect. The impact of climate-related events on the local population includes impacts on food security, water supplies, infrastructure and basic services. Food security is worsened by the impact on agricultural production, which accounts for around 10 per cent of the region's employment. Water systems are affected by flooding, tidal surges and storms, all of which contribute to the spread of waterborne disease, limit the availability of fresh drinking water and contaminate food supplies. There are also direct impacts on infrastructure, both physical and in terms of basic service provision. The impact of these climate-related shocks is a factor driving migration flows within the Caribbean and emigration out of it (Roy 2023). The cumulative impact of climate-related disasters is estimated to have included the emigration of around 12 million people and costs of US$20 billion (adjusted to 2024 prices) between 2000 and mid-2024.[5]

Major action on climate change resilience and adaptation is necessary to counter the short- and long-term climatic impacts on employment and livelihoods in the Caribbean. Some estimates suggest that coastal erosion from rising sea levels could contribute to a reduction of nearly 50 per cent of direct tourism revenue (Spencer, Strobl and Campbell 2022). The COVID-19 pandemic also provided an insight into the impact of a major disruption of the tourism industry on livelihoods in the Caribbean. Estimates suggest that around 70 per cent of hotels laid off employees and more than half cut salaries (ILO 2020). The impact on employment is broader when one considers the indirect impacts on the broader service sector as well as the climate impacts on agriculture. During the pandemic, the Caribbean economies were able to contain job losses through stimulus packages and relief measures. With the longer-term impacts of climate-related shocks, such measures are less feasible; what is required instead is significant investment and action at the global level on climate change adaptation and resilience.

Social protection systems that are integrated into the national climate resilience strategies of Caribbean countries are imperative to mitigate the livelihood impact on workers in the tourism sector and on all those affected by climate-related shocks (ILO 2024a). Funding gaps in such systems need to be bolstered by multilateral funds and international donors. As the Caribbean contributes relatively little greenhouse gas emissions but are disproportionately affected by climate change, certain measures should be established to offset this imbalance (under the notion of "climate justice"). These include climate finance from developed countries to help build climate resilience, such as through multilateral climate funds like the Green Climate Fund (GCF) Adaptation Fund. Additionally, and especially with the elevated levels of public debt in the Caribbean, debt-for-climate swaps – a form of debt relief in return for implementing climate resilience measures – could also be explored (Braga and Ernst 2023).

5 https://www.emdat.be. "Climate-related disasters" are defined as meteorological, climatological and hydrological disasters.

▶ Arab States

Economic trajectories continue to diverge between net oil-exporting and oil-importing economies in this region. Overall, GDP growth in the Arab States is expected to have reached 1.5 per cent in 2024, up from no growth in 2023, and after several years of oscillation, including through the COVID-19 pandemic (IMF 2024a). The outlook suggests an increase in growth to 4.1 per cent in 2025. However, the possibility of further conflict escalation and the prospect of a regional war constitute downside risks to the region's outlook. The divergence between Gulf Cooperation Council (GCC) economies (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) and non-GCC economies is expected to widen as these two subregions face different risks.

Economic diversification in GCC economies is expected to play an increasingly important role as a driver of growth in the medium to long term. While the GCC economies have benefited from higher oil prices following the Russian invasion of Ukraine, the bolstered public coffers have allowed GCC governments to advance economic diversification away from hydrocarbons, through investment in areas like tourism, technology and renewable energy (EIU 2024d). An easing of OPEC+ (Organization of the Petroleum Exporting Countries Plus) oil production constraints is likely to curb oil revenues in GCC economies, yet these economies are still forecast to grow at 4.2 per cent in 2025, up from 1.8 per cent in 2024, by offsetting lower oil revenues with resources from sovereign wealth funds that will fund major infrastructure and non-oil projects. There is a risk that the region's oil production may be affected by attacks on trade routes, including shipping lanes, as well as by the introduction of sanctions to the region should conflict and instability turn into a regional war. Such eventualities would likely cause a downward revision of GDP growth forecasts throughout the subregion from 2025 onwards (EIU 2024d).

Meanwhile the non-GCC economies face humanitarian crises and economic fallout as a result of the escalating regional conflict and instability. The Occupied Palestinian Territory is experiencing a humanitarian disaster, the economic impact of which has been unprecedented (World Bank 2024b; ILO and PCBS 2024). As part of the escalating regional conflict, the Israel–Hamas war and Israel–Hezbollah conflict have been affecting multiple countries in the region, reducing tourism receipts and domestic and foreign investment while also presenting the challenges of major population displacement (Gatti et al. 2024). GDP growth in the non-GCC economies is estimated to have been 0.5 per cent in 2024 and forecast to increase to 3.7 per cent in 2025. Yet, the ongoing and escalating conflict and instability in the Arab States will continue to have ramifications for economic growth, investment, and labour markets throughout the region (ILO 2024b).

Labour market trends in the Arab States

Gender gaps characterize many of the headline labour market indicators in the region. The labour force participation rate in the Arab States, 49.2 per cent in 2024, remains relatively unchanged, year on year (table 2.3). This relatively low rate owes to the exceptionally low labour force participation of women, 19.2 per cent in 2024, compared with 73.6 per cent for men. This is representative of wider socio-cultural norms and expectations that often prioritize domestic over professional roles for women. Such barriers to participation in this region are compounded by a lack of supportive workplace policies such as maternity leave and flexible working hours, as well as various forms of gender-based discrimination and stereotypes that hinder women's career advancement and their access to leadership and managerial positions. The disadvantaged position of women is evident in unemployment rates too: women have a significantly higher rate of unemployment, 17 per cent, than men, at 8.2 per cent.

Youth account for 40 per cent of the region's unemployed, which suggests a lack of productive opportunities for young people. The unemployment rate of the Arab States is estimated to have been 9.7 per cent in 2024. The unemployment rate is significantly higher in non-GCC economies (16.5 per cent) than in GCC economies (2.9 per cent). The youth unemployment rate is more than four times higher than the rate for

Table 2.3. Estimates and projections of employment, unemployment, labour force, informal employment and working poverty, regional and subregional, Arab States, 2021–26

Region/ subregion	Employment-to-population ratio (percentage)						Employment (million)					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
Arab States	43.1	44.3	44.6	44.4	44.5	44.5	51.6	54.9	57.6	59.2	61.0	62.6
Non-GCC	31.2	32.3	32.3	32.0	32.2	32.3	24.2	25.9	26.9	27.6	28.6	29.6
GCC	65.2	66.4	67.1	67.2	67.2	67.2	27.4	29.0	30.7	31.6	32.4	33.1
	Unemployment rate (percentage)						Unemployment (million)					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
Arab States	10.9	10.0	9.5	9.7	9.4	9.2	6.3	6.1	6.1	6.4	6.3	6.3
Non-GCC	17.1	16.0	16.0	16.5	15.8	15.4	5.0	4.9	5.1	5.4	5.4	5.4
GCC	4.6	4.0	3.0	2.9	2.9	2.8	1.3	1.2	1.0	1.0	1.0	1.0
	Labour force participation rate (percentage)						Labour force (million)					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
Arab States	48.4	49.2	49.3	49.2	49.1	49.0	57.9	61.1	63.6	65.6	67.3	69.0
Non-GCC	37.6	38.4	38.4	38.3	38.2	38.1	29.2	30.9	32.0	33.0	34.0	34.9
GCC	68.3	69.2	69.2	69.2	69.2	69.1	28.7	30.2	31.6	32.6	33.4	34.0
	Informal employment rate (percentage)						Working poverty rate (US$3.65 PPP per day) (percentage)					
	2021	2022	2023	2024			2021	2022	2023	2024		
Arab States	51.4	51.1	51.0	50.9			14.1	14.7	15.2	15.8		
Non-GCC	68.9	68.3	68.5	68.6			28.7	29.8	31.1	32.3		
GCC	36.0	35.7	35.6	35.4			1.2	1.2	1.2	1.5		

Source: ILOSTAT, ILO modelled estimates, November 2024.

adults (27.5 per cent and 6.8 per cent, respectively). Youth unemployment rates in the region tend to increase with higher levels of education. This owes in part to the lack of job creation for higher-skilled graduates, as well as to shortcomings in the education system's ability to equip graduates with the skills and knowledge in demand in the labour market – as employers in the region have expressed (ILO 2024b).

Around a third of all youth (aged 15–24) were NEET in 2024, the highest rate of all subregions globally. The rate was particularly high for young women, 46.4 per cent of which aged 15–24 were NEET, compared with 21.1 per cent of men in the same age bracket. The high share of youth who are NEET is driven by the non-GCC economies, in which the overall NEET rate for men and women was 38.6 per cent, compared with 15.5 per cent in the GCC economies. This rate remains higher than before the COVID-19 pandemic and suggests that many economies in the region are not on track to meet SDG target 8.6, to "substantially reduce the proportion of youth not in employment, education or training", by 2030 (ILO 2024c). The high NEET rates of women reflect the double burden of being both a woman and young in the region, and an environment that is ill equipped for young women to engage with the labour market. For men, high NEET rates are also associated with higher risks of social unrest and political instability (ILO 2024b).

Labour market segmentation remains a challenge for GCC economies. A preference among nationals for public sector jobs and a reliance on both low-skilled and high-skilled non-nationals for knowledge transfer present challenges for the sustainability of economic diversification efforts (ILO 2024b). The transition of GCC economies away from hydrocarbons and their expansion of other industries – including renewable energy, tourism and technology – require investment in technical and vocational education and training that will produce the required skills. The high youth unemployment and NEET rates suggest that technical and vocational education and training strategies may need adjustment if these economies are to source the skills required for this transition through domestic employment (EIU 2024d). Meanwhile the poor working conditions and inadequate protection of low-skilled migrant workers remain a major concern.

The adoption of artificial intelligence and digital technologies and widening gender gaps

Many economies are integrating artificial intelligence (AI) and digitalization into national development strategies, and the Arab States are no exception. GCC economies in particular (for example, Bahrain, Saudi Arabia and the United Arab Emirates) are integrating AI and digital technologies as a fundamental part of their national vision – for example, the United Arab Emirates' National Artificial Intelligence Strategy 2031 (JustJobs Network 2024). In a context where some estimates suggest that as many as 77 per cent of jobs by 2030 will require digital skills (World Economic Forum 2023), and where AI has the potential to contribute from 9 to 14 per cent of the GCC economies' GDP by 2030 (Berglind, Fadia and Isherwood 2022; PwC 2018), investment in specialized training and upskilling in digital skills will be a fundamental component of economic diversification in the subregion.

