International Labour Organization

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Key messages

Latest labour market developments

Strict, economy-wide workplace closures have been phased out in most countries

While new multiple global crises are unfolding, restrictive measures relating to COVID-19 are being lifted around the world. Workplace closures in their strictest forms (economy-wide required closures for all but essential workplaces) have been largely phased out. Only East Asia has recently seen an increase in the number of workers affected by strict measures.

Positive trends in hours worked have stalled and risk being reversed

The number of hours worked in the world has deteriorated in the first quarter of 2022 and remains 3.8 per cent below the level of the fourth quarter of 2019 (the pre-crisis benchmark), equivalent to a deficit of 112 million full-time jobs, indicating a significant setback in the recovery process. Recent containment measures in China account for the bulk of the global decline. These estimates for the first quarter of 2022 present a marked deterioration compared to the ILO's previous projections of January 2022 (2.4 per cent below the pre-crisis level, equivalent to 70 million full-time jobs).[1]

The conflict in Ukraine has had not only a regional impact but has also hit the global economy by increasing inflation, especially in food and energy prices, and disrupting global supply chains. In addition, heightened financial turbulence and monetary policy tightening is likely to have a broader impact on labour markets around the world in the months to come. There is a growing but uncertain risk of a further deterioration in hours worked over 2022.

The gender gap in hours worked remains large, despite positive developments in high-income countries

The recovery is not closing the gender gap in hours worked in employment,[2] which was already considerable prior to, and widened further, during the crisis. While some progress has been made in reducing the gap in high-income countries, women globally now spend 18.9 hours weekly in employment, or 57 per cent of average hours worked by men (33.4 hours).

Great divergences in employment and labour income persist

By the end of 2021, employment had returned to pre-crisis levels or even exceeded them in the majority of high-income countries, while deficits persisted in most middle-income economies. Overall, global labour income surpassed its pre-crisis level by 0.9 per cent in 2021, driven by high-income countries and China. However, this general trend conceals considerable disparities. In 2021, three out of five workers lived in countries where labour incomes had not yet recovered to their level prior to the crisis.

Informal women workers have been hit harder than their male counterparts

The number of informal jobs plunged by 20 per cent at the height of the crisis in the second quarter of 2020, twice the impact registered among workers in formal employment. And within informal employment, women were hit harder than men. In the second quarter of 2020, the number of women in informal employment declined by 24 per cent relative to the pre-crisis situation, compared to a decrease of 18 per cent among men. The sectors in which women are typically engaged informally and their disproportionate care responsibilities accounted for

1 The World Employment and Social Outlook: Trends 2022 projected that the annual average deficit in hours worked in 2022 would stand at 52 million full-time equivalent jobs. The figure presented here is derived from the underlying quarterly projections made for that report.

2 Weekly hour estimates refer to hours worked of paid work and do not include unpaid domestic work or care for others.

this highly unequal impact. By the last quarter of 2021, the recovery in informal employment had overtaken that of formal employment, increasing the share of informal employment in total employment. Overall, the speed of employment recovery has been slower for women than for men, which has contributed to a growing gender employment gap globally.

Inflation, wages and employment

Tightening of labour markets in some advanced economies but little sign of general overheating

The sharp increase in job vacancies in advanced economies at the end of 2021 and beginning of 2022 has led to a tightening of labour markets with a growing number of jobs available relative to jobseekers, with the latter remaining roughly stable. In 39 countries with available data (mainly advanced countries), labour market tightness increased by an average of 32 per cent,[3] with considerable differences between countries. Overall, there is no strong evidence that labour markets are generally overheated, as the pool of unemployed and underutilized labour continues to be considerable in most of the countries analysed. Furthermore, developing economies continue to suffer significant labour market slack.

