
World of Work Report 2011

Making markets work for jobs

INTERNATIONAL LABOUR ORGANIZATION
INTERNATIONAL INSTITUTE FOR LABOUR STUDIES

Table of Contents

Editorial	vii
1. Market turbulence, employment and social unrest: Trends and outlook	1
Main findings	1
Introduction	2
A. Labour market conditions have weakened	3
B. Employment outlook: Insufficient job creation	9
C. Recent trends in social well-being and unrest	11
D. Making markets work for jobs: The way forward	18
Appendix A. Country groupings by income level	20
Appendix B. The impact of financial crises on employment: An empirical analysis	21
Appendix C. Determinants of social unrest: An empirical analysis	25
References	28
2. Making profits work for investment and jobs	31
Main findings	31
Introduction	32
A. Trends in income distribution and productive investment	34
B. Profits and productive investment of non-financial firms: Causes of a growing disconnect	37
C. Policy considerations	43

Appendix A. The dividends–investment–employment dynamic:	
An empirical analysis.....	49
References	52
3. The labour share of income: Determinants and potential contribution to exiting the financial crisis	55
Main findings	55
Introduction	56
A. Wage shares: Trends and implications.....	56
B. Determinants of declining wage shares	61
C. Policy considerations.....	64
Appendix A. Definition of the wage share.....	65
Appendix B. Data sources	67
Appendix C. Regression analysis	68
References	72
4. Investing in food security as a driver of better jobs	75
Main findings	75
Introduction	76
A. Macroeconomic, employment and income effects of higher food prices	77
B. Factors contributing to food price increases	84
C. Policy challenges and the way forward.....	89
References	93
5. Tax reform for improving job recovery and equity	97
Main findings	97
Introduction	98
A. The evolution in tax structure	100
B. Tax burden and employment.....	107
C. Broadening the tax base: Selected options	111
Appendix A. Definitions of various taxes.....	117
References	118
6. Effective employment policy under tight fiscal constraints	121
Main findings	121
Introduction	122
A. Fiscal challenges	123
B. Employment policies under tight fiscal conditions.....	124
C. Policy considerations	130
Appendix A. Model mechanisms.....	131
References	133
xiv Recent publications	135

List of figures, tables and boxes by chapter

Figures

Chapter 1

Figure 1.1	Composition of capital inflows to emerging markets	5
Figure 1.2	Employment growth developments in the most recent period..	6
Figure 1.3	Current employment levels compared to pre-crisis peaks	7
Figure 1.4	Employment developments in the EU-27 by job type, 2008 to 2011	8
Figure 1.5	Long-term unemployment and inactivity rates	9
Figure 1.6	Employment projections: Advanced economies	11
Figure 1.7	Employment projections: Emerging economies	12
Figure 1.8	Employment projections: Developing economies	13
Figure 1.9	Change in the risk of social unrest between 2006 and 2010	14
Figure 1.10	People reporting confidence in their national government, 2006 to 2010	14
Figure 1.11	Change in perception of standard of living getting worse, 2006 to 2010	16
Figure 1.12	Determinants of social unrest, 2010	16

Chapter 2

Figure 2.1	Capital share and investment developments among non-financial firms	35
Figure 2.2	Capital share developments by country, 2000 to 2009	36
Figure 2.3	Evolution of capital shares by type of corporations, 2000 to 2007/09	36
Figure 2.4	Payouts of non-financial corporations by type, 2000 to 2008/09	38
Figure 2.5	Growth of the share of non-productive income received and retained earnings over gross operating surplus in non-financial corporations, 2000 to 2007/09	40
Figure 2.6	Investment over total resources received for non-financial corporations, 2000 to 2007	40
Figure 2.7	Total financial assets of non-financial firms as a share of GDP	42
Figure 2.8	Rate of unsuccessful loan applications by small- and medium-sized enterprises	44

Chapter 3

Figure 3.1	Trends in wage shares	57
Figure 3.2	Wage shares, hours worked and wage dispersion by skill level, selected advanced economies	59

Figure 3.3	Financialization and changes in the wage share, 1985 to 2005	60
Figure 3.4	Changes in minimum wages and wage shares in selected middle- and low-income countries, 1993 to 2005	63
Figure 3A.1	Ratio of total employees to total employment in different regions.....	66

