

Executive summary

The KILM has become a cornerstone of information for those concerned with the world of work...

The first *Key Indicators of the Labour Market* (KILM) was released in 1999. It has since become a flagship product of the International Labour Office (ILO) and is used on a daily basis by researchers and policy-makers throughout the world. At the national level, statistical information is generally gathered and analysed by statistical services and ministries. At the global level, the ILO plays a vital role in assembling and disseminating labour market information and analysis to the world community.

...offering timely data and tools for those seeking to run their own analysis

In this tradition, the KILM programme has undoubtedly met the primary objectives set for it in 1999, namely: (1) to present a core set of labour market indicators; and (2) to improve the availability of the indicators to monitor new employment trends. But that is not all that the KILM has to offer. It has evolved into a primary research tool that provides not only the means for analysis, i.e. the data, but also guidance on interpretation of indicators and data trends.

and original analysis on global, regional and country-level trends.

In addition, the KILM has become an important source of analysis in its own right, publishing pertinent research on “key issues in the labour market” with every new edition. These contributions – including those in this KILM 7th Edition described below – further the ILO’s agenda to identify employment challenges where the growth of decent work opportunities is most needed around the world.

Smart policymaking requires up-to-date and reliable labour market information...

Defining effective labour market strategies at the country level requires first and foremost the collection, dissemination and assessment of up-to-date and reliable labour market information.¹ Once a strategy is decided, continuing information and analysis are essential to monitor progress towards goals and to adjust policies where needed. Labour market information and analysis must be viewed as the cornerstone for developing integrated strategies to promote standards and fundamental principles and rights at work, productive employment, social protection and dialogue, as well as to address the cross-cutting themes of gender and development – this is where the KILM comes in.

such as that provided in the KILM.

The KILM is a collection of 18 “key” indicators of the labour market, touching on employment and other variables relating to employment (status, sector, hours, etc.), the lack of work and the characteristics of jobseekers, education, wages and compensation costs, labour productivity and working poverty. Taken together, the KILM indicators give a strong foundation from which to begin addressing key questions related to productive employment and decent work. (See section C of the “key issues” chapter (Chapter 1) for an example of how to bring the KILM indicators together to tell the story of the labour market in one country, Brazil, and from there to reach the next

¹ For more detail on the necessity for labour market information with examples of how it can be used when formulating policies, see the section “Guide to understanding the KILM”.

The KILM 7th Edition strengthens the ILO's efforts at promoting measurement of national progress toward the MDG target on "full and productive employment and decent work for all" ...

... and continues to innovate to bring forth the most reliable indicators to measure decent work, including working poverty.

Gender equality continues to serve as a core theme of KILM analysis.

Highlights of current labour market trends

Despite some signs of progress in economic recovery from the Great Recession, labour market conditions have continued to deteriorate in many countries.

step of recommending action for designing improvements.)

The KILM is a source of national data for all four indicators selected for measuring progress toward the target under the first Millennium Development Goal (MDG) to "achieve full and productive employment and decent work for all, including women and young people". The employment-to-population ratio (KILM 2), share of vulnerable employment in total employment (KILM 3), share of working poor in total employment (KILM 18) and the growth rate of labour productivity (KILM 17), when analysed together, can offer a rich assessment of trends and levels of decent and productive employment in a country.

Section A, "Working poverty in the world: Introducing new estimates using household survey data" focuses specifically on one of the four indicators selected to monitor progress toward MDG 1, that of working poverty (the proportion of people in employment living below the poverty line). The section presents an improved methodology for generating global and regional estimates of the working poor based on the country-level data published in the KILM that greatly strengthens the validity and depth of the indicator as a measure of "decent work" around the world.

Twenty-five of the 30 KILM tables are available by sex. Gender analysis has always served as a key theme of each chapter's "Trends" section. This effort at gauging how men and women fare in the labour market is supplemented in the KILM 7th Edition by Chapter 1, section B, "Gender equality, employment and part-time work in developed economies", that take a more in-depth look at the issue of part-time employment as a variable of gender equality in the labour market.