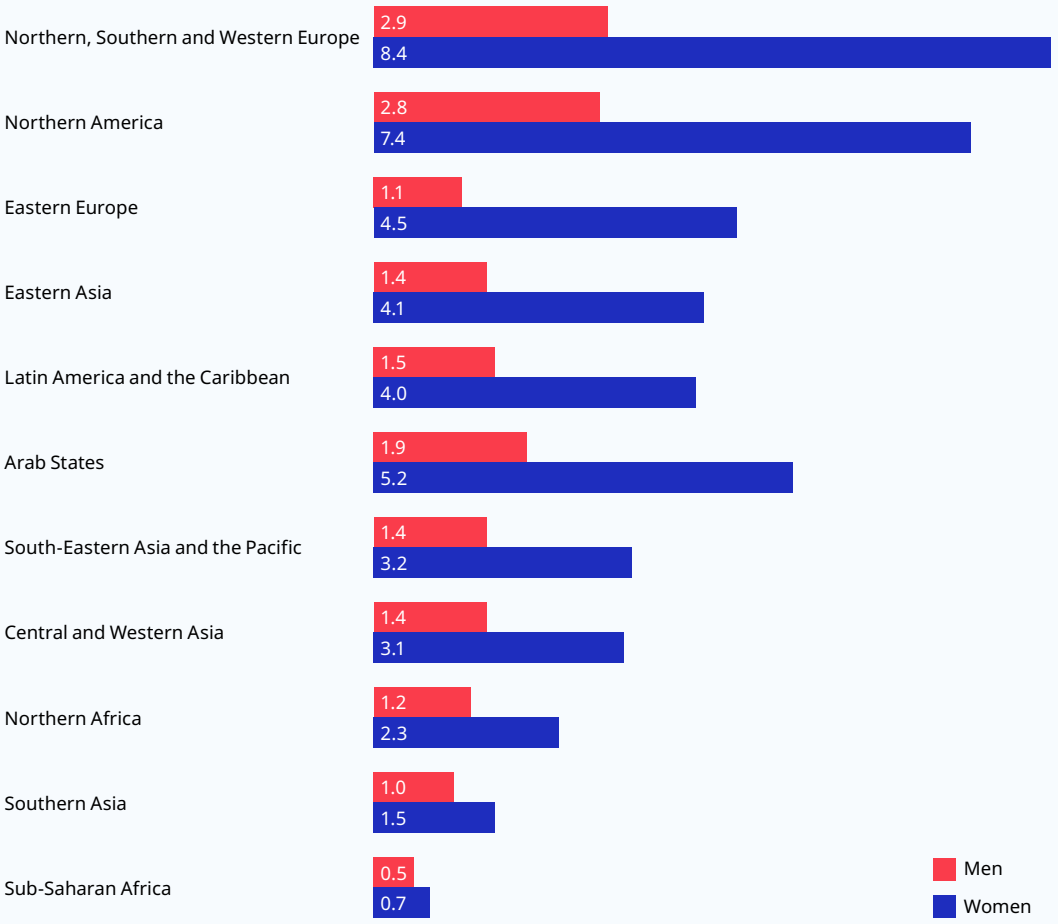
In the non-GCC economies, poor digital infrastructure remains an impediment to leveraging digital technologies (ILO 2024b). In Lebanon, for example, a survey found that 88 per cent of enterprises interviewed in the tech sector were recruiting but were unable to find graduates with the necessary skills (Habibian, Elzir and Jaber 2023). There are increasing employment opportunities for digitally enabled work in these economies, including digital platform work – with both location-based platforms (for example, food delivery) and web-based platforms (ILO 2024b). Nonetheless, the challenges around decent work for digital platform workers remain significant, given the lack of job security, safeguards and legal protection (ILO 2024b).

Adoption of AI and digital technology may exacerbate gender gaps in the region, including in employment. Given the major gender gaps, the Arab States will need to step up their efforts to ensure that the new technological developments do not widen these gaps and to ensure that the adoption of these technologies benefits women as much as men. A study on generative AI and jobs, and the potential effects on job quantity and quality, for instance, found that, around the world, generative AI technology is expected to augment or complement most occupations, rather than fully automate the work (Gwyrek, Berg and Bescond 2024).[6] In the Arab States, exposure to the automating effects of generative AI is expected to be significantly greater for women than for men (5.2 per cent compared with 1.9 per cent, respectively) (figure 2.3). The higher exposure for women across all regions, as well as in the Arab States, is partly driven by the higher share of women in clerical occupations, which are at higher risk of automation (Gwyrek, Berg and Bescond 2024). We should note that exposure does not necessarily mean that a job will be displaced.

Policy efforts will be necessary to mitigate the risk that AI and other digital technologies will widen the gender gap in the Arab States. For a start, there will be a need for the regulation of generative AI technology and its use and impact

6 This also highlights other risks, particularly relating to the digital divide – whereby high-income countries are far more able to benefit from AI and other digital technologies than are lower-income countries (UN and ILO 2024).

Figure 2.3. Proportion of employment with potential exposure to automating effects of generative AI, by sex and subregion (percentage)



Source: UN and ILO (2024).

in the workplace, and this regulation should be developed through social dialogue. Furthermore, it is necessary to bolster national AI capacity, through education, skills and lifelong learning frameworks, to ensure that certain digital skills are strengthened as foundational skills, and to include a targeted approach to access to training to ensure that women are not excluded (UN and ILO 2024). Policies designed to address gender-specific needs in the digital transformation process, including for the care economy and green economy, will be paramount for equitable access to AI resources (UN and ILO 2024).

▶ Asia and the Pacific

Southern and South-Eastern Asia are driving this region's growth performance. GDP growth in Asia and the Pacific is estimated to have been around 4.4 per cent in 2024 and expected to remain buoyant at 4.3 per cent in 2025 (IMF 2024a). Growth is driven largely by Southern Asia and South-Eastern Asia, since Eastern Asia continues to experience a slowing in growth. For a region as large and diverse as Asia and the Pacific, there are considerable regional differences in growth performance and outlook.

China's economic cooldown is moderating growth rates in the Eastern Asia subregion. Eastern Asia's GDP growth of 3.8 per cent in 2024 and 3.5 per cent forecast for 2025 are relatively high compared with other subregions globally but are below the pre-COVID-19 long-term average of 5.8 per cent between 2006 and 2019. Eastern Asia's performance is largely tied to China, which is experiencing a structural slowdown (IMF 2024d). This slowdown in China is driven in part by sluggish domestic demand, as well as by ongoing trade disruptions, including around electric vehicles, that have impacted on exports (EIU 2024e).

Southern Asia's relatively high growth rates are driven by India's growth performance. India's growth underpins GDP growth performance in Southern Asia, a subregion whose GDP is expected to have grown by 6.2 per cent in 2024 and to grow by 5.8 per cent in 2025. India has one of the fastest growth rates in the world, 6.9 per cent in 2024 and forecast to be 6.4 per cent in 2025 (EIU 2024e). India's growth is driven by monetary policy easing, strong domestic demand, and public investment (IMF 2024d).

Meanwhile, South-Eastern Asia's outlook is encouraging amidst favourable global demand, while Pacific Island countries continue to experience economic fallout from COVID-19. South-Eastern Asia exhibited GDP growth of 4.6 per cent in 2024 and is forecast to grow at a similar rate in 2025. Part of the positive outlook for the subregion comes from the demand for electronics, a major merchandise export for economies like the Philippines, Singapore, Malaysia and Thailand, although this demand could be dampened by the new US administration. Meanwhile in the Pacific Islands subregion, 97 per cent of whose GDP is accounted for by Australia and New Zealand, growth is estimated to have been 1.1 per cent in 2024 and to rise to 2.1 per cent in 2025. Excluding these two major economies, the average for the remaining Pacific Island countries is 2.3 per cent in 2024 and 2.9 per cent forecast for 2025. Growth in many of these other countries relies in large part on tourism, as well as on mining and agriculture growth in Papua New Guinea, another large economy in the subregion. Many Pacific Island countries have experienced a prolonged economic impact from the COVID-19 pandemic, with persistently low numbers of tourists (ILO 2024d).

Labour market trends in Asia and the Pacific

Increases in women's labour force participation in Southern Asia have helped offset the downward trend in labour force participation rates in the region. The relatively stable labour force participation rate of 60.7 per cent in 2024 for Asia and the Pacific as a whole masks contrasting trends by subregion (table 2.4). There have been significant increases in the labour force participation rate in Southern Asia, driven by increases in female participation, particularly in India. Southern Asia's labour force participation rate is estimated to have been 54.5 per cent in 2024. This is relatively low compared with Eastern Asia's 65.3 per cent, South-Eastern Asia's 66.3 per cent and the Pacific Islands' 64.1 per cent. The reason is that, despite the high labour force participation rate of men, 76.7 per cent, Southern Asia has one of the largest gender gaps in participation worldwide, with a female participation rate of 31.4 per cent. The narrowing of this gender gap, particularly over the last five years, through the increased participation of women in the labour force (from 26.9 per cent in 2019), has raised the overall participation rate in Southern Asia from 52.1 per cent in 2019. This increase has partly offset the decreasing labour force participation rate in Eastern Asia, which decreased from 66.9 per cent in 2019 to 65.3 per cent in 2024.

Falling youth participation and ageing populations are contributing to long-term downward trends in the labour force participation rates in the region. The region's participation rate

Table 2.4. Estimates and projections of employment, unemployment, labour force, informal employment and working poverty, regional and subregional, Asia and the Pacific, 2021–26

Region/subregion	Employment-to-population ratio (percentage)						Employment (million)					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
Asia and the Pacific	57.2	57.6	58.1	58.2	58.0	57.9	1,930.8	1,962.0	1,999.6	2,024.2	2,039.3	2,055.9
Eastern Asia	63.7	62.5	62.8	62.5	62.2	62.0	881.1	868.1	875.0	874.6	874.4	874.4
South-Eastern Asia	63.1	64.8	64.8	64.7	64.5	64.4	321.7	334.6	338.7	342.3	345.8	349.0
Southern Asia	48.9	50.3	51.3	51.9	51.9	51.9	707.4	737.9	764.3	785.5	797.1	810.2
Pacific Islands	60.5	61.8	61.9	61.5	61.3	61.2	20.6	21.3	21.6	21.8	22.0	22.3
	Unemployment rate (percentage)						Unemployment (million)					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
Asia and the Pacific	5.0	4.5	4.2	4.2	4.1	4.1	100.9	92.6	87.3	87.7	88.1	87.4
Eastern Asia	4.4	4.7	4.4	4.3	4.3	4.2	40.2	42.5	40.2	39.3	38.9	38.5
South-Eastern Asia	3.2	2.6	2.5	2.4	2.4	2.4	10.6	8.9	8.6	8.5	8.4	8.6
Southern Asia	6.5	5.2	4.7	4.7	4.8	4.6	49.1	40.4	37.6	38.9	39.8	39.4
Pacific Islands	4.6	3.6	3.6	4.0	4.2	4.2	1.0	0.8	0.8	0.9	1.0	1.0
	Labour force participation rate (percentage)						Labour force (million)					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
Asia and the Pacific	60.2	60.3	60.6	60.7	60.5	60.4	2,031.6	2,054.6	2,086.9	2,111.9	2,127.5	2,143.3
Eastern Asia	66.6	65.6	65.7	65.3	65.0	64.7	921.3	910.7	915.2	913.9	913.3	912.8
South-Eastern Asia	65.2	66.6	66.5	66.3	66.1	65.9	332.3	343.6	347.4	350.8	354.2	357.6
Southern Asia	52.3	53.1	53.8	54.5	54.4	54.4	756.5	778.3	801.9	824.5	837.0	849.6
Pacific Islands	63.5	64.1	64.2	64.1	64.0	63.8	21.6	22.1	22.4	22.7	23.0	23.3
	Informal employment rate (percentage)						Working poverty rate (US$3.65 PPP per day) (percentage)					
	2021	2022	2023	2024			2021	2022	2023	2024		
Asia and the Pacific	66.9	66.0	66.0	65.8			16.9	16.0	15.3	12.8		
Eastern Asia	49.2	47.3	46.8	46.3			0.9	0.9	0.9	1.2		
South-Eastern Asia	71.6	70.0	69.7	69.3			14.2	13.1	12.2	12.3		
Southern Asia	87.6	87.0	87.2	86.7			38.3	35.2	33.3	26.0		
Pacific Islands	35.4	35.6	35.4	35.5			10.4	10.2	10.2	9.7		

Source: ILOSTAT, ILO modelled estimates, November 2024.

decreased by nearly 5 percentage points from 65.2 per cent in 2004 to 60.7 per cent in 2024. The long-term decline has been attributed to two main factors: the falling labour force participation rate of youth (aged 15–24) as young people stay longer in education; and an increasing share of the population over 65 who are more likely to be out of the labour force (ILO 2024e). The youth labour force participation rate, for instance, declined from 51.9 per cent in 2004 to 39.3 per cent in 2024.

Stable unemployment rates hide multiple barriers to accessing productive employment opportunities. The unemployment rate of 4.2 per cent was relatively unchanged over 2023 and 2024. Hidden beneath this figure, youth unemployment remains a major concern in some subregions, including Southern Asia (ILO 2024c) and Eastern Asia. In Eastern Asia the unemployment rate of youth is more than four times higher than that of adults and nearly 4 percentage points above the rate before the pandemic. Other angles for assessing access to employment are evident from indicators such as the youth NEET rate. In Asia and the Pacific, around 20 per cent of all youth are NEET; the rate is particularly elevated for young women, at 30.4 per cent, compared with 11.3 per cent for young men. These numbers suggest that young women face greater obstacles to access to employment, and in education and training, than do young men in the region. Another indicator relevant to access to employment is the jobs gap, which captures those on the periphery of the labour force, namely those who want employment but are not available or not actively seeking a job, or both. This category includes those who are unable to work for various reasons, including care work obligations. It adds a further 76 million without work on top of the 88 million unemployed in the region.