Chapter 4

Figure 4.1	Trends in food and oil prices.....	76
Figure 4.2	International and domestic wheat prices	79
Figure 4.3	Share of food expenditure in total household income, developing countries	79
Figure 4.4	Net poverty effects of a 10 per cent and 30 per cent food price increase	81
Figure 4.5	Employment impact of food price increases among low-income earners.....	81
Figure 4.6	Top five producers of staple foods in 2005.....	82
Figure 4.7	Food prices and commodity markets, in billion US\$.....	85
Figure 4.8	Total returns from commodity index funds.....	86

Chapter 5

Figure 5.1	Government revenues, expenditures and deficits in advanced countries	99
Figure 5.2	Government revenues, expenditures and deficits in emerging countries	99
Figure 5.3	Sources of revenue (percentage of total government revenue) ...	101
Figure 5.4	Top personal income tax rate — world average	102
Figure 5.5	Trends in corporate tax rates.....	103
Figure 5.6	VAT revenue	103
Figure 5.7	Corporate tax revenue as percentage of total tax revenue and GDP.....	104
Figure 5.8	Financing gap of social expenditures	106
Figure 5.9	Average effective tax rates in OECD countries for a single person with no children	106
Figure 5.10	Tax wedge and structural unemployment in OECD countries	109
Figure 5.11	GDP growth, employment and tax revenue as a share of GDP.....	110
Figure 5.12	Revenue generation with a 3 per cent wealth tax, 2010.....	110
Figure 5.13	Stamp duty revenue	113
Figure 5.14	Revenues from environmental taxes	115

Chapter 6

Figure 6.1	Employment and fiscal impact of a budget cut.....	125
Figure 6.2	Efficiency of active labour market spending.....	126
Figure 6.3	Additional unemployment rate under different degrees of income support measures	128

Tables

Chapter 1

Table 1.1	Economic growth projections for 2012, by date of forecast	3
Table 1.2	Estimated employment shortages over 2012 to 2013.....	9
Table 1.3	Dissatisfaction with the availability of good jobs, by age group, 2010.....	15
Table 1B.1	Definitions and sources of variables used in the regression analysis.....	23
Table 1B.2	Regression results.....	23
Table 1B.3	Alternative estimators	24
Table 1C.1	Definitions and sources of variables used in the regression analysis.....	26
Table 1C.2	Weights of the variables used for the social unrest score.....	26
Table 1C.3	Estimations of the social unrest score, unstandardized variables.....	27
Table 1C.4	Estimations of the social unrest score, standardized variables..	27

Chapter 2

Table 2.1	Corporate governance reforms: Some country examples	46
Table 2A.1	Definitions and sources of variables used in the regression analysis	51
Table 2A.2	The investment model: Regression results	51
Table 2A.3	The employment model: Regression results.....	52

Chapter 3

Table 3C.1	Output, employment, hours and inflation effects of policy changes under different degrees of social dialogue.....	69
Table 3C.2	Baseline regression: 16 high-income countries, 1981 to 2005	69
Table 3C.3	Estimation across skills: 10 high-income countries, 1981 to 2005.....	70
Table 3C.4	Estimation across medium- and low-income countries, unbalanced panel	71

Chapter 4

Table 4.1	Summary effects of distributional impacts of rising food prices.....	85
-----------	--	----

Chapter 6

Table 6.1	Public debt dynamics in G20 countries.....	123
Table 6.2	Output, employment, hours and inflation effects of policy changes under different degrees of social dialogue.....	129

Boxes

Chapter 1

Box 1.1	European financial safety measures and recovery prospects.....	4
Box 1.2	The decline in employment quality: The case of the European Union.....	8
Box 1.3	Determinants of social unrest.....	17

Chapter 2

Box 2.1	Definitions and other measurement considerations.....	33
Box 2.2	Research and development by the private sector.....	41
Box 2.3	Advantages of profit sharing.....	47

Chapter 4

Box 4.1	Reduced access to nutrient-rich foods through export-oriented price distortion.....	83
Box 4.2	Regulations on commodity speculation in India.....	90

Chapter 5

Box 5.1	China's tax revenue supported by foreign companies.....	104
Box 5.2	A more progressive (or less regressive) consumption tax: Lessons from Canada.....	105
Box 5.3	Unemployment and labour taxes.....	109
Box 5.4	The United Kingdom stamp duty.....	113
Box 5.5	Environmental tax design.....	115

Chapter 6

Box 6.1	Reinforced public employment services: The case of Germany	127
---------	--	-----