This KILM 7th Edition offers a series of noteworthy findings that are presented in the analytical sections. Some excerpts of trends analyses are presented here:²

- The Great Recession reversed the downward trends of unemployment rates in many countries. The analytical section in KILM 9 compares specifically unemployment developments by sex across four countries (Estonia, Greece, Mexico and the United States). The country with the highest increase, by far, was Estonia, where the male unemployment rate increased by 14.1 percentage points between 2007 and 2010, and the female rate increased by 10.4 points. With hourly compensation costs for employees in the manufacturing sector in Estonia now higher than that of the United States, it would seem that enterprises had little choice but to cut staff in the effort to stay competitive in the face of restricted global demand. (KILMs 9 and 16)
- Looking at the same four countries, one factor behind the increasing unemployment rates was the slight drop in the male labour force during the economic crisis. The most significant

² For more information relating to the labour market concepts defined or more detail on the trends identified, see the KILM manuscript identified in parentheses.

decreases were seen in Estonia and the United States beginning in 2008 and continuing through 2010. Both countries are therefore showing clear evidence of the “discouraged worker” effect in the male population. Some men who might otherwise be economically active have given up the job search during these difficult economic times. That the female labour force continued to grow while the male labour force declined in Estonia, Greece and the United States (except in 2010 when both decreased), hints at a substitution effect whereby some women who might otherwise be inactive, enter the labour market during the crisis period in order to offset the lost income of an unemployed or inactive male partner. (KILM 9)

- More broadly, the long-term unemployment rate showed an increase in 29 of the 40 countries at the peak of the crisis (2009). In 2010, the situation worsened further with an annual increase in all but four countries. The continued rise in the long-term unemployment rate is a clear sign that the jobs crisis was still strong in 2010. The most dramatic increases took place in the Baltic States – Latvia (3.8 percentage points) and Lithuania (4.1 points) – and in two other countries that were particularly hard hit by the economic crisis, Ireland (3.1 points) and Spain (3.4 points). (KILM 11)
- Productivity growth plummeted in the Central & South-Eastern Europe (non-EU) & CIS region in the wake of the crisis. In 2009, in terms output per worker, 74 out of 121 countries (61.4 per cent) experienced a decline. In terms of output per hour worked, 34 out of 51 countries (66.7 per cent) experienced a decline. (KILM 17)
- The global economic and financial crisis also adversely impacted global wage growth. While wages grew at an average rate of 2.7 per cent (2006) and 2.8 per cent (2007) in the pre-crisis era, global wage growth slowed to 1.5 per cent (2008) and 1.6 per cent (2009) during the peak of the crisis. Due to the size of the country, these figures are heavily influenced by official wage statistics from China, which maintained high wage growth during the economic crisis. Outside China, average wages grew much less rapidly, remaining at an annual rate of well below 1 per cent in 2008 and 2009. (KILM 15)
- Even though part-time work is considered mainly the domain of women, men are increasingly working part-time too, and, in fact, part-time employment among men is growing at a faster pace than among women. The recent economic crisis pushed up part-time employment rates of both youth and adults substantially. The increase was particularly notable among men. (KILM 6)

Increased unemployment is the most obvious sign of distress in the labour market, but declining wage and productivity growth are also evident, as is an increase in part-time employment.

Level of economic development is strongly reflected in labour force participation rates as well as aspects of employment characteristics, such as status, sector and hours of work.