Progress across several decent work deficits has stalled

Rising incomes have helped to alleviate poverty in the region and to decrease the share of the employed population in working poverty. Working poverty at the moderate poverty threshold (US$3.65 PPP per day) decreased from 55.0 per cent in 2004 to 12.8 per cent in 2024, a decrease of 42 percentage points (figure 2.4(b)). Although the 2024 rate still accounts for 260 million people, it represents significant progress over the last two decades. Several other decent work indicators have shown improvements over the same period, but to a lesser degree and with signs of slowdown and stagnation.

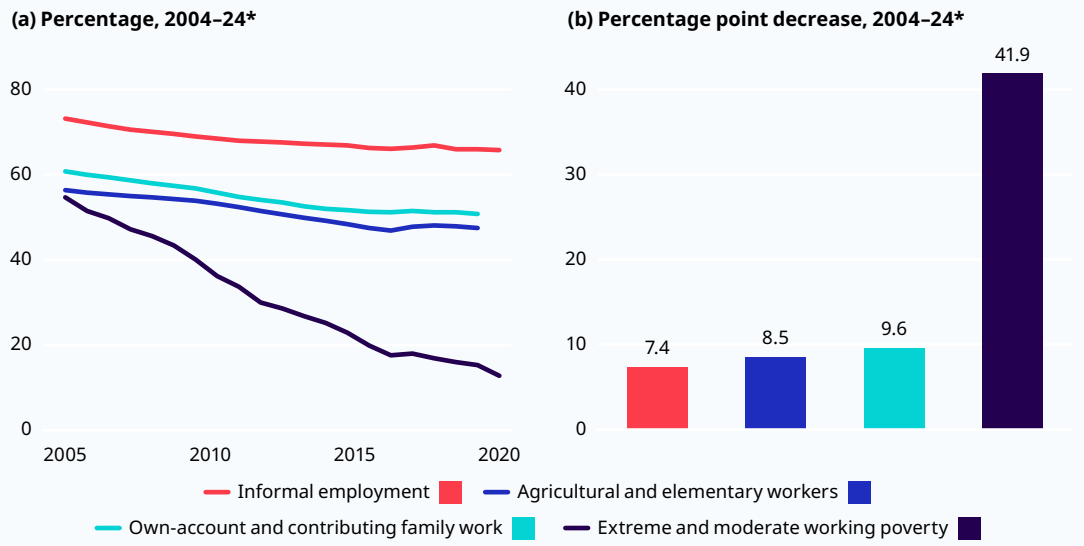
Although informal employment rates have been declining, the complex nature of formalization and new forms of work are inhibiting progress. Informal employment decreased from 73.2 per cent in 2004 to 65.8 per cent in 2024, which represents a significant if rather slow improvement. Those in informal employment are more likely to lack access to social protection and are less likely to be covered by labour rights and to have regular incomes than their formal counterparts. Hence reductions in informality often contribute to reductions in working poverty. Yet, as shown in figure 2.4(a), the speed of improvement is showing signs of levelling off. This highlights the ongoing need for integrated approaches to formalization in the region, particularly given the emergence of new forms of informality presented by gig and platform work (ILO 2024f).

Other proxies for decent work deficits show similar slower rates of decline in recent years. Indicators that reflect decent work deficits include the share of employment in skilled agriculture, forestry and fishery occupations and in elementary occupations such as subsistence farming and daily labourers – all of which are often characterized by insufficient and irregular incomes. The share of total employment in these categories decreased from 56.4 per cent to 47.5 per cent between 2004 and 2023. As shown in figure 2.4, the rate of change has stagnated in recent years. Meanwhile the share of own-account workers and contributing family workers – categories of employment status that are typically more informal and have lower and less regular incomes and less access to social protection – decreased by around 8.5 percentage points between 2004 and 2023.

Transitions and the implications for job creation and disruption

Artificial intelligence is speeding up the digital transformation in ways that are producing more signs of job disruption. Recent analysis in Asia and the Pacific suggests that technological automation is more likely to automate tasks within occupations than to replace occupations entirely (World Bank 2024c). The recent rapid rise of AI has sped up the potential impacts of the digital transition towards AI, automation and other digital technologies. Incorporation of these technologies in business activities has already started to lead to job displacement and augmentation. In Malaysia, for instance, estimates suggest that since 2020 as many as 300,000 jobs have been lost to AI and automation (Amin 2024). In the Philippines,

Figure 2.4. Changes in selected labour market indicators, Asia and the Pacific, 2004–24



Note: * To 2024 for informal employment and working poverty; to 2023 for other variables.

Source: ILOSTAT, ILO Modelled Estimates, November 2024.

too, there are concerns about widespread job displacement by AI, including in business process management – a major industry in the country (Cabato 2024). However, not all sources are equally pessimistic; some point to signs of job growth, suggesting that the potential overall impact of AI is far from clear cut (Morales 2024).

The Asia and the Pacific region is estimated to have accounted for two thirds of the world's renewable energy jobs in 2023, illustrating the job creation potential of a just transition. The latest estimates of renewable energy jobs suggest that China alone accounts for 46 per cent of all renewable energy jobs in the world (direct and indirect), equivalent to 7.4 million jobs in China (IRENA and ILO 2024). India accounts for a further 1 million and the rest of Asia and the Pacific accounts for 2.3 million (IRENA and ILO 2024). These estimates of employment highlight renewable energy's potential for job creation in the region. Renewable energy in China is estimated to have contributed around 40 per cent of GDP growth in 2023 (Myllyvirta 2024); from 2019 to 2023, exports of renewable energy products, including batteries and solar modules, increased from US$30 billion to US$102 billion in nominal terms (IRENA and ILO 2024). In India, Hydropower is the largest employer in the renewable energy sector, accounting for 453,000 jobs in 2023 (IRENA and ILO 2024).

▶ Europe and Central Asia

Steady GDP growth is expected in Europe and Central Asia, despite a sub-par rate of expansion in Northern, Southern and Western Europe. GDP growth in Europe and Central Asia is estimated to have been 1.8 per cent in 2024 – around the same as in 2023 – and forecast to be 1.9 per cent in 2025. This is a relatively modest growth rate and compares to an average of 1.7 per cent per annum over the previous decade (IMF 2024a). By subregion, growth was lowest in Northern, Southern and Western Europe, at 1 per cent in 2024 (forecast to be 1.4 per cent in 2025), and higher in Eastern Europe, at 3.1 per cent (forecast to be 2.1 per cent in 2025), and Central and Western Asia, at 3.2 per cent (forecast to be 3.3 per cent in 2025). The lower growth rate in Northern, Southern and Western Europe reflects moderate growth prospects amidst a period of relatively high inflation and tighter monetary policy. Southern European countries are expected to fare better than their Northern and Western counterparts, including Germany and France, on the basis of tourism receipts among other factors (EIU 2024f; EBRD 2024). The German outlook is particularly poor, partly because of the lingering impacts of an energy cost crisis and labour shortages.

Although Eastern Europe continues to experience higher rates of growth, geopolitical tensions and persistent inflationary pressures are affecting the outlook. Eastern Europe is expected to have experienced accelerated growth of 3.1 per cent in 2024, up from 2.6 per cent in 2023 (IMF 2024a). Part of this growth performance is driven by increased FDI flows into this subregion from China and the Russian Federation (EBRD 2024). Although the euro area is beginning to control inflation, Eastern European countries outside the European Union are expected to continue to grapple with higher rates of inflation, in part because they are outside the euro area and are experiencing currency depreciations (EBRD 2024). A slowdown in economic expansion in the Russian Federation is also expected to contribute to lower growth in the subregion in the medium term (World Bank 2024d). GDP growth is forecast to be 2.1 per cent in 2025, with downside risks to the outlook that include geopolitical tensions, particularly in relation to the Russian Federation's aggression in Ukraine (EIU 2024f; IMF 2024e).

Labour market trends in Europe and Central Asia

Labour shortages persist throughout much of Europe. There are ongoing issues of labour shortages in Europe even though vacancies have decreased (ILO 2024g). Labour shortages can be concentrated in specific sectors and occupations and driven by skills mismatch. They can be found in areas of: science, technology, engineering and maths; information and communication technologies (ICT); and healthcare (ILO 2024c). Evidence for 2023 shows elevated labour shortages in Norway, Denmark, Germany, France, the Netherlands and Belgium (ELA 2024). Some of the shortages owe to excess demand, are expected to be only transitory, and reflect factors such as periods of loose monetary policy (Ernst and Feist 2024). However, labour shortages can also be a sign of longer-term factors, such as increasing labour demand in renewable energy and sustainable technology, sectors requiring particular new skills (IMF 2024b). The shortages are not limited to Northern, Western and Southern Europe; they are also evident in a number of Eastern European countries, including Romania and Croatia (ELA 2024), where they are exacerbated by emigration of young and skilled workers (EBRD 2024).

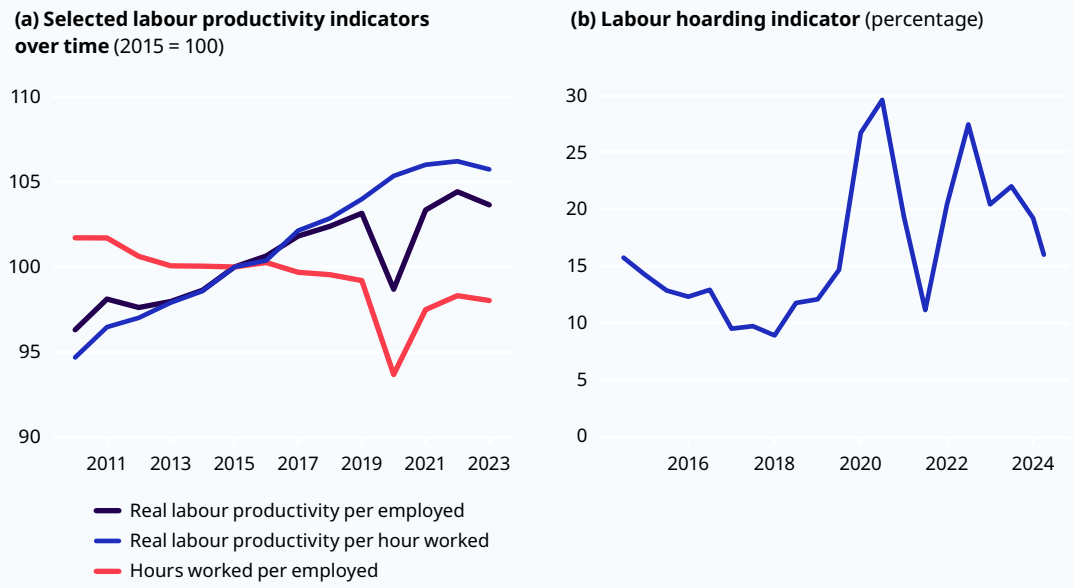
Youth unemployment has returned to its downward trend in the region, and NEET rates are also declining. The overall youth unemployment rate in Europe and Central Asia is estimated to have been 13.5 per cent in 2024, representing a decline from 18.4 per cent a decade earlier (2014) (table 2.5). The NEET rate in the region is similarly estimated to have been 13 per cent, down from 15.8 per cent a decade earlier. In Eastern Europe the Russian Federation's aggression in Ukraine has contributed to reduced educational participation, the mobilization of young soldiers, and reduced investment in job creation for young people (ILO 2024c). Northern, Western, Southern and Eastern Europe are all on track to meet the SDG target 8.6 commitment to "substantially reduce the proportion of young people not in employment, education or training" by 2030 (ILO 2024c).