Increasing inflation poses a major challenge to maintaining the purchasing power of labour income

Global inflation, mainly driven by increases in food and energy prices and supply disruptions, adds further risks to the recovery and an erosion of real incomes for workers and their families. In the absence of commensurate wage increases, aggregate demand could fall significantly, thereby threatening economic growth and employment. Based on countries with available data, real wages grew in 2020–21 by 1.6 per cent in the median country, which is 0.7 percentage points below the median growth in 2019. Despite tighter labour markets, therefore, the overall risk of a wage-price spiral currently remains low.

Navigating multiple crises towards a human-centred recovery

The multiplication of crises, in addition to increasing inequalities between and within countries, hampers more than ever efforts to make labour markets more inclusive and resilient, putting recent recovery gains at risk. In this complex and uncertain situation, policymakers need to carefully navigate both the continuing effects of the COVID-19 crisis and the actual and potential shocks of the Ukraine conflict, including the impact of inflation on jobs and real wages. Particular attention should be given to:

- Providing timely and effective support to maintain the purchasing power of labour income and the overall living standards of workers and their families.
- Carefully adjusting the macroeconomic policy stance to address inflationary and debt sustainability pressures while recognizing the need to facilitate a job-rich and inclusive recovery.
- Ensuring that hard-hit groups and sectors are protected through social protection for workers and support to enterprises, especially MSMEs and those operating in the informal economy.
- Over the longer term, supporting well-designed sectoral policies that promote the creation of decent jobs, matched by strong labour market institutions and social dialogue.
- Monitoring and assessing the impacts of multiple crises on the world of work, with a particular focus on addressing inequality, livelihoods and sustainability.

Taken together, this requires a comprehensive approach and international coordination as exemplified in the UN Secretary-General's initiative, the Global Accelerator for Jobs and Social Protection for Just Transitions, and as advocated by the ILO's Call to Action for a Human-Centred Recovery adopted in June 2021.

3 In the median country in the sample.

Part 1. Latest developments in labour market recovery

The world of work is being buffeted by multiple crises. The COVID-19 pandemic created an unprecedented labour market crisis in 2020 followed by an uneven, uncertain and fragile recovery over 2021. At the start of 2022, labour markets are now reeling from further shocks that stem largely from the Ukraine conflict, which has significantly disrupted trade and commodity markets, with a rapid increase in prices, especially of essential goods including food and energy. The overall economic and political environment is considerably more uncertain than it was at the beginning of the year. Global growth is projected to reach just 3.6 per cent in 2022, which is 0.8 percentage points lower than January 2022 projections.[4]

1. Workplace closures continue to trend downwards

After a brief spike at the end of 2021 and early 2022, workplace closures are currently on a downward trend. While most workers still live in countries with some form of workplace restrictions, the strictest form of closure (economy-wide required closures for all but essential workplaces) has nearly disappeared (figure 1). These recent reductions in strict workplace closures were particularly pronounced in Europe and Central Asia, where currently 70 per cent of workers face either only recommended closures or none at all.

Figure 1. Share of world's employed in countries with workplace closures, January 2020–April 2022 (percentage)

Note: The shares of workers in countries with required workplace closures for some sectors or categories of workers and countries with recommended workplace closures are stacked on top of the share of workers in countries with required workplace closures for all but essential workplaces.

Source: ILOSTAT database, ILO modelled estimates and the Oxford COVID-19 Government Response Tracker.

