

## October 2008

### **Background: Process used to estimate the increase of unemployment by 20 Million between 2007 and 2009**

During the launch of the Global Employment Trends (GET) in January 2008 it was determined that the current economic turbulence, largely due to credit market turmoil and rising oil prices, could spur an increase in global unemployment by an estimated 5 million persons in 2008.

This new projection for 2008 was in contrast to 2007, a watershed year in which sound global GDP growth (more than 5 percent) led to a "stabilization" of global labour markets with more people in work, a net increase of 45 million new jobs and only a slight increase in the number of people unemployed, to a total of 190 million persons worldwide (see tables A and B below).

The revised increase of 5 million new unemployed in 2008 was constructed based on the downward revision of the IMF's **Global GDP** estimates from 4.8 percent to 4.3. The IMF has just released in October the Economic Outlook 2008 Report which estimates global GDP Growth will slip to 3.0 percent in 2009.

Based on our current understanding of the employment elasticity of growth at the global level, the revised downward estimate to 3.0 percent could add an additional 15 million to the ranks of the unemployed in 2009.

If the estimate of GDP growth holds true and our understanding of the relationship between output growth and employment hold constant at the global level, then we will see unemployment increase from 190 million in 2007 to more than 210 million in 2009 which in turn is the highest level of unemployment we have seen in the ILO.

The estimates above are based on an initial assessment of the relationship between output growth and employment at the global level and are construct based on a very simple appraisal.

The ILO is currently in the process of examining the country level GDP estimates provided by the IMF and the country level employment and unemployment estimates by age and sex in order to construct a more detailed and robust estimates of the impact of the current financial crisis using econometric models.

More details on the econometric modeling can be found on our website ([www.ilo.org/trends](http://www.ilo.org/trends)) under world and regional estimation.

**Table A: Unemployment in the world, 1997, 2002-2007 (millions)**

Year	1997	2002	2003	2004	2005	2006	2007*
Total	164.8	188.9	185.9	190.8	189.6	187.0	189.9

Source: ILO, Global Employment Trends Model, November 2007, see also Technical Note in ILO, Global Employment Trends (Geneva, 2005) and for further technical information on the world and regional estimation processes, see <http://www.ilo.org/public/english/employment/strat/wrest.htm>. Differences from earlier estimates are due to revisions of the IMF estimates of GDP growth used in the model as well as revisions in the labour market information used. The latter is taken from ILO, Key Indicators of the Labour Market, 5th Edition, Geneva (2007)

\*2007 are preliminary estimates

**Table B: Labour market indicators**

Region	Change in unemployment rate (percentage point)	Unemployment rate (%)			GDP growth rate (%)			Annual labour force growth rate (%)	Annual GDP growth rate (%)
		1997	2006	2007*	2006	2007*	2008p		
World	2002-2007*	1997	2006	2007*	2006	2007*	2008p	1997-2007*	1997-2007*
	-0.5	6.1	6.0	6.0	5.4	5.2	4.8	1.7	4.2

Source: ILO, Global Employment Trends Model November 2007; IMF, World Economic Outlook, October 2007; see also note to Table 1 \*2007 are preliminary estimates

**Table C: Extract from Table 1.1. Overview of the World Economic Outlook Projections**

	2006	2007	Projections	
			2008	2009
World Output	5.1	5.0	3.9	3.0

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