Table 2.5. Estimates and projections of employment, unemployment, youth unemployment and labour force, regional and subregional, Europe and Central Asia, 2021–26

Region/ subregion	Employment-to-population ratio (percentage)						Employment (million)					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
Europe and Central Asia	54.0	54.8	55.1	55.0	54.7	54.5	416.4	423.8	426.6	427.7	427.1	426.6
Northern, Southern and Western Europe	53.6	54.6	54.8	54.7	54.6	54.4	207.2	212.1	214.2	214.5	214.4	214.0
Eastern Europe	56.4	56.7	56.9	56.7	56.1	55.6	137.4	136.8	136.2	135.6	134.3	133.3
Central and Western Asia	50.8	52.3	52.7	53.0	52.9	52.8	71.8	74.9	76.2	77.6	78.4	79.3
	Unemployment rate (percentage)						**Unemployment (million)**					
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Europe and Central Asia	6.9	6.0	5.7	5.5	5.5	5.5	30.8	26.9	25.7	24.8	24.9	24.9
Northern, Southern and Western Europe	7.3	6.3	6.2	6.1	6.0	5.9	16.3	14.2	14.1	13.9	13.6	13.5
Eastern Europe	5.2	4.5	4.0	3.7	3.9	3.9	7.6	6.4	5.7	5.2	5.4	5.4
Central and Western Asia	8.8	7.8	7.3	6.8	7.0	7.1	6.9	6.3	6.0	5.7	5.9	6.0
	Youth unemployment rate (percentage)						**Youth unemployment (million)**					
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Europe and Central Asia	16.4	14.4	13.9	13.5	13.6	13.6	6.8	6.1	6.0	5.8	5.9	6.0
Northern, Southern and Western Europe	16.2	14.0	14.2	14.3	14.2	14.3	3.5	3.1	3.2	3.3	3.3	3.4
Eastern Europe	15.6	14.2	12.6	11.4	11.6	11.4	1.4	1.2	1.1	1.0	1.0	1.0
Central and Western Asia	17.4	15.3	14.3	13.3	13.7	13.9	2.0	1.8	1.7	1.6	1.6	1.7
	Labour force participation rate (percentage)						**Labour force (million)**					
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Europe and Central Asia	58.0	58.3	58.4	58.2	57.9	57.7	447.3	450.7	452.3	452.4	452.0	451.5
Northern, Southern and Western Europe	57.8	58.3	58.4	58.3	58.1	57.8	223.5	226.4	228.3	228.4	228.0	227.5
Eastern Europe	59.5	59.4	59.3	58.9	58.4	57.9	145.0	143.1	141.9	140.7	139.7	138.6
Central and Western Asia	55.7	56.7	56.8	56.8	56.8	56.8	78.7	81.2	82.2	83.2	84.3	85.3

Source: ILOSTAT, ILO modelled estimates, November 2024.

▶ Figure 2.5. Selected indicators relating to labour productivity, EU-27, 2010–23



Source: (a) Eurostat, labour productivity and unit labour costs. (b) ECB and European Commission Survey on the Access to Finance of Enterprises (SAFE), labour hoarding indicator.

In a context of ageing populations and labour shortages, the effective management of labour migration is a major policy consideration. One means of filling skills gaps is through inward migration. However, the process is complicated by various degrees of anti-migrant sentiment, challenges in integration, and the recognition of qualifications (World Bank 2024a). Equally, careful management of the outflow of migrants helps prevent skills gaps and labour shortages. This is particularly true for migration from Eastern and Southern Europe to Northern and Western Europe. Efforts are being made to incentivize migrants to return, as well as to limit the outflow (EBRD 2024). In Portugal, for instance, tax breaks and incentives for the under-35s are being considered to disincentivize young people from emigrating as well as to attract young people to the country (Katanich 2024).

Labour migration, investment and trade movements into economies on the periphery of the Russian Federation are bolstering the labour market indicators of these economies. Economies in the Caucasus and Central Asia are receiving Russian nationals as a result of the war in Ukraine and mobilization. These countries offer straightforward processes for opening bank accounts and gaining residency that facilitate the relocation of Russian migrants, who bring with them capital and skills (EBRD 2024). For instance, Georgia has reportedly received around 20,000 high-skilled entrepreneurs from the ICT and creative industries, and Kazakhstan has seen a boom in the creation of ICT enterprises (EBRD 2024). At the same time, sanctions against the Russian Federation have contributed to the pivoting of trade to the periphery economies. All these factors are serving to bolster labour market indicators in Central and Western Asia, although in the headline numbers of the whole region the Russian Federation offsets some of these improvements.

Slow productivity growth in the European Union is expected to weigh on real wage growth

Labour productivity has declined since the COVID-19 pandemic; lower real wage growth is anticipated in consequence. Real labour productivity per hour worked in the EU-27 economies decreased by 0.1 per cent per annum over the 2021–23 period. This compares with 1.0 per cent growth per annum over 2010–19 (excluding 2020 owing to the COVID-19 pandemic disruption of trends) (figure 2.5). Similarly, real labour productivity per person increased only 0.2 per cent per annum over 2021–23, compared with 0.8 per cent per annum over 2010–19. Such growth disparities before and after the COVID-19 pandemic suggest that a significant slowdown is underway in the EU-27 economies. At the same time, the weekly hours worked per employed person increased by 0.3 per cent per annum over 2021–23, compared with a *decrease* of 0.3 per cent per annum over 2010–19. Combined with a weaker economic outlook, these trends lead one to expect lower growth in real wages.

Part of the explanation of labour productivity growth may lie in labour hoarding as a relic of the COVID-19 pandemic period. The European Central Bank's labour hoarding indicator, which measures the share of firms that have not reduced their workforce despite a worsening of the firm's outlook (Botelho 2024), shows that in the first quarter (Q1) of 2024 the share of firms hoarding labour was estimated to be 19.2 per cent, far higher than the 12 per cent in the same quarter before the onset of the pandemic (Q1 2019). As shown in figure 2.5(b), labour hoarding surged during the pandemic, reaching a peak of 29.6 per cent in Q3 2020. Despite a drop in Q3 2021, it remained elevated in 2022, only starting to falter in 2024. This hoarding of labour despite a worsening of the economic outlook reflects cyclical and structural factors as firms buffer the shocks. However, it also corresponds to weaker labour productivity growth (Gabriele, Gumanova and Hühl 2024; Devulder et al. 2024). Weaknesses in the economic outlook in Northern, Southern and Western Europe would be expected to correspond to layoffs and subsequent rises in unemployment.

The region's low productivity growth is driven more by Northern, Southern and Western Europe than by Eastern Europe and bodes poorly for real wage growth. Labour productivity in Northern, Southern and Western Europe has been growing far more slowly, at 0.5 per cent per annum over 2014–24, than in Eastern Europe, at 2.2 per cent per annum. A number of countries in Northern, Southern and Western Europe have also been experiencing decreasing real wage growth, in contrast to the increases observed in many Eastern European countries. Declines were observed in annual average real wage growth between 2022 and 2024 in France, Italy, Ireland, Sweden and Switzerland, whereas there were increases in most Eastern European countries over the same period (ILO 2024h). Part of the challenge lies in a slowdown of structural transformation in Northern, Southern and Western Europe, which, combined with a weak economic outlook, bodes poorly for labour productivity growth. The slowdown may also reflect a falling behind in terms of investment in digital services, research and development, and infrastructure – fields that would otherwise contribute to fast growth in real productivity per hour worked (Schnabel 2024).

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3 Productive employment and spatial inequalities

Productivity has slowed on the back of rising spatial inequalities

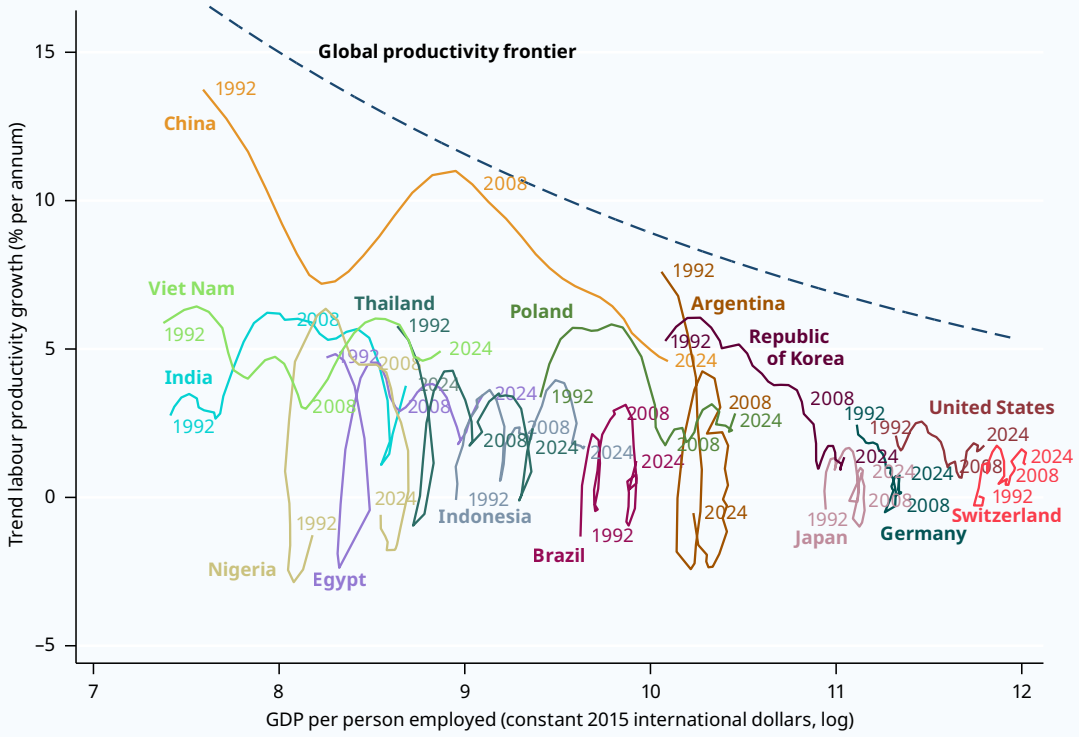
Slowing productivity growth is a critical concern for both developed and developing economies. A prolonged decline in productivity growth is a drag on gross domestic product (GDP); it impairs improvements in living standards; it can lead to wage stagnation; and it can exacerbate various forms of inequality. Moreover, this slowdown in productivity is coming at a time when there is need for a continuous increase in productivity and resource efficiency to help deliver rising living standards without exhausting planetary boundaries (Terzi 2022).

The expectation that technological advancement would deliver higher levels of productivity growth has not been met. Despite major technological advancement, especially in digital technologies, productivity growth has continued to decelerate over the last couple of decades (ILO 2023; Dieppe 2021; Adler et al. 2017). Expected productivity gains have not materialized, nor have living standards or working conditions improved for the vast majority of the global workforce (ILO 2023). Moreover, productivity growth resulting from a gradual shift of employment towards high-productive activities, so-called "structural transformation", a major source of growth in developing countries, has also slowed down.

What was initially thought to be a phenomenon of developed countries is now taking hold in developing countries, raising questions about global convergence in productivity and living standards (Diao, McMillan and Rodrik 2019). Some regions, such as Latin America, have long-standing issues of low productivity growth. But productivity growth seems to have slowed even in those countries that were thought to be performing exceptionally well, which now face a heightened risk of "middle-income trap" (World Bank 2024). Productivity growth is slowing down in developing countries today at much lower levels of economic developments than in the past in countries such as the Republic of Korea (see figure 3.1). Consequently, global income inequality has barely improved over the last decade, and fewer and fewer people have been moving out of working poverty and informality (Milanovic 2023).