4 IMF, World Economic Outlook April 2022: War sets back the global recovery.

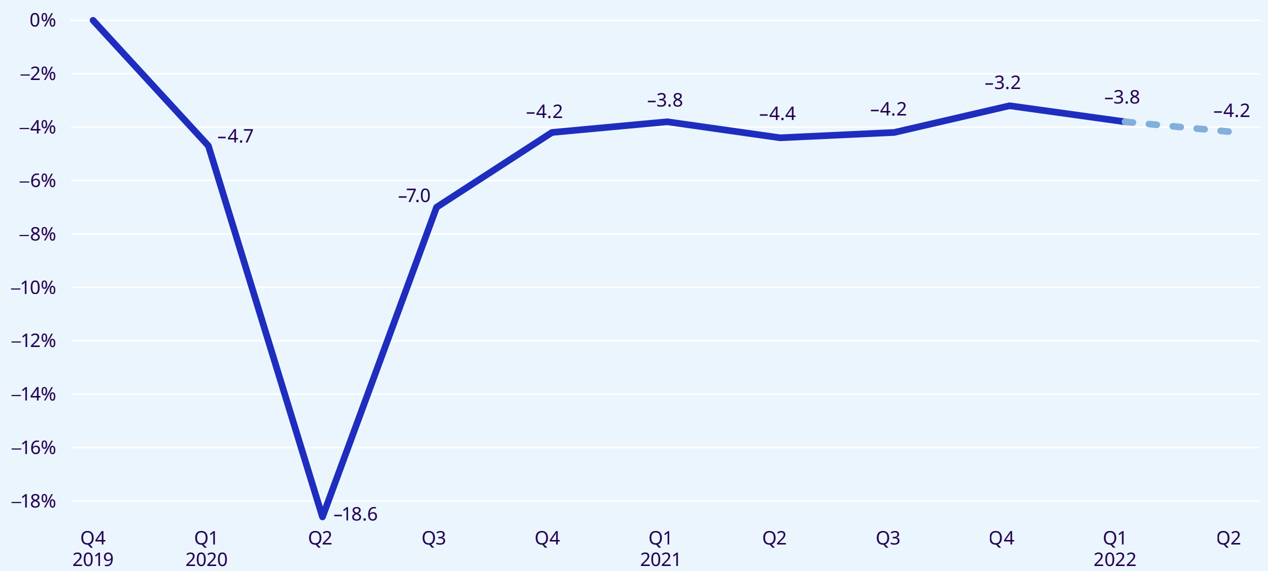
This is in stark contrast to the corresponding level of 10 per cent in Eastern Asia, the only region currently not following the recent trend towards more relaxed measures.

2. The level of hours worked has deteriorated in early 2022, with great divergence between countries

After significant gains during the last quarter of 2021, the level of hours worked showed a marked deterioration during the first quarter of 2022.[5] During the first quarter of 2022, global hours worked[6] were 3.8 per cent below the level of the fourth quarter of 2019 (the pre-crisis benchmark), equivalent to a deficit of 112 million full-time jobs. This represents a setback in the recovery process since the last quarter of 2021 when the deficit in global hours worked was smaller, at 3.2 per cent (figure 2). The recent containment measures implemented in China account for the bulk (86 per cent) of the global decline in hours worked in 2022 Q1. These estimates for the first quarter of 2022 present a marked deterioration compared to the ILO's previous projections of January 2022 (2.4 per cent below the pre-crisis level, equivalent to 70 million full-time jobs).[7]

The conflict in Ukraine is already impacting labour markets, with a collapse in hours worked in Ukraine[8] and a sizeable deterioration in the Russian Federation, with declines of 15.0 and 1.3 percentage points relative to 2021 Q4, respectively. More broadly, global

Figure 2. Change in global hours worked relative to 2019 Q4 (percentage)



Note: Estimates up to 2022 Q1 are based on the ILO nowcasting model; estimates based on the projection model are depicted as a dashed line. Hours worked are adjusted for population aged 15–64.

Source: ILOSTAT database, ILO modelled estimates.

5 Estimates based on the ILO nowcasting model, see Technical annex 1.

6 Hours worked are adjusted for the population aged 15–64. Population adjustment is necessary to provide a comprehensive and internationally comparable measure of work activity. Average global population growth during the last decade was approximately 1 per cent annually, with wide variation among countries. To properly capture work activity, changes in hours worked need to account for this change to ensure that the level increase in population is not driving growth in hours worked (for the same reason, employment is often adjusted by population, using the employment-to-population ratio indicator). The ILO nowcasting model uses population aged 15–64 to adjust hours worked to further ensure comparability, as people above 65 tend to present much lower employment-to-population ratios and their share in total population is highly heterogeneous across countries.

