Report warns of deepening global jobs crisis

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Risks are growing of an entrenched global jobs crisis, according to a new report by the International Labour Office (ILO) and the Organisation for Economic Co-operation and Development (OECD).

Issued ahead of a two-day meeting of labor ministers from the Group of 20 (the 20 largest economic powers) in Paris, the paper warns of growing unemployment among the group's advanced and emerging nations as economic activity slows. The report notes that in the G20 economies, "the recovery appears to have come close to a halt."

"We are very concerned about what we are seeing in the numbers," Stefano Scarpetta, the OECD's head of employment analysis, told journalists at a press briefing. "Employment and social policies should be at the center of the policy response to the current situation," he said.

The ILO/OECD report notes that recent job growth in the G20 is already insufficient to offset the shortfall of 20 million jobs produced by the recession that began in 2008. "Should employment grow at a rate of 0.8 percent" until the end of 2012, the paper warns, "then the shortfall in employment would increase by some 20 million to a total of 40 million in G20 countries."

The report further cautions that the burgeoning jobs crisis will put pressure on the economy by lowering consumer spending and exacerbating social tensions. "This is not business as usual," Scarpetta stated. "We have a situation ahead of us in which social tensions will increase. That is a question for the G20 as rising social tensions in one country have implications for another."

Three years after the economic meltdown, unemployment remains high across the G20, with rates in most countries improving by a fraction of a percentage point or continuing to rise. Since the onset of the recession, the jobless rates in three countries—Spain, Britain and the United States—have increased by more than 50 percent.

South Africa has the highest current official jobless rate in the G20, a staggering 25.7 percent, followed closely by Spain, with 21.2 percent unemployed. The paper reports an August 2011 US jobless rate of 9.1 percent, down only 0.5 percent over the last year. The jobs crises in these three countries in particular were accompanied by large declines in GDP.

While the economic sectors affected most by the global crisis vary across the G20, employment in the construction sector has been especially hard hit. Additionally, most of the advanced economies have seen large losses in manufacturing jobs. Canada, the US, France, Spain and the European Union as a whole all saw declines of 5 percent or more in manufacturing employment.

As the jobs crisis becomes more entrenched, the numbers of the long-term unemployed have risen sharply. By the first quarter of 2011, one-third or more of the jobless had been out of work for more than one year in France (40.5 percent), Germany (47.3 percent), Italy (50 percent), Japan (50.2 percent), South Africa (68.3 percent), and Spain (40.5 percent).

The incidence of long-term unemployment increased most sharply in Canada, Spain, the United Kingdom, and the US. By early 2011, the share of long-term unemployed in the US had tripled, reaching an historic high.

In all of these countries, the growth of the ranks of the long-term unemployed has been accompanied by an assault on social programs depended upon by the jobless and their families. The report warns that there are "serious social costs related to long-term unemployment, as it is associated with an increased risk of poverty, health problems and school failure for children of the affected individuals."

For those who do have jobs, the army of under-employed—those wanting to work additional hours and available to do so—has increased sharply. In Spain, Indonesia, and selected urban areas of Argentina, 10 percent or more of the total workforce in 2010 was comprised of involuntary part-time workers, those employed part-time who want and need full-time jobs. These workers are at increased risk of poverty.

Young people have been the hardest hit by the global economic crisis and the report notes a sharp rise in youth unemployment. In every G20 country, the jobless rate for youth is twice or three times the adult rate, and has increased during the crisis. The official unemployment rate for Spanish youth has more than doubled, rising to close to 45 percent. More than half of all South African youth are without a job.

The report notes the growing phenomenon of youth who are not in education, employment or training—the so-called NEET group. In increasing numbers, young people never enter into the job market, and face the prospect of a lifetime of unemployment and poverty, destroying their ability to set up their own households and raise a family.

In addition to young people, other sections of the population hit hardest by the jobs crisis include the low-skilled, temporary workers and immigrants. In all G20 countries, working-age women are jobless at a higher rate than men. Older workers are also significantly under-represented in the workforce.

In emerging G20 countries, the report notes a high incidence of temporary and casual employment, as well as workers employed in the so-called informal sector. In Argentina, Mexico and India, more than half of the non-agricultural workforce is employed in the informal sector.

The jobs crisis has been accompanied by growing earnings inequality. With the exception of Japan and France, the earnings of the 10 percent best paid have risen relative to those of the 10 percent poorest paid workers. A number of factors have contributed to this, according to the report, including a premium paid to technologically skilled workers and the "declining strength of trade unions and collective bargaining."

The paper also points to the "globalization of the financial sector with its very specific remuneration practices"—i.e., the ranks of super-wealthy speculators who have profited from the crisis as the majority of the world's population has been plunged more deeply into joblessness and poverty.

"Beyond a certain threshold," the report warns ominously, "levels of income inequality generate negative effects that may undermine social cohesion and economic performance." In decoded language, this means that the growing scourges of joblessness and social inequality threaten to provoke social explosions like the recent riots in Britain.

Governments in the G20 countries and elsewhere are responding to the jobs crisis by escalating attacks on social programs and implementing deeper austerity measures. In the US, with 26 million unemployed, corporations are sitting on more than $2 trillion in cash, obtained through downsizing, wage-cutting and boosts in productivity. Corporate America is staging what amounts to an investment strike, blackmailing the country in an effort to extract even deeper concessions from workers and attacks on social programs.

The data provided in the ILO/OECD report underscore the fact that three years after onset of the global economic none of the contradictions exposed by it have been resolved. The ongoing euro crisis, the sharp economic contraction worldwide and the accompanying growth of unemployment all point to the inability of the capitalist system to resolve its crisis outside of dictatorship and war.