To rectify the problem of decelerating productivity growth, many countries have been adopting targeted sectoral policies (figure 3.2). Such policies, part of a broader set of "industrial policies", use subsidies, tax rebates, public procurement, regulatory adjustments and (local) infrastructure investment to attract companies to specific locations and sectors to help local economic development. They inherently promote certain locations more than others, in the hope of triggering broader shifts in sectoral composition that would benefit the economy as a whole. Structural policies, on the other hand, which were in vogue for a long time, focus on broad-based market-specific regulatory and fiscal adjustments, such as lowering barriers to entry in certain sectors, easing labour market regulation or lowering statutory taxation; these policies typically apply across a jurisdiction regardless of the specific

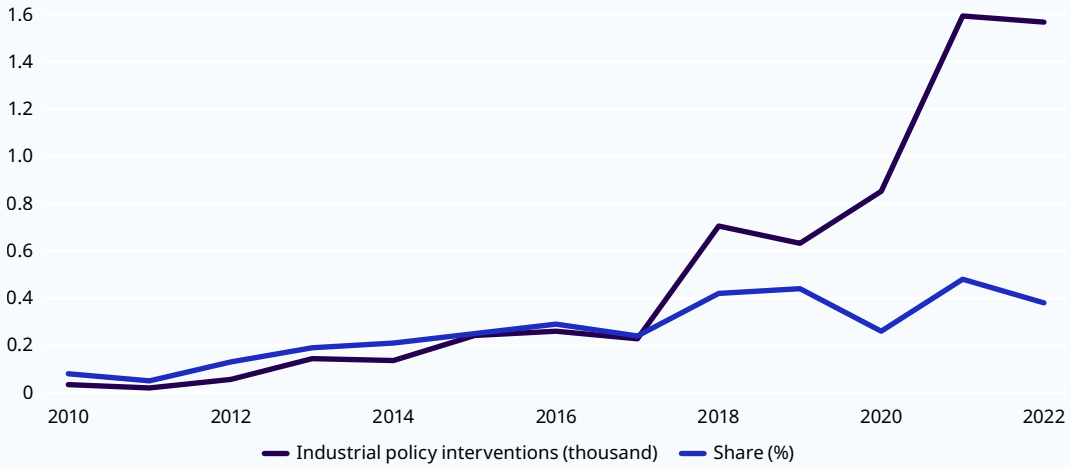
▶ **Figure 3.1. The global productivity frontier, 1991–2024**



Note: Trend labour productivity growth is calculated using HP-filtered series of annual labour productivity growth per person employed (percentages).

Source: ILOSTAT, ILO modelled estimates, November 2024; own calculations, selected countries.

Figure 3.2. Industrial policy interventions worldwide



Note: Industrial policy interventions in absolute numbers and as a share of all trade-related interventions between 2010 and 2022 for the world as a whole.

Source: Juhász, Lane and Rodrik (2023).

city or province a company is located in. Industrial policies, which fell out of fashion during the 1970s and 1980s, have now garnered renewed attention, since they allow more targeted – and potentially cost-effective – interventions (UNIDO 2024; Evenett et al. 2024). However, given their spatially concentrated nature, such interventions risk fuelling spatial inequalities if they do not trigger spillovers to other provinces or cities.

Further insights into the current productivity slowdown can be gleaned from understanding the spatial implications of structural transformation and of policies to improve productivity growth. Much of the analysis of the factors preventing faster productivity growth has focused on the institutional, technological and skills-related barriers at the national or sectoral level. Little attention has been paid to the local economic and social conditions that are necessary for economies to take off. Firms, local policymakers, education institutions and social partners need to coordinate their action to attract talent, raise capital and allocate resources to their most efficient use. Spatial inequalities – that is, differences in living standards, working conditions and employment opportunities between a country's provinces or cities – arise as a product of agglomeration effects whereby high-productive firms often prefer to invest in high-productive areas (Lindenlaub, Oh and Peters 2022).[7] At the same time, spatial inequalities can be an indicator of barriers to sustainable economic development and decent work when firms and jobs remain concentrated in a few, highly selective areas, preventing income and wealth from spreading through a country (Moretti 2012; Autor 2019). Such high spatial inequality may have contributed to the overall slowdown in productivity growth because the clustering of activities in just a few locations runs the risk of congestion effects that prevent the sustainable development of productive forces. Highly spatially segregated countries are often stricken with poor productivity and competitiveness (Hausmann et al. 2023).[8]

7 Moreover, the clustering of economic activities makes the subnational and city level the appropriate level of analysis, especially in countries where detailed firm-level data are missing. Such an analysis can usefully complement firm-level and business demographics analysis.

8 https://socialmobility.independent-commission.uk/reports/spatial-agglomeration-productivity-and-inequality/.

To take stock of the highly unequal spatial distribution of jobs and economic activity, in this chapter we analyse the relationship between structural transformation, its role in generating productivity growth and its subnational implications for the location of jobs. We start by providing an overview of the broad cross-country trends in structural change and productivity, especially the role of slowing transformation in the drop in productivity growth. We then turn to the impact of structural transformation on spatial inequalities, documenting the unequal effects of shifting resources from agriculture to manufacturing and to various types of services upon the productive employment opportunities of workers in different jurisdictions. We highlight that service sector employment, in particular, evinces a large degree of heterogeneity that prevents the convergence of decent work opportunities across provinces and cities, which may in turn explain part of the diminishing impact of structural transformation on productivity. We conclude the chapter by highlighting the challenges that industrial policies will face under such conditions, emphasizing the importance of complementary horizontal policies to allow wealth and employment opportunities to spread more equally across different provinces.

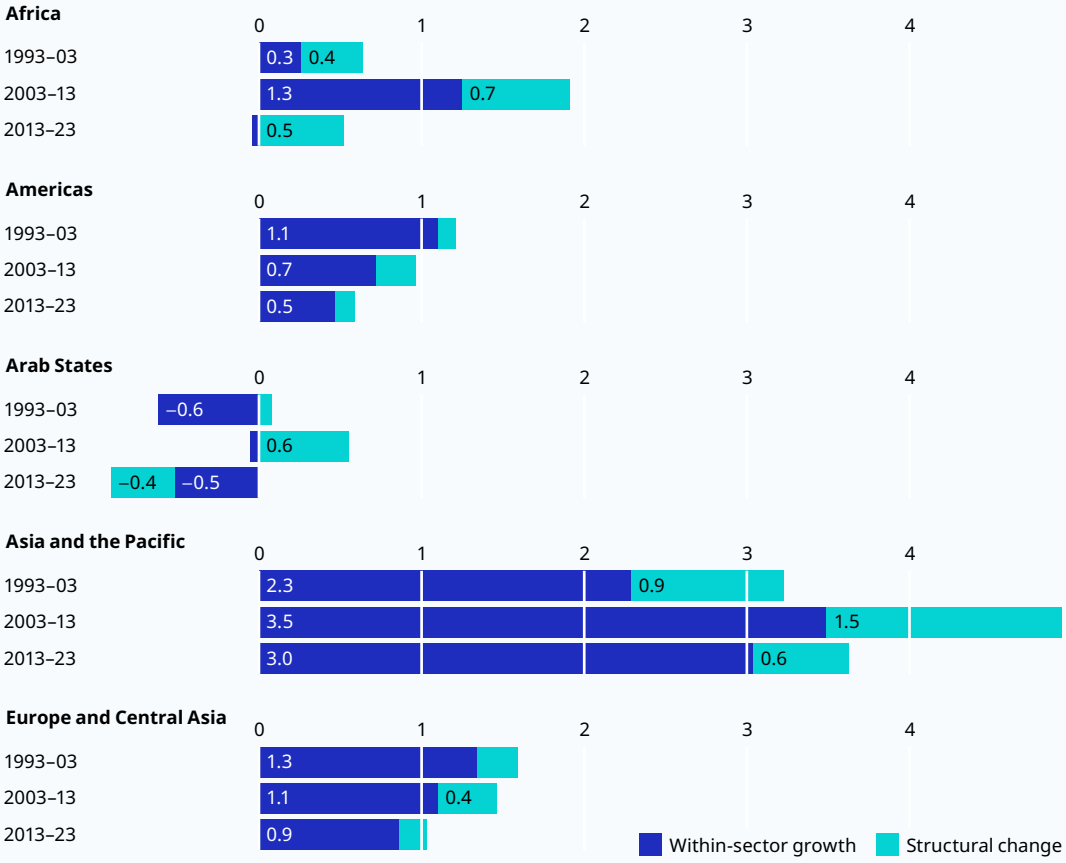
▶ The nature of structural transformation and productivity

Productivity growth is driven by two main components: within-sector changes in productivity, and shifts of activity from low- to high-productive sectors. Slowdowns in both factors have contributed to the observed deceleration of productivity growth across the board (see figure 3.3). Within-sector productivity growth has seen the largest shifts, which are often linked to commodity price cycles, as in the case of oil prices for the Arab States. However, even structural transformation has slowed down, including in countries in sub-Saharan Africa where still more than 50 per cent of the workforce are employed in (subsistence) agriculture. Overall, the slowdown of structural transformation paints a bleak picture of the capacity of countries to transform their economy and accelerate their capacity to generate productive employment opportunities.

The slowdown in global productivity has been attributed to a range of factors. These include a decline in the contribution of capital installed per worker; lower spillovers from the growth of intangible capital; the slowdown in trade and a lower growth of allocative efficiency; and the sectoral reallocation and lower productivity of human capital (ILO 2023; Goldin et al. 2024; OECD 2024). In many Organisation for Economic Co-operation and Development (OECD) countries over the past three decades, manufacturing productivity has remained flat. In emerging economies, on the other hand, the share of manufacturing in employment has started to decline after reaching only a relatively low level ("premature deindustrialization"; see Rodrik 2016; Özçelik and Özmen 2023). The slowdown in manufacturing productivity entails a loss of efficiency in how labour, capital and materials are converted into manufacturing outputs. A slowdown indicates that this efficiency is increasing at a slower rate or even stagnating. Moreover, the drop in manufacturing's importance in employment means that many people are not transiting out of agriculture into more productive jobs in industry.

Part of the observed slowdown in within-sector growth may be connected to the heterogeneous nature of the service sector. There are significant variations in productivity not only between industry and services but also within the service sector, with implications for equity and the sustainability of growth (Na, Lee and Baek 2017; Diao, McMillan and Rodrik 2019; see box 3.1 for the example of Ghana). If we distinguish between manufacturing and traditional, social and modern services, labour productivity in modern services can be shown to be much higher than in manufacturing or in traditional or social services, albeit that the productivity gap with manufacturing is gradually closing in the countries covered by the analysis (figure 3.4).

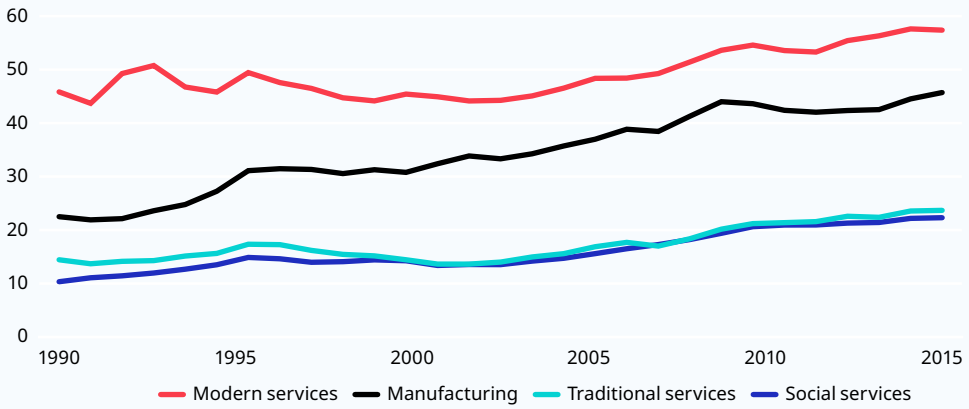
Figure 3.3. Productivity growth: Contributions from within-sector growth versus structural transformation (percentage points)



Note: The figure shows a shift–share decomposition of labour productivity growth, which identifies the contribution of productivity growth within sectors and the contribution of employment shifting across sectors. The sectors used for decomposition are: agriculture; mining and utilities; manufacturing; construction; wholesale and retail trade, restaurants and hotels; transport, storage and communication; and remaining activities.