- Labour force participation rates tend to be highest in the poorest countries. In these countries only a small proportion of the working-age population can afford to remain outside of the labour force. The majority of countries with the lowest relative per-capita GDP and highest labour force participation rates are in sub-Saharan Africa. (KILM 1)
- The dichotomy in the world of work between developed versus developing economies is particularly pronounced in the distribution of status in employment and working poverty. Economies in the early to middle stages of economic development have definitively lower shares of wage and salaried workers in total employment and higher shares of own-account and contributing family workers, the two statuses that are viewed as more vulnerable. (KILM 3)
- And high shares of vulnerable employment means high shares of working poverty: across 34 countries with available data, 84.4 per cent of workers living below the US\$1.25 poverty line were in either own-account or contributing family work, according to the findings reported in Chapter 1, section A.
- Agriculture dominates employment in 40 out of the total of 172 countries analysed. Thirteen of these – ten sub-Saharan African countries, Cambodia, Lao People’s Democratic Republic and Papua New Guinea – have at least two-thirds of total employment in the agricultural sector. These are countries that have not experienced the transformation of their economies towards more productive activities, and, as a result, are still characterized by high poverty rates. (KILM 4)
- The employment-to-population ratio increased in two thirds of countries with available data over the decade ending in 2010. In three-quarters of the cases, ratios over time increased more for women than men. The rise in the volume of female employment can be attributed to a multitude of factors, including higher female participation rates, increases in female enrolment in education (with a lagged effect), enactment of laws prohibiting discrimination on the basis of sex and reductions in gender stereotyping in occupations and education. (KILM 2)
- Female participation rates were lowest, both in absolute terms and relative to male participation rates, in the Middle East and North Africa, as well as in some South Asian economies. In these countries, women often face more barriers – educational, cultural and institutional – to labour market entry. (KILM 1)
- Men are more likely to be employers than women and women are much more likely to perform unpaid work within a family establishment (contributing family workers). In the European Union, the male share of employers was between 1.5 and 2.5 times the share of females in all countries but two. At the same time, women were between 2.8 and 5.6 times as likely as men to work as contributing family workers. Women composed the majority of contributing family workers in 47 of 54 countries with data and were, on average, 2.4 times more likely to work in this category than men. (KILM 3)

Women are increasingly taking up work, but gender gaps persist in labour force participation and in characteristics of employment, including status, underemployment and wages, with women generally faring worse than men.

Unemployment is not the main concern in low-income countries – working poverty is more widespread than unemployment and more difficult to tackle.

- In the poorest countries the number of working poor youth far exceeds the number of unemployed youth. In Bangladesh, there are nearly 5 times as many young working poor as there are unemployed youth. In Ethiopia, the ratio of young working poor to unemployed youth is 6.5. The data serve as a reminder that, particularly in low-income countries, unemployment rates do not provide an adequate picture of the extent of decent work deficits. The underutilization of labour as seen in the prevalence of working poverty should be the foremost concern. (KILM 18)

Young people continue to face disadvantages when it comes to finding work, particularly in certain regions.

- In most countries youth unemployment rates are between two and three times greater than those of adults. With ratios below 2, unemployment can be considered a challenge for the whole population; young people are affected, certainly, but not to a degree that is excessive in comparison to the adult population. In contrast, at rates far above 5, such as is found in parts of Asia, North Africa and the Middle East, the situation of young jobseekers in comparison to adults is indisputably difficult. In these countries youth unemployment rates often exceeded 18 per cent. (KILM 10)
- In most countries (30 out of the 36 countries with data), the long-term unemployment rates of youth surpass those of adults by far in 2010. In Italy, for example, the gap between the youth and adult long-term unemployment rates was extremely large, with young people three times more likely to be unemployed for at least one year compared to adults. (KILM 11)
- The cohort aged 15 to 24 years accounts for 23.5 per cent of the working poor in the countries with available data, compared with only 18.6 per cent of non-poor workers. The conclusion can therefore be drawn that young workers make up a disproportionately large share of the world's working poor, reflecting lost opportunities in terms of attending school and acquiring skills and education that could raise their future productivity and potential earnings. (Chapter 1, section A)
- The incidence of time-related underemployment is particularly high among youth, who are more likely to experience multiple transition phases between employment, unemployment and inactivity. The youth underemployed share is greater than that of the total working-age population for all countries except Germany. Youth were especially prone to time-related underemployment vis-à-vis the total working population in Australia, Finland, Italy, New Zealand, Spain and Sweden, with differences of 5 percentage points or more. (KILM 12)

Progress in educational attainment is being reflected in the current generation of labour market entrants...