7 The World Employment and Social Outlook: Trends 2022 projected that the annual average deficit in hours worked in 2022 would stand at 52 million full-time equivalent jobs. The figure presented here is derived from the underlying quarterly projections made for that report.

8 As the conflict started in the last week of February, the average loss for Ukraine during the entire quarter should not be taken as the loss occurred during active conflict – which would be much higher. Hence, the loss for the second quarter is expected to deteriorate significantly. The estimates for Ukraine in both quarters are derived from early GDP estimates and assuming constant output per hour. For a detailed first assessment of the impact of the war in Ukraine see: ILO, The impact of the Ukraine crisis on the world of work: Initial assessments.

inflationary pressures especially in food and energy prices, disruptions to global supply chains, heightened financial stress, and monetary policy tightening are yet to impact fully labour markets around the world. In contrast to the immediate and direct effects on hours worked of COVID-19 lockdown measures, declines in economic activity due to financial and other shocks generally translate fully into such losses only after a time lag.[9] Therefore, there is a growing risk of a further deterioration in hours worked over 2022.

Indeed, the current outlook is highly uncertain, with clear downside risks for the already fragile recovery. Globally, the level of hours worked is expected to decline further in the second quarter of 2022, an evolution that is mainly driven by China's continued containment measures, and will be exacerbated by developments related to the conflict in Ukraine. The ILO's latest projection for the second quarter of 2022 shows that the level of hours worked is expected to be 4.2 per cent below the pre-pandemic level, which is equivalent to 123 million full-time jobs.

Beyond the aggregate trends, the "great divergence" between richer and poorer economies continues to characterize the labour market recovery in 2022. High-income countries have experienced a strong recovery since the first quarter of 2021. However, in the first quarter of 2022, the level of hours worked in these economies was still 2.1 percentage points lower than the pre-crisis benchmark, even if this was a marked improvement on the 5.4 per cent deficit observed at the beginning of 2021 (figure 2).

In contrast, low- and lower-middle-income economies suffered setbacks in their recovery at the start of 2022. Already constrained by limited fiscal space and vaccination rollouts, these countries are now being buffeted by the impact of financial, food and energy shocks. In low-income countries, hours worked decreased further from a gap of 3.1 per cent in the first quarter of 2021 (relative to the last quarter of 2019) to 3.6 per cent in the first quarter of 2022. Lower-middle-income countries saw a larger deterioration in the gap in hours worked from 4.3 to 5.7 per cent, while hours worked in upper-middle-income countries recovered during 2021 but have since registered losses, reflecting mainly the developments in China (figure 3).

These diverging trends are likely to worsen in the second quarter of 2022. Driven by strong labour demand, hours worked in high-income countries are projected to further increase in the current quarter. In contrast, low- and middle-income countries are expected to experience stagnant and falling hours worked in 2022 Q2.

Figure 3. Change in hours worked relative to 2019 Q4, by country income group (percentage)

Note: Estimates up to 2022 Q1 are based on the ILO nowcasting model; estimates based on the projection model are depicted as a dashed line.

Source: ILOSTAT database, ILO modelled estimates.

9 See for instance: Reserve Bank of Australia, Lags from Activity to the Labour Market.

3. The recovery is not closing the gender gap in hours worked

Newly available estimates show a setback for gender equality in hours worked. Before the pandemic, the gap in hours worked in employment by women and by men was already large, with women aged 15–64 working an average of 19.8 hours per week, compared to 34.7 hours per week for men (figure 4a).[10] The recovery has been insufficient to bring the gender gap in hours worked back to the pre-pandemic level.

Despite significant improvements in 2021, the gender gap in hours worked expanded during the first quarter of 2022.[11] In 2022 Q1, the global gender gap in hours worked was 0.7 percentage points larger than the pre-crisis situation (fourth quarter of 2019) (figure 4b).

