



International  
Labour  
Organization

► ILO Flagship Report

# World Employment and Social Outlook

## Trends 2022

EXECUTIVE SUMMARY



## As the pandemic persists, global labour markets struggle to recover

**The COVID-19 pandemic dominated the global economy for a second year in 2021, preventing a full and balanced recovery of labour markets.** The pace at which economic activity has recovered has depended largely on the extent to which the virus has been contained, such that the recovery is following different patterns across geographies and sectors. However, every new outbreak brings setbacks. Many gains in decent work made before the pandemic have been significantly impacted upon, and pre-existing decent work deficits are dampening the prospects of a sustainable recovery in many regions.

**The global labour market outlook has deteriorated since the ILO's last projections; a return to pre-pandemic performance is likely to remain elusive for much of the world over the coming years.** On the basis of the latest economic growth forecasts, the ILO is projecting that total hours worked globally in 2022 will remain almost 2 per cent below their pre-pandemic level when adjusted for population growth, corresponding to a deficit of 52 million full-time equivalent jobs (assuming a 48-hour working week). Global unemployment is projected to stand at 207 million in 2022, surpassing its 2019 level by some 21 million. This outlook represents a substantial deterioration since the projections made in the previous edition of *World Employment and Social Outlook: Trends* published in June 2021, when the shortfall in working hours relative to the fourth quarter of 2019 was projected to narrow to less than 1 per cent in 2022.

**Recovery patterns vary significantly across regions, countries and sectors.** Since the onset of the recovery, employment growth trends in low- and middle-income countries have remained significantly below those observed in richer economies, owing largely to the lower vaccination rates and tighter fiscal space in developing countries. The impact has been particularly serious for developing nations that experienced higher levels of inequality, more divergent working conditions and weaker social protection systems even before the pandemic.

**Overall, key labour market indicators in all regions – Africa, the Americas, the Arab States, Asia and the Pacific, and Europe and Central Asia – have yet to return to pre-pandemic levels.** For all regions, projections to 2023 suggest that a full recovery will remain elusive. The European and Pacific regions are projected to come closest to that goal, whereas the outlook is the most negative for Latin America and the Caribbean and for South-East Asia. All regions face severe downside risks to their labour market recovery that stem from the ongoing impact of the pandemic. Moreover, the pandemic is structurally altering labour markets in such ways that a return to pre-crisis baselines may well be insufficient to make up for the damage caused by the pandemic.

## Pandemic disruptions, structural deficiencies and new risks reduce the potential for decent work to be created

**Underlying structural deficiencies and inequalities are amplifying and prolonging the adverse impact of the crisis.** The large informal economy in many developing countries is impairing the efficacy of some policy instruments, since informal enterprises have been less able to access formal lines of credit or COVID-19-related government support. Thus relief measures have been less likely to reach those in need, and inequities within countries have worsened. Smaller businesses have experienced greater declines in employment and working hours than have larger ones.

**Developing economies that rely on exports of labour-intensive goods or commodities have particularly struggled to adjust to volatile demand resulting from pandemic-related shifts in economic growth.** Tourism-dependent economies are suffering heavily from border closures and lost revenues.

**Employment losses and reductions in working hours have led to reduced incomes.** In developing countries, in the absence of comprehensive social protection systems that can provide adequate benefits to stabilize incomes, this has compounded the financial stress of already economically vulnerable households, with cascading effects on health and nutrition. The pandemic has pushed millions of children into poverty, and new estimates suggest that, in 2020, an additional 30 million adults fell into extreme poverty (living on less than US\$1.90 per day in purchasing power parity) while being out of paid work. In addition, the number of extreme working poor – workers who do not earn enough through their work to keep themselves and their families above the poverty line – rose by 8 million.

**The asymmetric recovery of the global economy has started to cause long-term knock-on effects, in terms of persistent uncertainty and instability, that could derail the recovery.**

Changes in market demand and rising online services, skyrocketing trading costs and pandemic-induced changes in labour supply have all created bottlenecks in manufacturing, impeding the return to pre-pandemic labour market conditions. Intense and prolonged supply chain shocks are creating uncertainty in the business climate and could lead to a reconfiguration of the geography of production, with significant implications for employment.