- Decreases in the youth labour force participation rates in many countries are reflective of changing attitudes and opportunities of young people. Economic participation is no longer the only option for a growing share of young men and women. There has been impressive progress in the proliferation of educational programmes around the world in the last few decades and more and young people are increasingly able to take advantage of the opportunities

to stay in school. The quality of education remains a top concern in many countries, however, and assessments of progress toward educating youth should be made bearing quality issues in mind. (KILM 1)

and continues to play a strong influence on ones chances of finding work.

- Young adults are increasingly attaining secondary and tertiary education in comparison with previous generations. So, while the education levels of the labour forces in Mauritius, Mexico and Pakistan, for example, remain comparatively low, the fact that a higher proportion of young adults compared to adults finish their education above the primary level hints that progress is being made and that the future will bring more and more higher-educated persons into the respective labour forces. (KILM 14)

The United States remains at the forefront in terms of labour productivity...

- In the majority of countries with data, workers with primary education make up the largest share of the unemployed. But, when it comes to unemployment rates by level of education (taking the number of unemployed according to level of education as a share of the labour force with the same level of education), it is not always the lesser educated that show the higher rates. In some low-income economies, workers with secondary and tertiary education face considerably higher unemployment rates than workers with only primary education. This likely reflects the relatively higher incidence of poverty among workers with only a primary education in the country. Many workers in this category simply cannot afford to be unemployed. (KILM 14)
- For decades, the highest labour productivity, measured as GDP per person engaged, has been recorded in the United States. In 2010, the level of output per worker in the United States stood at US\$68,126 (expressed in 1990 prices). It is followed at a distance by Hong Kong, China (US\$61,382), Ireland (US\$57,473) and France (US\$55,033). (KILM 17)

and with a lead over other most developed countries that is growing, while developed economies make some progress in lessening the gap .

- Slightly more than half of the countries for which data are available achieved faster growth in labour productivity than the United States over the 2000-2010 period and, therefore, experienced some degree of convergence to the levels of productivity in the United States. The degree of convergence differs greatly by region: only one-third of the countries in the developed economies region had faster productivity growth than the United States, while in the developing regions, two-thirds of countries had faster productivity growth than the United States over the period. Thus, there is evidence of apparent convergence occurring between developing and developed economies with regard to levels of output per worker. Nevertheless, even in fast-growing economies such as China and India, the productivity gap vis-à-vis the United States remains sizable. (KILM 17)

The KILM 7th Edition brings some exciting developments...

- Finally, several noteworthy developments accompany the latest edition of the KILM:

*including improvements
in several indicators*

Improved indicators:

- To further promote the study of youth employment challenges, numerous indicators are now available disaggregated by age. Users are now able to pull down data for youth cohorts (and the adult counterparts) in KILM tables 1a and 1b (labour force participation rate), 2a and 2b (employment-to-population ratio), 6 (part-time employment), 7a (employment by hours worked per week), 11 (long-term unemployment), 12 (time-related underemployment), 13 (inactivity) and 14a (labour force by educational attainment), 14b (illiteracy) and 18b (working poverty).
- Employment by occupation has been added as a new indicator (KILM 5) and the previous manufacturing wage indices has been replaced by a broader and more consistent average monthly wages indicator (KILM 15). An additional improvement was made in adding the measurement of informal employment to KILM 8, employment in the informal economy.
- The timeliness and coverage of certain indicators have been improved with the addition of alternative data sources, including primary sources.

*and addition of tables of
world and regional
aggregates of key
indicators in the KILM
electronic version.*

- The interactive KILM software is a CD-based programme (also downloadable from www.ilo.org/kilm) that makes searching for relevant labour market information and analysis quick and simple. For those who wish to work from the internet, a full KILM internet version (KILMnet) is available at <http://kilm.ilo.org/kilmnet>. Both versions offer a simple user interface for running queries, graphs and reports on the most up-to-date KILM indicators. For the first time with the KILM 7th Edition, users can also access ILO world and regional aggregates of selected key indicators directly from the KILM software and internet database.