Source: ILO calculations based on ILOTAT, ILO modelled estimates, November 2024; United Nations estimates of national accounts, December 2023.

Figure 3.4. Labour productivity across the manufacturing and service sectors



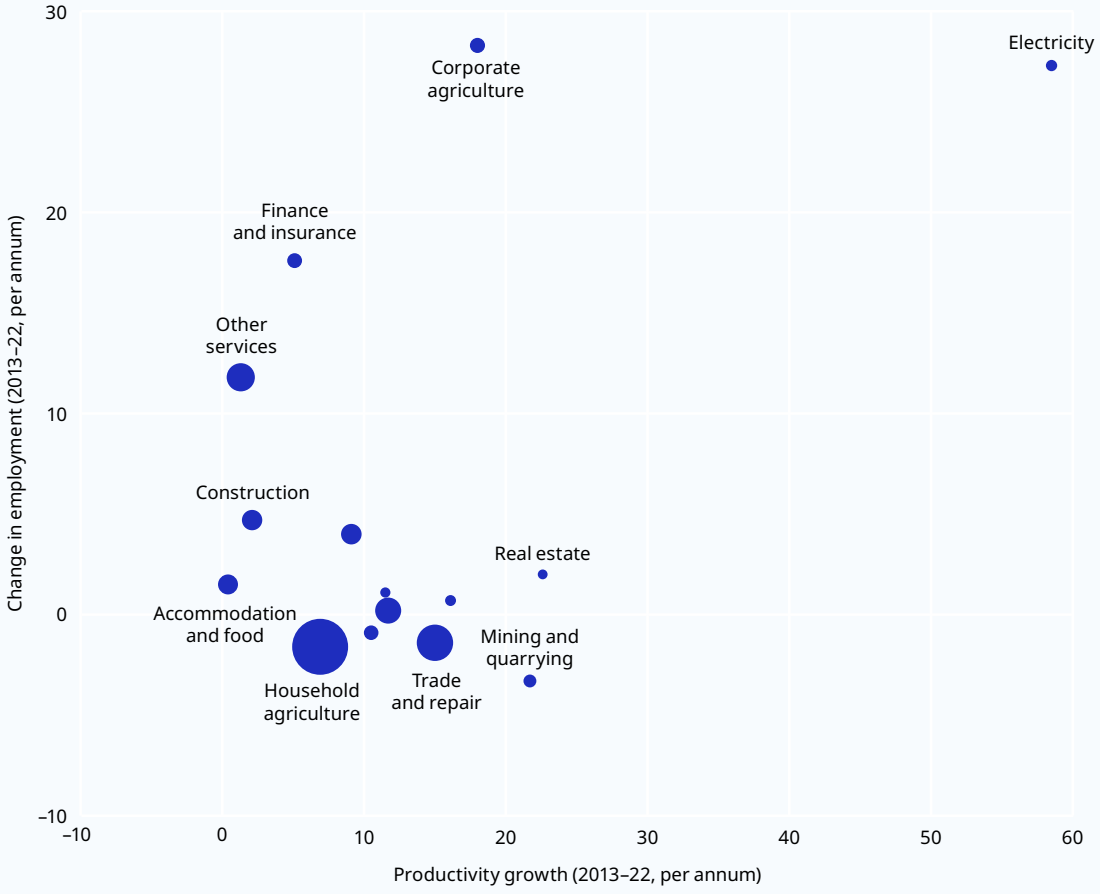
Note: Labour productivity in 2017 international dollars (thousand). Countries included: Argentina, Brazil, Colombia, Ghana, India, Lao People's Democratic Republic, Mexico, Pakistan, Peru, the Philippines, Thailand, Viet Nam.

Source: Dieppe and Matsuoka (2024).

▶ Box 3.1. Measuring productivity to inform policy and social dialogue

Clear measures of productivity are key to employment and industrial policies and to social dialogue on wages and working conditions. The evolution of labour and multifactor (or total-factor) productivity, at the aggregate and sectoral levels, is essential to the ability of social partners to negotiate a fair distribution of economic proceeds. Some sectors generate both productivity and jobs, others either some jobs or some productivity gain (sometimes one at the expense of the other), and some generate neither much productivity nor many jobs. Understanding of sectors' productivity and jobs performance is thus essential to policies that aim to increase labour productivity and utilization (see figure 3.5 for an illustration).

▶ Figure 3.5. Sectors' performance in productivity and employment growth in Ghana, 2013–22 (percentage)



Source: "Productivity, Jobs and Growth", Ghana Statistical Service, forthcoming.

Box 3.1. (cont'd)

Many developing countries do not track their productivity trends or do so without going into much detail. That is commonly not for lack of statistical data. Although capital stock data at the sectoral level are often a constraint on producing detailed multifactor productivity data, output and employment data are commonly available at a disaggregated level. Sectoral detail beyond the three broad sectors of agriculture, industry and services is important to grasping the very diverse performance of sectors within these broad groupings. Similarly, employment and earnings data for various socio-economic groups – based on their education level, their occupation and skills level, their gender and whether they work in the formal or informal economy – are important for multifactor productivity measures to capture changes in the quality of work, not just quantitative changes in the number of people employed or the hours they work. Without the quality dimension, multifactor (total-factor) productivity measures actually underestimate the contribution of labour in the economy and tend to overestimate more intangible aspects such as technological progress or managerial prowess.

As part of the Productivity Ecosystems for Decent Work programme, supported by Switzerland and Norway, the ILO is helping national statistics organizations and other data producers in the three countries covered by the project so far (Ghana, South Africa and Viet Nam) to make full use of their statistics in productivity measurement. Data producers are supported to apply key international standards and latest good practice to deliver quality assurance and comparability with other countries. A recent Guidance Note (ILO 2024) was produced for these purposes. Key data users were associated with this work early on, including ministries of labour, industry or agriculture, ministries in charge of planning or finance, and employers' and workers' representatives. This has ensured that users' data needs are made clear from the outset and that users understand the key standards and data constraints that data producers need to work with.

Productivity levels and growth rates can vary substantially between regions; within a country some regions may be growing fast while others are falling back, with clear policy implications. Productivity and jobs performance measures can be localized to monitor these trends. Capital stock data at subnational level are often hard to come by, in contrast to output, value added or employment data for labour productivity computations. In the current phase of the Productivity Ecosystems for Decent Work programme the focus is on obtaining robust and fairly detailed measures of productivity at national level, but, depending on stakeholders' needs, the programme may in the future also provide assistance on localizing productivity data.

Whereas there is convergence between countries with regard to manufacturing productivity, economic activity in the service sector shows a high degree of heterogeneity across countries at different levels of development. In India, for example, services range from low-value-added services such as street-side subsistence vendors to high-skilled information technology and business services (Dewan, Krishnamurthy and Taneja 2022). This contrasts with the service sector in a largely formal economy like Singapore, where wholesale trade, transportation and storage, and information and communications were in 2021 the largest subsectors in terms of operating revenue (Singapore Department of Statistics 2021). In Asia and the Pacific as a whole, modern services, such as the information technology and business sectors, have gained a growing share of workers, but these are higher-skilled workers and the total employment in modern services is still small (ILO 2022). Moreover, hiring in these sectors tends to favour men over women (ILO 2022).

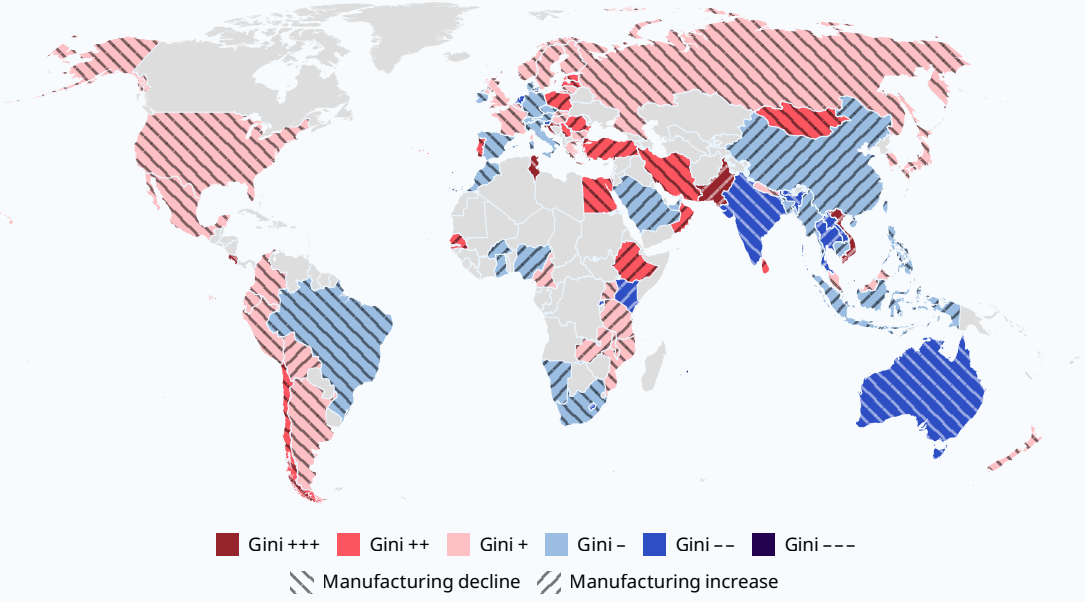
▶ Spatial inequalities and structural shifts

How has structural transformation affected working conditions and inequality within countries? As manufacturing employment is tied to capital investment in specific locations, the transition from agriculture to manufacturing has been thought to lead to a rise in inequality. Following this reasoning, service sector jobs require less capital equipment and so the transition to service employment should bring a reduction in spatial within-country inequality.

However, when granular information based on night-light data is used to study the evolution of spatial inequality for 85 countries between 2000 and 2018, neither of these contentions is borne out (see figures 3.6 and 3.7). Even among high-income countries, sectoral employment trends away from manufacturing and towards services seem to produce varied patterns of living standards across subnational regions. In many countries the rise of service sector employment has led not to a decline in spatial inequalities but rather to an increase in them. On the other hand, structural transformation away from agriculture does contribute to a decline in spatial inequality; the countries that experienced the greatest declines in spatial inequality between 2000 and 2018 all transitioned out of agriculture during that same time period.

Two groups of countries stand out with respect to the evolution of spatial inequality in the period between 2000 and 2018. First, there is a group of subregions and countries where a decline

▶ Figure 3.6. Change in spatial inequality and change in manufacturing's share in the workforce



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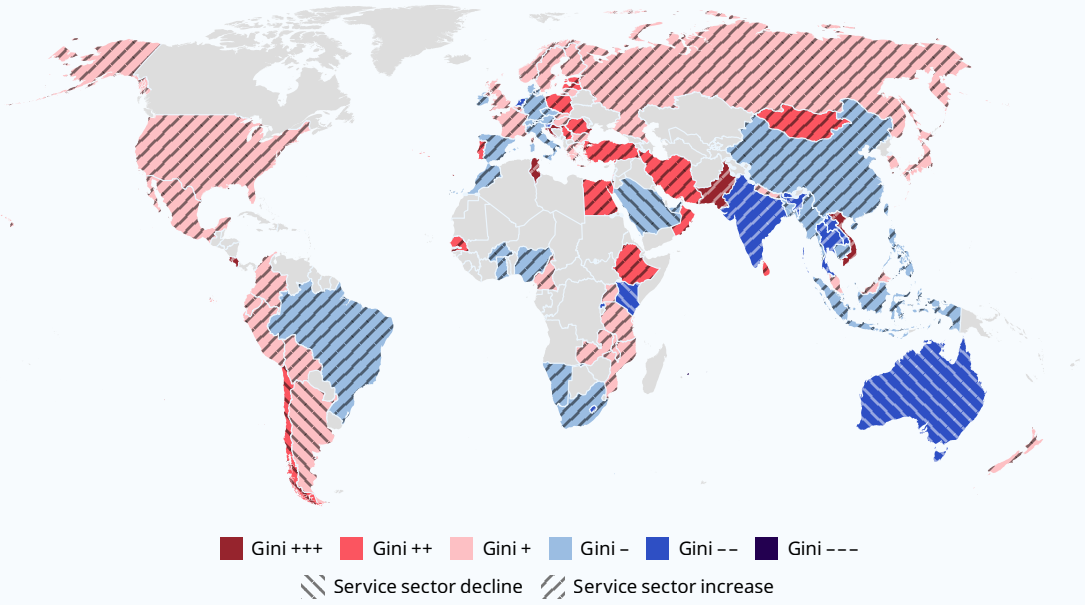
Note: Spatial Gini indices calculated using night-light data as a fine-grained proxy for economic activity at the local level (see this chapter's appendix). Changes in spatial inequality are coded as: Gini +++ = strong increase; Gini ++ = moderate increase; Gini + = weak increase; Gini – = weak decline, Gini –– = moderate decline; Gini ––– = strong decline. Subnational indicators typically refer to the first administrative unit below the national level.