**The rise in prices of commodities and essential goods, while labour markets remain far from recovered, significantly reduces disposable income and thereby adds to the cost of the crisis.** Going forward, macro-policymakers face difficult choices, with important international spillovers. If and when there are signs of rising inflation expectations, calls for monetary and fiscal policy to be tightened at a faster rate can be expected to multiply. At the same time, given the asymmetric nature of the recovery, policy tightening would hit low-income households particularly severely, meaning that attention will need to be devoted to maintaining adequate levels of social protection.

**The recovery of labour demand to pre-crisis levels can be expected to take time, which will slow growth in employment and working hours.** The sluggish and uneven recovery of working hours in 2021 kept labour incomes subdued. Since most workers in the world had insufficient, if any, income replacement, households were required to run down their savings. The effect has been particularly pronounced in developing countries, where the share of economically vulnerable populations is larger and the size of stimulus packages has been smaller. The consequent loss in income has further depressed aggregate demand, creating a vicious circle that underscores the need for concerted policies to expedite labour market recovery, tackle inequities and return the global economy to a path of sustainable growth.

## Labour market recovery is unequal and incomplete

**In 2022, ILO projections suggest that there will be a working-hour deficit equivalent to 52 million full-time jobs owing to crisis-induced labour market disruptions.** Although this figure is a sizeable improvement on 2021, when hours worked adjusted for population growth stood below their level in the fourth quarter of 2019 by the equivalent of 125 million full-time jobs (assuming a 48-hour working week), it remains extremely high. In 2022, the employment-to-population ratio is projected to stand at 55.9 per cent – that is, 1.4 percentage points below its 2019 level.

**Many of those who left the labour force have not come back, so the level of unemployment still underestimates the full employment impact of the crisis.** The global labour force participation rate, having fallen by close to 2 percentage points between 2019 and 2020, is projected to recover only partially to just below 59.3 per cent by 2022, around 1 percentage point below its 2019 level. The global unemployment rate is projected to remain above its 2019 level until at least 2023. The total number of the unemployed is projected to decline by 7 million in 2022 to 207 million; in comparison, the 2019 figure was 186 million.

**Labour market recovery is fastest in high-income countries.** These account for about half of the global decline in unemployment between 2020 and 2022 while constituting only around a fifth of the global labour force. By contrast, since the onset of the pandemic lower-middle-income countries have fared the worst, and they are also seeing the slowest recovery.

**The recovery is unequal within countries.** The disproportionate impact of the pandemic on women's employment is projected to narrow at the global level over the coming years, but a sizeable gap is nevertheless projected to remain.

The disparity is most pronounced in upper-middle-income countries, where women's employment-to-population ratio in 2022 is projected to be 1.8 percentage points below its 2019 level, versus a gap of only 1.6 percentage points for men, despite women having an employment rate 16 percentage points below that of men to start with. The closing of schools, colleges and skills-training institutions for prolonged periods in many countries has weakened learning outcomes, and this will have cascading long-term implications for the employment and further education and training of young people, especially those who have had limited or no access to online learning opportunities. Moreover, informal wage employment still trails its pre-crisis level by 8 per cent. Own-account and contributing family work, which are often characterized by poor working conditions, were on a declining trend before the crisis. The increase in the incidence of such work in 2020 is estimated to have persisted in 2021.

**The pandemic has started to induce economic changes that could become structural, with enduring implications for labour markets.** The confluence of various macroeconomic trends is creating uncertainty around whether the drop in working hours, employment and labour force participation is temporary, or whether the pandemic is expediting more structural labour market exits or labour-saving transformations – each of those requiring different courses of action. The pandemic is deepening various forms of inequality, from exacerbating gender inequity to widening the digital divide. Changes in the composition of employment relationships – such as reliance on informal self-employment to earn a living, the rise in remote work, and various trends with regard to temporary work – all risk impairing the quality of working conditions.



## Temporary work as a buffer in times of economic uncertainty

**Before the onset of the pandemic, temporary employment as a share of total employment had been increasing over time, though not uniformly across sectors and countries.** Temporary employment is largely structural and driven by the sectoral and occupational composition of the labour market; however, during crises, it tends to serve as a shock absorber as employers scale back on the use of temporary workers. Looked at in the longer term, temporary employment can negatively impact on the long-term productivity of firms through its effects on job retention, training and innovation. Workers are also adversely affected by temporary work, given the greater job and income insecurity and lower access to social protection.

