

# Global Employment Scenario

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## Topic- Growth and Development [GS Paper-3]

**Context-** Recently, the International Labour Organisation (ILO) has released two reports that gave an indication of the global employment scenario post-pandemic.

### Key Highlights

- The **'Global Wage Report 2022-2023: The Impact of inflation and COVID-19 on wages and purchasing power'** was recently published by the ILO.
- The report discusses the twin crises i.e.
  - Inflation and
  - Economic slowdown
- These crises created a "striking fall" in real monthly wages around the globe.
- Methodology of the report states that, in each edition of the Global Wage Report the objective is to collect wage data from as many countries and territories (about 190) which are then grouped into five separate regions
- The **'Asia-Pacific Employment and Social Outlook 2022: Rethinking sectoral strategies for a human-centred future of work'** stated that the Asia-Pacific region lost about 22 million jobs in 2022.
- The decline in wages is placing millions of workers in a dire situation.
- Income inequality and poverty will grow by time if the purchasing power of the lowest paid is not maintained.
- Reasons for such Crisis are mainly
  - The war in Ukraine

- The global energy crisis for this situation.

## Key Findings of the report

- The real and nominal wages of employees were considered to study the global employment scenario.
- The word “wage”, was defined as the total gross remuneration including regular bonuses received by employees during a specified period for time (i.e. monthly for the report) worked as well as for time not worked.
- **Nominal wage data:**
  - The adjusted figures after accounting for consumer price inflation while real wage growth refers to the year-on-year variation in real average monthly wages of all employees.
- **Global wages:**
  - They were reduced in 2022 for the first time since 2008. It also stated that monthly wages have declined by 0.9 percent in real terms in the first half of 2022. This is the first ever negative growth of real global wages in the 21st century.
  - The United States, the United Kingdom, Spain, South Korea, Bulgaria and Spain are some of the nations that witnessed a fall in the minimum wages. While Italy, Japan, Mexico and the UK are facing a decrease in overall wages in real terms compared to 2008.
- **Cost of living:**
  - It has the greatest effect on lower-income earners and their households as they have to spend most of their disposable income on essential goods and services, which generally experience greater price increases than non-essential items.
- **Inequality:**
  - At the Asia-Pacific level, only the employment opportunities in high-skill occupations saw a recovery from the COVID-19 crisis, which is true across all subregions. It is raising concerns about increased inequality.
- **Employment:**
  - While there is an employment rise of 1.6% among high-skill workers between 2019 and 2021, there is no such substantial gain among low-to-medium-skill labourers.
  - Among the G-20 nations, a significant gap, in the average level of real wages between advanced G-20 countries and emerging G-20 countries such as India, is seen.
- **Poverty:**
  - About 75 to 95 million people were pushed into extreme poverty during COVID-19.

## India's Scenario

- In India, the nominal wages increased to 17,017 per month in 2021 from 4,398 in 2006.
- But when inflation is factored in, the real wage growth in India dropped to -0.2% in 2021 from 9.3% in 2006.
- The negative growth in India started particularly after the pandemic.

## Other Asian Countries:

- In China, the growth declined from 5.6% in 2019 to 2% in 2022.
- And in Pakistan, the growth is -3.8%.

## Pandemic Impacts

- COVID-19 intensified informality, which led to the withdrawal of workers from the labour market, reduced earnings, increased unemployment and widened inequality
- Workers struggled to find shelter, food, and even drinking water for their families.

## World Bank on Global Growth:

- Global growth is expected to decelerate markedly from 4.1 percent in 2022 and 3.2 percent in 2023 as pent-up demand dissipates and as fiscal and monetary support is unwound across the world.

## Major Reasons for slowdown:

- Lengthy lockdown duration,
- Excessive expenditure on health infrastructure
- Loss of human resources due to high death rate
- Decrease in purchasing power of people around the world.

## Results:

- The current slowdown in demand and escalating inflation in the world market are a few repercussions that the world is facing due to the advent of the COVID-19 pandemic.
- Lesser earnings proceed to the lesser demand in the market and eventually create an economic condition of recession where the purchasing power of people does not allow them to consume the current supply rate.

## Suggestions

### Labour market policies:

- There is a need to strengthen labour market institutions as well as the wage policies.
- The creation of decent formal wage employment is a prerequisite for a more equitable distribution of wages and income, and it is a key contributor to equitable and sustainable wage growth.

**Gender pay gap:**

- Governments need to focus on the gender pay gap as when women leave the labour market, they are less likely to return than men.

**Multipronged approach:**

- There is also an urgent need to address the negative effects of climate change; increasing inequalities; the poverty, discrimination, violence and exclusion endured by millions of people, including the discrimination that women and girls continue to suffer in many parts of the world; the lack of vaccines and access to adequate sanitation and essential healthcare for all; and the growing digital divide between poor and wealthier countries.

**International Labour Organisation (ILO)**

- ILO is a specialised agency of the United Nations.
- It is the only tripartite U.N. agency functioning since 1919.
- It aims at promoting rights at work, encouraging decent employment opportunities, enhancing social protection and strengthening dialogue on work-related issues.
- India is a founder member of the organisation
- Its Headquarter is situated in Geneva, Switzerland.
- The organisation received the Nobel Peace Prize in 1969:
  - For improving peace among classes
  - Pursuing decent work and justice for workers
  - Providing technical assistance to other developing nations
- Flagship Reports of ILO include
  - Global Wage Report
  - World Employment and Social Outlook
  - World Social Protection Report
  - World of Work Report