Source: ILOSTAT; Dieppe and Matsuoka (2024); Charpe (forthcoming); own calculations.

Figure 3.7. Change in spatial inequality and change in modern (high-end) services' share in the workforce



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Note: See note to figure 3.6.

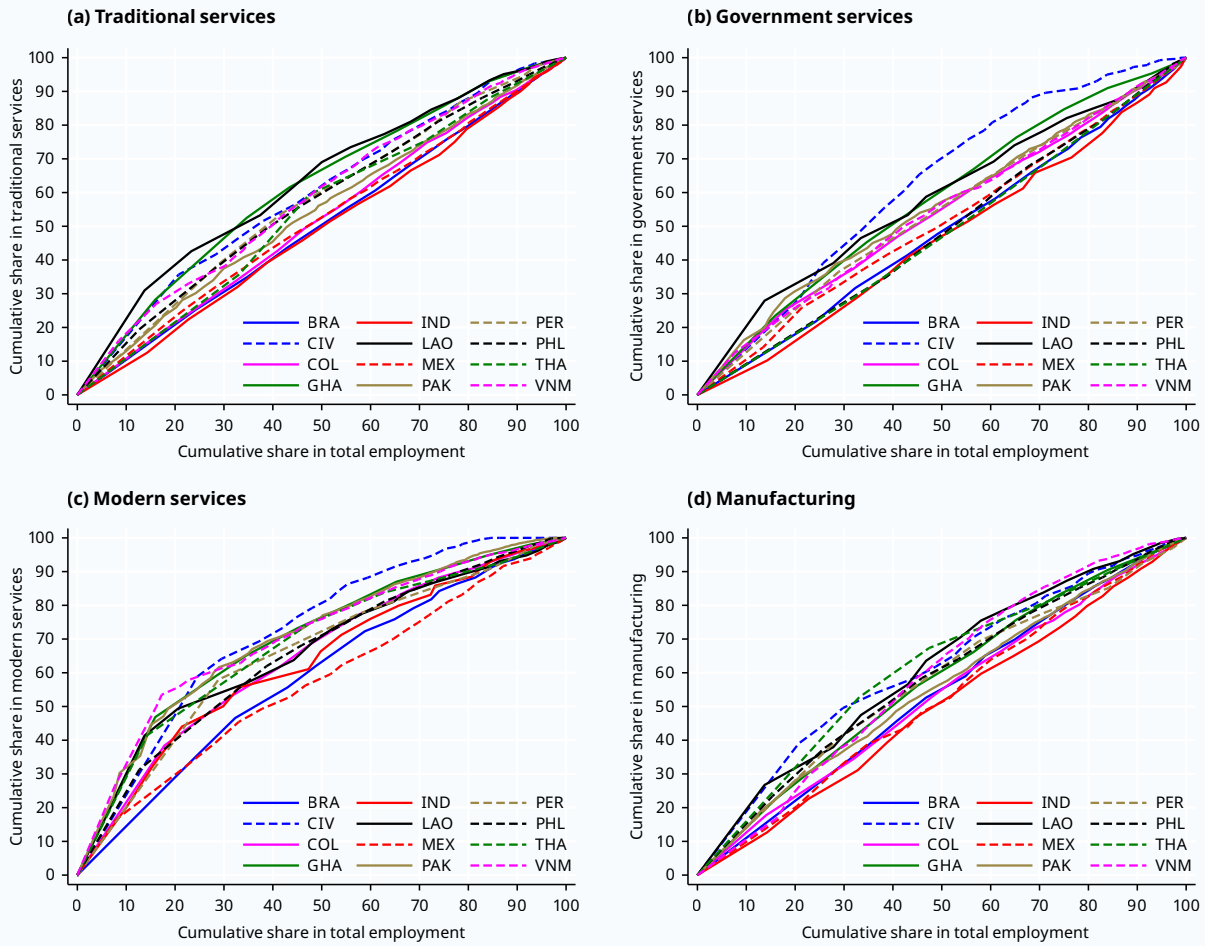
Source: ILOSTAT; Dieppe and Matsuoka (2024); Charpe (forthcoming); own calculations.

in spatial inequality corresponds to an increase in manufacturing; these include China, Bangladesh, South-Eastern Asia, Eastern Africa with the exception of Ethiopia, and some of the francophone African countries. Second, there is a group of regions and countries, such as India, Europe and some Latin American countries, in which no impact on manufacturing has been associated with the drop in subnational spatial inequality. Meanwhile an increase in the workforce in the modern services sector together with a reduction in spatial inequality is evident in Southern Asia, Europe and Latin America; other countries such as China and Thailand have recently joined the group of economies experiencing this dynamic.

The broad sectors show very different patterns of spatial inequality among the 12 countries analysed in this chapter (see figure 3.8). Modern services (information and communications, finance and insurance, professional activities) stand out as having the most unequally distributed employment opportunities within countries, followed by manufacturing and traditional services (trade, transport, accommodation, real estate). Government services (education, health, public administration and defence, administrative and support services), on the other hand, seem to offer employment opportunities that are more evenly distributed across a country's territory. Except in a few countries such as Brazil and Mexico, employment in modern services tends to be concentrated in fewer subnational regions. For instance, in Côte d'Ivoire geographical areas that account for about 25 per cent of total employment contain approximately 60 per cent of employment in modern services.

The different concentration patterns of service sector employment across subnational regions help explain why service sector jobs do not necessarily help reduce spatial inequalities. When one examines the shifts in spatial inequalities in a sample of 15 countries for which sufficient labour market information was available, no increase in employment in services

▶ **Figure 3.8. Concentration of sectoral employment across subnational regions** (percentage)

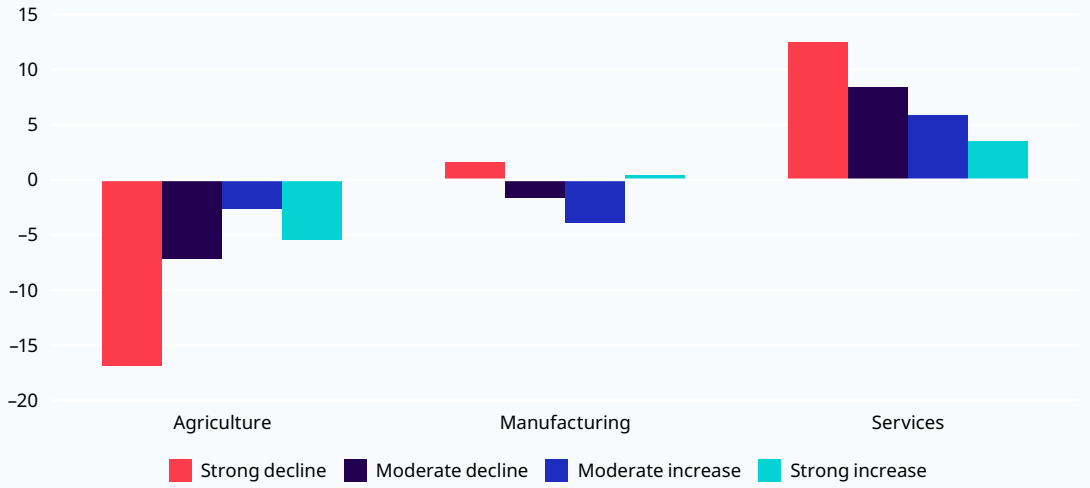


Note: The four panels compare subnational regions' cumulative share of total employment with their cumulative share of employment in traditional, government and modern services and in manufacturing. This analysis is limited to 12 countries that each have at least 15 subnational regions. The *x*-axis represents the subnational regions' share of total employment, and the *y*-axis shows their share of employment in the sector in question. If the distribution of these two indicators within a country were identical, the line would align with the 45-degree diagonal. A line positioned above the diagonal suggests that subsector employment is concentrated in a smaller number of subnational regions; greater distance from the diagonal indicates a higher degree of concentration. BRA = Brazil, IND = India, PER = Peru, CIV = Côte d'Ivoire, LAO = Lao People's Democratic Republic, PHL = Philippines, COL = Colombia, MEX = Mexico, THA = Thailand, GHA = Ghana, PAK = Pakistan, VNM = Viet Nam.

Source: ILOSTAT, own calculations.

is found to be associated with a definite decline in subnational inequality (see figure 3.9). Only where a significant drop in agricultural employment was combined with an equally significant increase in service sector employment did spatial inequality decline significantly. The evolution of employment in manufacturing did not play a major role in shifts in spatial inequality in our sample of countries. Box 3.2, comparing Mexico and Viet Nam, demonstrates that manufacturing can even play a role in reducing subnational inequalities, if only in a certain number of (neighbouring) provinces. Breaking down the type of service sector employment shows that the rise of modern services contributes to an increase in subnational inequality whereas a rise in government services tends to decrease it, although not very strongly (see figure 3.10).

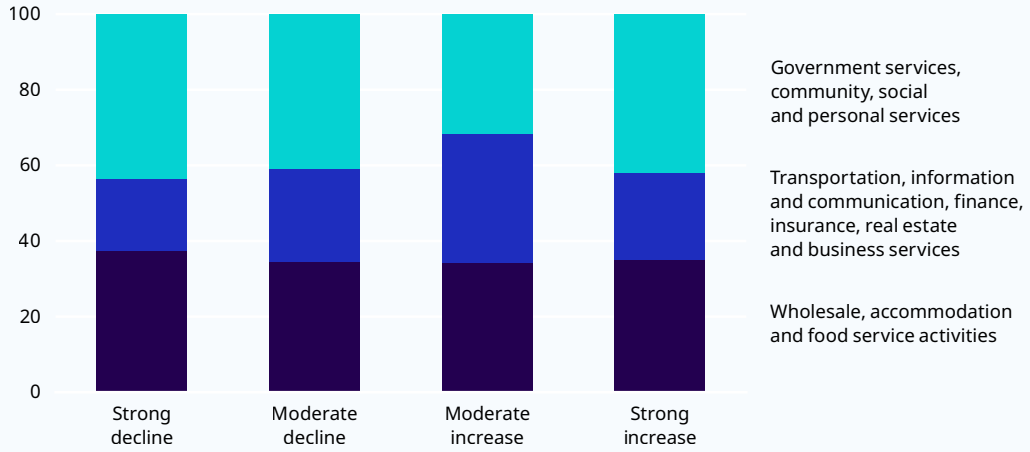
Figure 3.9. Changes in spatial inequality and structural change



Note: The figure displays the coefficient estimates of a convergence analysis of structural change and spatial inequality (declining or increasing according to the colour coding shown at the bottom of the figure). The coefficients are estimated separately for different quartiles of structural change. See this chapter's appendix for data and methodology.

Source: Own calculations.

Figure 3.10. Contribution of different kinds of services to overall growth of the service sector across countries belonging to different levels of spatial inequality (percentage)



Note: The figure displays a breakdown by type of services of the coefficient estimates of the convergence analysis (figure 3.9) of structural change and spatial inequality. The breakdown of the coefficients is estimated separately for different quartiles of structural change. See this chapter's appendix for data and methodology.