**Temporary employment rates are higher in low- and middle-income countries (just over one third of total employment) than in high-income countries (15 per cent).** But the nature of temporary employment varies between developed and developing countries. In the former, although it may be an entry point into a more permanent position, or a flexible and strategic means of entering and engaging in the labour market, temporary workers lack job security and regular incomes and do not always fulfil the eligibility requirements for access to social protection or employment protection. For workers in the developing world, on the other hand, temporary work often comes in the form of informal employment with little

to no access to social protection systems and employment protection.

**Temporary workers suffered job losses at a higher rate than non-temporary workers at the beginning of the pandemic, but most economies have since seen a rise in newly created temporary jobs.** The net effect of these two trends is that the incidence of temporary work has tended to remain stable through the pandemic. The trends, based on limited available data, are not dissimilar from pre-crisis trends, highlighting the endemic churn of temporary workers before the crisis. Notably, however, over a quarter of those in temporary work in the early part of 2021 (in countries with available data) were previously in non-temporary jobs, which highlights the underlying economic uncertainty and associated employment insecurity at that time.

**In the early stages of the pandemic, in countries characterized by dual labour markets, informal employment did not play its traditional counter-cyclical role of absorbing displaced workers from the formal sector.** In many such countries informal workers were more likely than formal workers to lose their jobs or be forced into inactivity by lockdowns and other measures. As economic activity gradually resumed, informal employment, especially self-employment, has had a strong rebound and many informal workers have returned from inactivity.

## Prevention of long-lasting damage requires a comprehensive human-centred policy agenda

**At the International Labour Conference in June 2021, the ILO's 187 Member States discussed global, regional and national policy responses to the crisis.** At the close of their discussions, they adopted the Global Call to Action for a Human-Centred Recovery from the COVID-19 Crisis that is Inclusive, Sustainable and Resilient, emphasizing the need for a fully inclusive recovery based on accelerated implementation of the ILO Centenary Declaration for the Future of Work. This implies rebuilding the economy in ways that address systemic and structural inequalities and other long-term social and economic challenges, such as climate change, that pre-date the pandemic. The prerequisite for achieving such resilience is multilateral action and global solidarity – including with respect to vaccine access, debt restructuring, and facilitating a green transition. Failure to tackle these important policy challenges will result in yet another missed opportunity to set the world on a more equitable and sustainable trajectory.

**Achieving a human-centred recovery will require the successful implementation of four pillars:** inclusive economic growth and development; protection of all workers; universal social protection; and social dialogue. Each has a key part to play.

**Throughout the recovery period, macro-economic policies will need to go beyond a countercyclical role, merely seeking a return to pre-crisis outcomes, since this would not address decent work deficits or leave countries any less vulnerable to future crises.** Fiscal policies must not only aim to protect jobs, incomes and employment, but also address structural challenges and root causes of decent work deficits across the world. Depending on country constraints and priorities, this will involve a mix of fiscal policies targeting the widespread creation of productive employment, supported by industrial policies, skills

development and active labour market policies (including ones to bridge the digital divide), as well as sustained investment in universal social protection. Proactive macroeconomic policy has become even more critical as the pandemic's interaction with technology and other "megatrends" threatens to accelerate widening inequalities across and within economies.

**Extending and ensuring the protection of all workers entails guaranteeing fundamental rights at work, ensuring health and safety at the workplace and implementing a transformative agenda for gender equality.** The pandemic has revealed the vulnerability of many groups of workers – including essential, informal, self-employed, temporary, migrant, platform and low-skilled workers – who are often highly exposed to the health and labour market impacts of the crisis, and many of whom fall through gaps in social protection coverage across the world.

**Closing social protection gaps and providing universal access to comprehensive, adequate and sustainable social protection must remain a key priority.** Identifying equitable and sustainable financing for such systems in times of limited fiscal space requires multilateral action to complement domestic resource mobilization.

**Social dialogue has played a key role in the response to the pandemic, many policies and measures to limit job losses having resulted from tripartite discussions.** In the recovery period, social dialogue will remain crucial to finding solutions that are mutually beneficial to firms and workers and have positive macroeconomic repercussions and spillover effects. For social dialogue to play this role, the capacities of public administrations and employers' and workers' organizations to participate in such a process will need to be strengthened.



## **Advancing social justice, promoting decent work**

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

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