The great divergence between richer and poorer countries evident during the recovery period is also reflected in the gender gap in hours worked. **Women and men in high-income countries have both experienced a strong recovery in hours worked.** By the fourth quarter of 2020, the increase in the gender gap, which was most pronounced in the second quarter of 2020, had been fully reversed in these economies. Since then, hours worked by women in high-income countries have recovered faster than those of men. At the current rate of progress, it would take 30 years to close the gap in hours worked in high-income countries.

In contrast, the gender gap in low- and middle-income countries remains larger than the pre-pandemic level despite some progress. In the first quarter of 2022, the gender gap in hours worked was 1.1 percentage points higher than in the last quarter of 2019 (figure 5). The situation is similar in lower-middle- and upper-middle-income countries (1.0 and 0.4 percentage points, respectively). In terms of absolute numbers, in the first quarter of 2022 men worked an average of 10.5 more hours per week through employment than women in low-income countries, 15.7 more hours in lower-middle-income countries (excluding India), and 9.1 more hours in upper-middle-income countries.

Figure 4a. Global average weekly hours worked 2019 Q4 and 2022 Q1, by gender

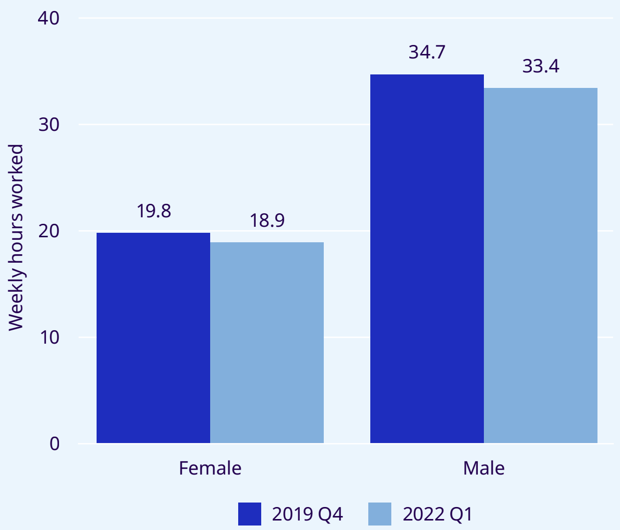
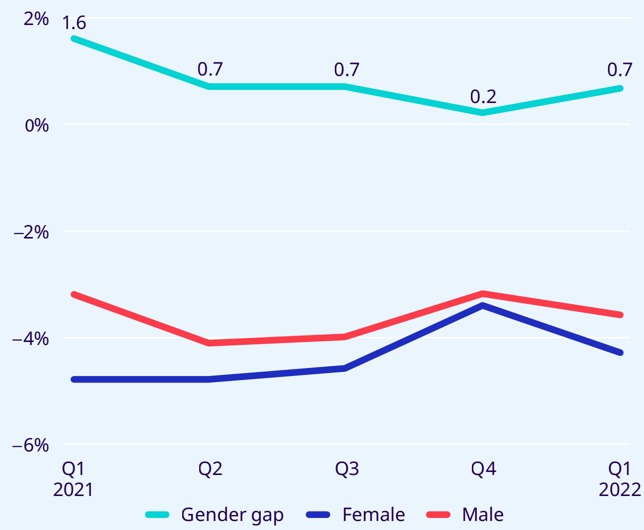


Figure 4b. Change in global hours worked relative to 2019 Q4, by gender (percentage)

