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Global Jobs: Worldwide Downturn in Employment, Social Unrest

ILO Report

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The International Labour Organization, an agency of the United Nations, released a report Monday pointing to a disastrous global jobs situation and a "vicious cycle" sending the world economy into a new downturn.

"The next few months will be crucial for avoiding a dramatic downturn in employment and a further significant aggravation of social unrest," warns the opening editorial to the World of Work report, released ahead of a G20 meeting later this week.

In addition to documenting the employment situation, affecting both advanced and "developing" countries, the reports presents a damning portrait of contemporary world capitalism: growing financialization, declining taxes on the wealthy and corporations, and a collapse in the share of income going to the working class.

Three years after the crash of 2008, "economic growth in major advanced economies has come to a halt and some countries have re-entered recession, notably in Europe," the ILO notes. "Growth has also slowed down in large emerging and developing countries."

The vast majority of countries categorized as having advanced economies—mainly in the United States and Europe—have seen a slowdown in employment growth in the most recent quarter, and more than half have seen employment declines. At the same time, about half of those countries categorized as "emerging or developing" have seen declines in employment, including Russia and Mexico.

The advanced economies have 13 million fewer jobs today than in 2007, with the United States (6.7 million) and Spain (2.3 million) accounting for more than half of this figure. Due to the growth in the labor force, to restore pre-crisis employment rates, 27 million jobs would have to be added in advanced countries, and 80 million globally, over the next two years.

The jobs situation is particularly bleak for young people, and this holds true in almost all parts of the world. "Among countries with recently available data, more than one in five youth [aged 15-24], i.e. 20 per cent, were unemployed as of the first quarter of 2011—against total unemployment of 9.6 per cent."

According to the ILO's projections, which are predicated on the assumption that there will not be renewed decline in global growth, the global employment rate in advanced countries is not expected to return to pre-crisis levels until far past 2016.

The prospects of a recovery in employment and economic growth are undermined by a number of factors, including a renewed financial crisis in Europe and a turn by governments throughout the world to fiscal austerity. Sharply declining wages for workers, particularly in advanced countries, is leading to a fall-off in consumption.

“In short,” the ILO writes, “there is a vicious cycle of a weaker economy affecting jobs and society, in turn depressing real investment and consumption, thus the economy and so on.”

Any prospect of a return to growth is also undermined by increasingly bitter national conflicts between the different capitalist powers. “While in 2008-2009 there was an attempt to coordinate policies, especially among G20 countries, there is evidence that countries are now acting in isolation,” the report states.

The ILO expresses the hope that governments will institute job-creation programs to resolve the crisis. However, the impossibility of this happening is highlighted by the fact that the report cites the United States as the only major advanced country to advance a “national jobs plan.” In fact, the Obama administration’s proposal, even if enacted in full, would be no more than a drop in the bucket. Since it was announced in September, it has already been scaled down significantly. Whatever is passed will consist largely of tax cuts for corporations.

The economic crisis is, predictably, producing a sharp increase in social discontent. The year 2011 has already seen a significant growth of the class struggle, beginning with the revolutionary upheavals in the Middle East and North Africa. They have since expanded to Europe, Latin America, and the United States, including in the Occupy Wall Street movement that began in September.

According to a metric of “social unrest” based on various indicators, including unemployment, the ILO calculates that 40 percent of the countries surveyed have seen a significant increase in the prospect of unrest. The likelihood of social unrest has increased particularly sharply in advanced countries. Moreover, the majority of countries worldwide reported a collapse of public confidence in national governments.

Dissatisfaction over the availability of quality jobs is over 80 percent in sub-Saharan Africa and over 70 percent in Central and Eastern Europe. It is over 60 percent in the Middle East and North Africa, though significantly higher in some countries, including Egypt.

Anger over the jobs situation is higher than 70 percent in Greece, Italy, Portugal and Spain—countries that are currently at the center of the European-wide drive to slash social programs and eliminate all previous gains of the working class.

The financialization of the world economy

Global social conditions have deteriorated sharply since the Crash of 2008, precipitated by the collapse of a massive speculative bubble inflated over the previous decade. While the fall of global stock markets led to an immediate decline in the wealth of the financial aristocracy, the actions of governments, led by the United States, have served to quickly reverse this trend.

In addition to documenting global labor conditions, the ILO report includes some important data on the financialization of the world economy, and the parallel process of wealth transfer—both before and after the 2008 crash.

It notes, disapprovingly, that in the aftermath of the crash “countries have increasingly focused on appeasing financial markets” rather than restoring employment, and that this “has often centered on fiscal austerity and how to help the banks—without necessarily reforming the bank practices that led to the crisis, or providing a vision for how the real economy will recover.”

In 2008, the capital share among financial corporations worldwide fell by more than 25 percent, after a decade of steady growth. Only a year later, however, shares were back to pre-crisis levels, a direct product of the various bank bailout schemes.

“On the other hand,” the ILO noted, “the decline in the non-financial sector has been more gradual, but capital shares for this group—which account for 87 percent of employment in advanced countries—continue to decline.”

This has produced what the report refers to as a “paradox”: “The impact of the global economic crisis of 2007-08 on the financial sector was short-lived initially—despite it being at the very origin of the downturn.”

The growth of corporate profits since the crash have accrued largely to financial corporations. Non-financial corporations, moreover, instead of investing have funneled money into the stock market. “In 2009, more than 36 per cent of profits were distributed in terms of dividends, compared with less than 35 per cent in 2007 and less than 29 per cent in 2000…”

This process of financialization is part of a longer-term trend, in which wealth accumulation through speculation has increasingly replaced productive investment. Far from reversing this trend, the economic crisis has only exacerbated it.

At the same time, an ever smaller share of income has gone to the working class. According to the ILO, “the wage share—the share of domestic income that goes to labor—has declined in almost three quarters of the 69 countries for which data is available.” This is also a long-term trend.

In addition to direct infusions of money into the banks, the transfer of wealth to the corporate and financial aristocracy has been facilitated by a tax policy that places an ever greater share of the tax burden on the working class.

Between 2000 and 2008, 43 percent of countries decreased their top income tax rate, while 70 percent of countries decreased their corporate profit tax rate. During the same period, 30 percent of countries increased value added taxes or consumption taxes, which disproportionately target the working class.

Overall, the top personal income tax rate globally fell from 31.4 percent in 2003 to 29.1 percent in 2009. Corporate taxes have fallen from 29.5 percent to 25 percent in the same period.

Again, this trend has only continued since the 2008 crisis. The proportion of government revenue from regressive consumption taxes has increased, while the income and corporate taxes have declined.

The ILO's policy recommendations, on the other hand, are both grossly insufficient and utterly incapable of realization within the framework of capitalism. In addition to a jobs program, it hopes that governments will cooperate to increase the share of income going to the workers, while placing greater constraints on the financial system.

What the report in fact demonstrates, however, is that any attempt to resolve the crisis in the interests of the working class runs into direct conflict with the capitalist system and the financial aristocracy that controls it.

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