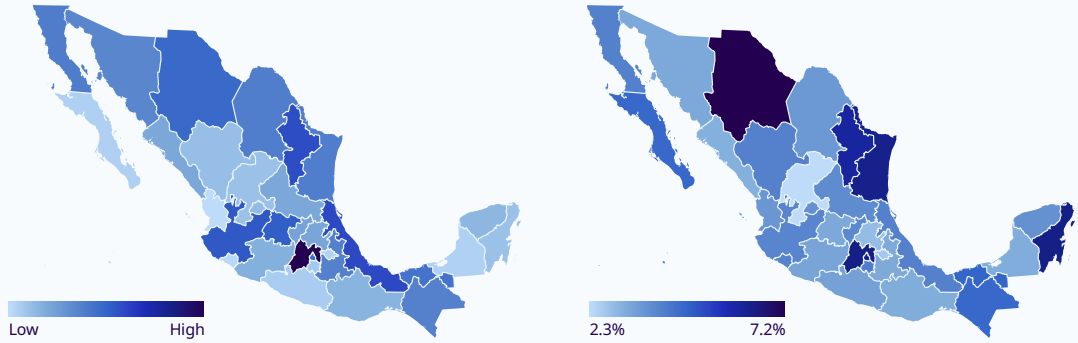
Source: ILOSTAT, own calculations.

Structural change from agriculture to manufacturing and services, therefore, does not seem to have uniformly led to an increase in living standards or a rise in productive capacity. Heterogeneous effects of service sector development and, in particular, the spatial concentration caused by the rise of employment in the high-value-added modern services sector seem to prevent the more spatially equitable growth that would enable sustained productivity increases to be broadly shared across a country's territory.

▶ Box 3.2. The role of modern services and manufacturing in spatial inequality: Mexico versus Viet Nam

Do the broad trends identified in this chapter apply also to emerging economies such as Mexico and Viet Nam? Both these countries are in the process of significant economic upgrading thanks to their integration into global supply chains, one vis-à-vis the United States (Mexico), the other vis-à-vis Eastern Asia and China in particular (Viet Nam). However, Mexico is more advanced in its structural transformation and has seen a rapid rise in employment in modern services, which translates into a decline in spatial inequality. Owing to Mexico's high level of development and the widespread linkages with other sectors in the economy, modern services are springing up across the country, producing more even economic development (figure 3.11). In Viet Nam, by contrast, manufacturing development is a more recent phenomenon and concentrated in and around Ho Chi Minh City in the south of the country, and to a lesser extent in and around Hanoi in the north. Consequently, spatial inequalities are more pronounced, since the spillovers from manufacturing employment only radiate within a small area and do not extend across the country as a whole (figure 3.12).

▶ **Figure 3.11. Mexico: A fairly even distribution of night light** (left panel) **is spatially correlated with the relatively even distribution of modern service activities** (right panel)



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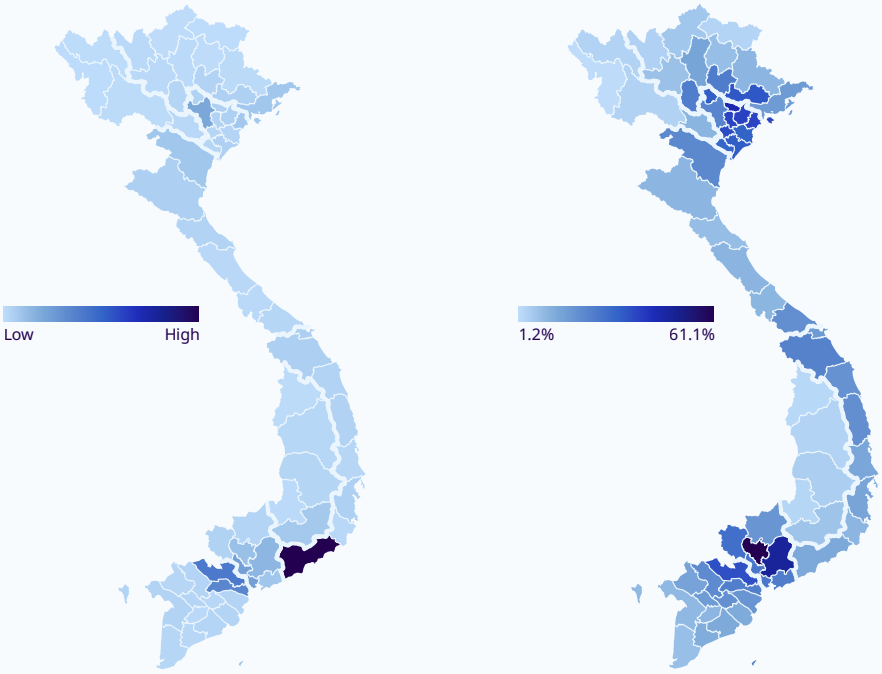
Source: ILOSTAT, own calculations.

▶ **Figure 3.12. Viet Nam: A higher spatial concentration of night light** (left panel) **is related to the localization of manufacturing activities** (right panel)



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Source: ILOSTAT, own calculations.

Positive spillovers

The analysis in the previous section allows a cautiously positive assessment of policies that target specific industrial activities. Spatial inequalities seem to be more significantly driven by the emergence of modern services than by manufacturing alone. Industrial policies that specifically target modern services can significantly exacerbate spatial inequality. This could happen, for instance, in countries that seek to invest in digital industries. With the rise of artificial intelligence, a central focus of industrial policies has become to attract and develop local clusters of digital development such as in the fields of chip production or of researching and developing artificial intelligence models. Similarly, many countries are focusing on expanding green industries such as electric vehicles or manufacturing solar panels. Various policies target the development and growth of such sectors. Employment opportunities in these and related sectors emerge, however, primarily in service sector occupations, and not so much in manufacturing, and thus policies that specifically target these sectors will run the risk of exacerbating spatial inequalities.

A key challenge for industrial policies that target the digital or green transition, therefore, will be to address spatial inequalities by inducing positive spillovers beyond the immediate location of intervention (Pinheiro et al. 2022). Moreover, the amelioration of spatial inequalities should not be the only goal. When industrial policies generate spatial agglomeration, congestion effects may emerge (Obeng-Odoom 2023). Such effects can easily outweigh the benefits of agglomeration for productivity growth, in particular in countries that lack the resources to build the physical infrastructure and public services (schools, hospitals, etc.) required by the inflow of workers into urban areas.

Such congestion of urban areas may prevent sustained (and sustainable) economic growth and productive employment (Gomez-Lievano and Patterson-Lomba 2021). Rising economic complexity has been identified as an important focus of industrial policy (WIPO 2024). The increasing of economic complexity involves promoting a country's economic diversification in many unrelated sectors and occupations in which the country has potential to gain a comparative advantage and become a global price-setter (Hidalgo 2021 and 2023; Balland et al. 2022). This requires the development of an educated workforce with a large range of overlapping, complementary skills that allow workers to transit rapidly to new roles in adjacent occupations. Advanced economies often have such a flexible workforce, where more than 50 per cent of workers may operate in adjacent occupations with low barriers to transition (del Rio-Chanona et al. 2021). By contrast, in emerging and developing countries that have multiple forms of labour market segmentation, economic complexity is failing to emerge because workers are unable to transit to new opportunities, especially with the advent of external shocks (ILO and WTO 2009). Industrial policies, therefore, should be accompanied by horizontal interventions to prevent congestion costs overshadowing agglomeration effects.

To address these issues, integrated macroeconomic and labour market policies are needed. Public investment in physical and digital infrastructure can help to spread resources more equally across a country. Local education centres and public employment services can support the development of additional hubs of activity that will help to spread investment across a larger range of industrial areas, promoting local economic development. Recent evidence on the long-term economic trajectories of major emerging economies demonstrates that human capital development needs to be broad-based to allow larger proportions of the labour force to benefit from structural change and industrial development (Bharti and Yang 2024). Finally, skills and innovation policies need to be coordinated in order to provide skills and training profiles in line with local comparative advantages; this can be achieved through tighter alignment and coherence across policy portfolios.

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Appendix. Data sources and methodology

This chapter uses data from multiple sources. Although the aim was to consider 13 countries across four continents, some analyses could not be performed for all countries, owing to lack of data. The countries to be considered were Argentina, Brazil, Côte d'Ivoire, Colombia, Ghana, India, Lao People's Democratic Republic, Mexico, Pakistan, Peru, the Philippines, Thailand and Viet Nam.

Composition of GDP

World Development Indicator data from the World Bank are used to study the structural transformation of three major sectors over time: agriculture, forestry and fishing; manufacturing; and services. The manufacturing sector is a subset of the larger industry sector and does not include sectors such as construction, mining, electricity, water and gas. GDP represents the sum of value added by all producers.

Labour productivity data

Figure 3.4 provides historical labour productivity data for 90 countries across eight sectors. Labour productivity is expressed in 2017 international dollars, in thousands. The analysis focuses on 12 countries, since data for Côte d'Ivoire were not available.

Employment and occupation data

The employment and occupation data are based on ILOSTAT, a repository of micro labour force data. The main advantage of this source is that key labour force indicators are standardized for cross-country comparison. However, since one of the key objectives of this analysis is to understand the labour market at the subnational level, the data used here are limited to the years for which such information is available, which varies from country to country.

Night-light data and spatial Gini coefficient

The data on night light are sourced from NASA's Black Marble initiative.[9] We used R's 'blackmarbler' package to source and extract data according to our areas of interest. Country shapefiles at the appropriate subnational level are sourced from GADM.[10] Data for subnational gridded population are sourced from the Global Human Settlement Layer (GHSL) data package 2023 on Google Earth Engine. The spatial Gini coefficients at the country level, which are based on night light per capita values for specified subnational regions, are calculated using these data and the Defense Meteorological Program (DMSP) Operational Line-Scan System (OLS) night-light data for the period 2000–18. The dataset on spatial Ginis was provided by Matthieu Charpe (ILO Employment Policy Department).

We created a unique dataset of 85 countries of the world by merging the spatial Gini coefficient with the employment data sourced from Dieppe and Matsuoka (2024). This dataset allowed us to look at the spatial inequality in night light per capita in relation to the economic activities and structural change in a country.

To estimate the relationship between the change in spatial inequality and structural change in economic activities across various subnational regions, we created a simple convergence model in which we estimated the following specification:

$$\ln(gr) = \alpha + \beta_1 \ln(pop) + \beta_2 \ln(NTL\_PC\_Initial) + \Omega X_1 + \pi X_2 + \varepsilon$$

where ln(*gr*) is the natural log of the annual average growth rates of night light per capita within two time periods, ln(*pop*) is the natural log of population in the base year, ln(*NTL_PC_Initial*) is the level of night light per capita in the base year, X_1 is the vector of the relative share of economic activities across different sectors, X_2 is the country-level fixed effects, and ε is an independent and identically distributed error term.

9 https://blackmarble.gsfc.nasa.gov/.

10 https://gadm.org/.

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World Employment and Social Outlook: Trends 2025

Strong headline employment indicators hide persistent structural weaknesses on global labour markets. Although unemployment has stabilized at a historical low, informal employment, gender gaps and working poverty have shown little or no improvement following the return to pre-pandemic trends. Lacklustre productivity growth in major economic markets in Europe and Asia amidst slowing structural transformation towards manufacturing and high-value-added services is also preventing the recovery of real disposable incomes from the losses incurred during the most recent inflationary period. Manufacturing, once a driver of economic growth and productive employment, has experienced a protracted period of stagnation, which has exacerbated spatial inequalities both within and across countries. On current trends, no further improvements in decent work from the 2015 baseline are to be expected by 2030.

This year's *World Employment and Social Outlook: Trends* provides a comprehensive assessment of structural imbalances in labour markets alongside the ongoing transformation of the global economy. It analyses global patterns, regional differences, and outcomes across groups of workers. For the first time, it offers an analysis of subnational trends in selected countries. The report also offers labour market projections for 2025 and 2026. Finally, it presents trends in labour force participation, employment growth, and informality and analyses their contributions to structural labour market deficits.

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