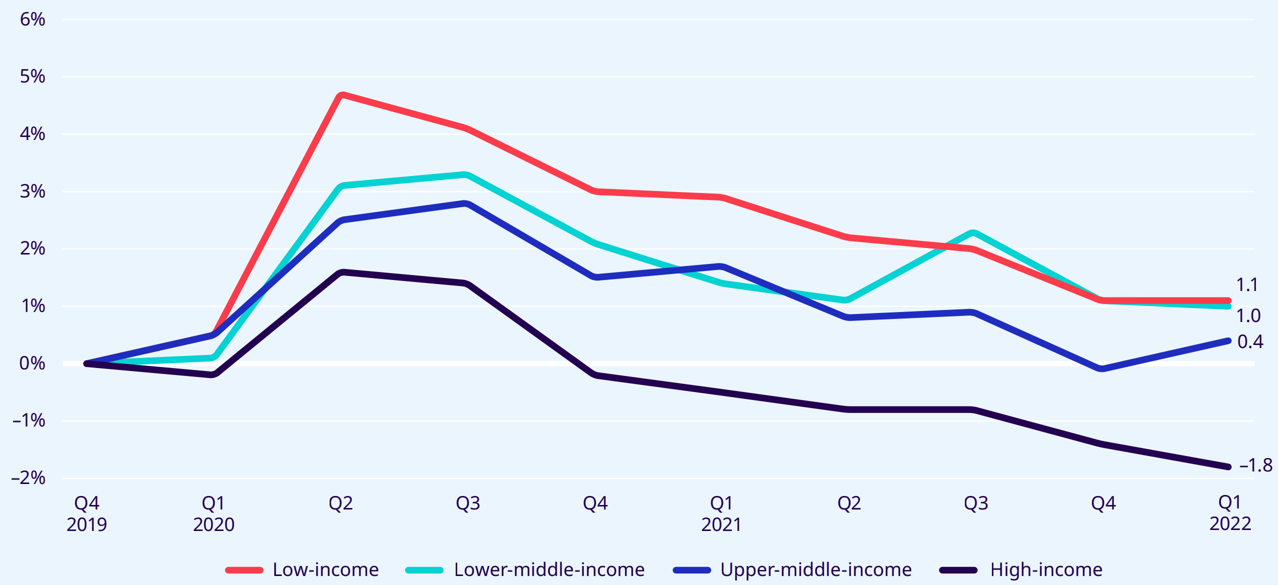


Source: ILOSTAT database, ILO modelled estimates.

10 Weekly hour estimates refer to hours worked of paid work and do not include unpaid domestic work or care for others.

11 More than two thirds of all countries show an increase in the gender gap in 2022 Q1. See Technical annex 4 for details on the methodology used.

Figure 5. Change in gender working-hours gap (male-female) relative to 2019 Q4, by country income group (percentage)



Note: The graph excludes India from the aggregate estimates for lower-middle-income countries due to a compositional effect caused by India. Both India and lower-middle-income countries excluding India experienced a deterioration of the gender gap in hours in 2020 Q2. However, because the initial level of hours worked by women in India was very low, the reduction in hours worked by women in India has only a weak influence on the aggregate for lower-middle-income countries. In contrast, the reduction in hours worked by men in India has a large impact on the aggregates. Due to this, even if both India and the rest of the lower-middle-income countries experienced a gender gap deterioration, the sum of the two would show an improvement, purely due to this compositional effect.

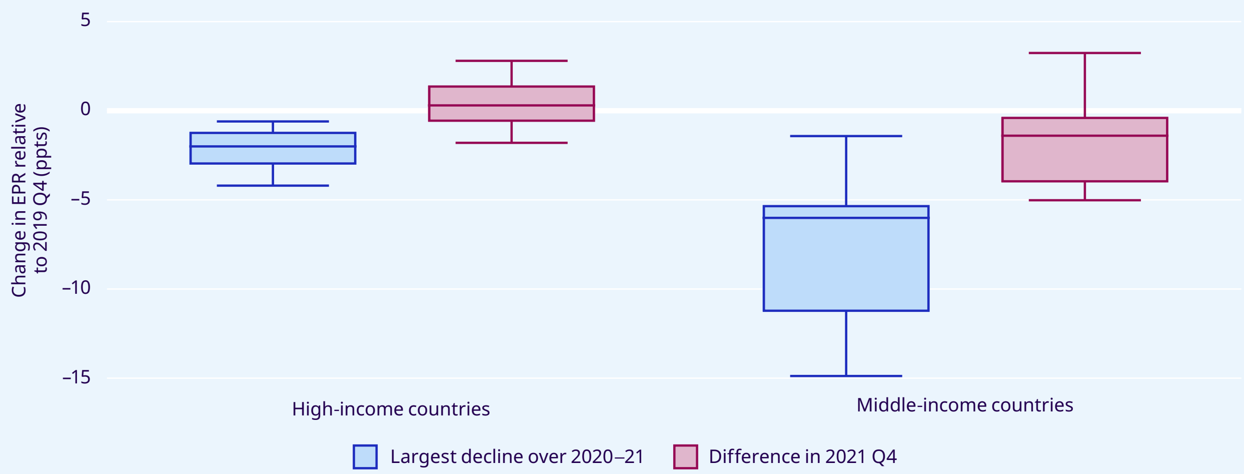
Source: ILOSTAT database, ILO modelled estimates.

4. Divergence in employment recovery trends in country income groups persists

In line with the overall divergence in hours worked presented above, employment levels had recovered in most high-income countries by the end of 2021, while deficits remained significant in most middle-income economies. In advanced economies with available data (34 countries), the divergence in the employment-to-population ratio from the last quarter of 2019 had been mostly eliminated by the end of 2021 (figure 6). In about 60 per cent of the countries, the employment-to-population ratio in the last quarter of 2021 was, in fact, already higher than the pre-crisis level (2019 Q4) with a median gain of 0.3 percentage points. There has been a commensurate decrease in the inactivity rates in these economies, which had risen during 2020 due to the effects of the lockdown measures (figure 7).

In contrast, in the majority of middle-income countries with available data (13 countries), the employment deficit continued to be significant in 2021 Q4, up to five percentage points, with a median deficit of 1.4 points relative to the fourth quarter of 2019. The employment deficit in these developing economies is matched by the persistent higher rates of inactivity, which had a median gap of 1 percentage point in the fourth quarter of 2021 (relative to 2019 Q4). These figures indicate that the recovery in hours worked highlighted above has been accompanied by a strong rebound in employment in advanced economies as people have returned to the labour market, while in middle-income countries, the employment deficit persists. These trends are mirrored in the shifts in inactivity rates in these labour markets.

Figure 6. Employment deficit in selected high- and middle-income economies, percentage point difference in employment-to-population ratio (EPR) at lowest point in 2020–21* and latest value (2021 Q4) relative to 2019 Q4



Note: The sample consists of 47 high- and middle-income countries. * Largest decline is the difference between the value in 2019 Q4 and the minimum value for the employment-to-population ratio between 2020 Q2 and 2021 Q3 as per the following turning points: 2020 Q2 = Australia, Brazil, Canada, Chile, Colombia, Costa Rica, Denmark, Estonia, Finland, France, Hungary, Japan, Malta, Mexico, Netherlands, Norway, Occupied Palestinian Territory, Paraguay, Peru, Poland, Serbia, Slovakia, Spain and the United States; 2020 Q3 = Lithuania and New Zealand; 2021 Q1 = Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Greece, Iceland, Ireland, Italy, Korea (Republic of), Latvia, Moldova (Republic of), Poland, Romania, Slovenia, Sweden and Switzerland; 2021 Q2 = South Africa and Viet Nam. The box graph should be read as follows: (a) the horizontal line in the middle of the box represents the median value (50th percentile); (b) the top of the box represents the 75th percentile; (c) the bottom of the box represents the 25th percentile; (d) the adjacent lines above and below the box represent the highest and lowest values, respectively.

Sources: Authors' calculations, ILOSTAT database.

Figure 7. Increase in inactivity in selected high- and middle-income countries, percentage point difference in inactivity rate at peak* and in 2021 Q4 relative to 2019 Q4