International Labour Organization

World of Work Series

Employment and Social Trends

2026

World of Work Series

Employment and Social Trends

2026

International Labour Office • Geneva

ISBN: 9789220430552 (print); 9789220430569 (web PDF)
ISSN: 3106-941X (print); 3106-9428 (web)
DOI: https://doi.org/10.54394/AHRT2681

labour market analysis / employment / unemployment / economic conditions / international trade

13.01.1

ILO Cataloguing in Publication Data

Also available in French: *Tendances sociales et de l'emploi 2026,* Série Monde du travail, ISBN 9789220430576 (print), 9789220430583 (web PDF); and in Spanish: *Tendencias Sociales y del Empleo 2026,* Serie El Mundo del Trabajo, ISBN 9789220430590 (print), 9789220430606 (web PDF).

Printed in Switzerland.

Cover photo
© Kamilla Sultan/ILO, 2025.

Produced by the Publications Production and Publishing Management Unit (PRODOC) of the ILO.
Code: DESIGN/PPM/PMSERV

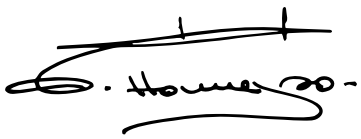
Foreword

The global economy and global labour markets have proven to be more resilient than was expected at the beginning of last year. Although 2025 was characterized by high levels of economic uncertainty, the effects have not yet manifested in the labour market. Unfortunately, as *Employment and Social Trends 2026* indicates, there has been little progress made in reducing widespread decent work deficits. Economic and trade policy uncertainty continues to inhibit investment and trade, impeding productivity growth and the creation of quality jobs. At the same time, the anticipated benefits from new technologies such as artificial intelligence have yet to materialize in aggregate productivity figures.

While the global unemployment rate is projected to remain at the historically low level of 4.9 per cent in 2026, around 284 million workers still live in extreme poverty – on less than US$3 a day – and more than 2 billion workers remain in informal employment. Worryingly, the number of working poor and informal workers is rising in low-income countries, highlighting a lack of progress where it is needed most. Gender gaps also remain widespread throughout the world of work, with limited advances in only a few areas, such as the reduction in contributing family work.

Regaining progress appears a daunting task amid the challenges looming over the world of work. Economic transformation towards activities with higher productivity and employment quality – a key driver of progress on decent work – has slowed down. In particular, low-income countries face significant constraints to transforming their economies by integrating in global supply chains when global trade growth has been reduced. While the potential widespread adoption of artificial intelligence might enhance productivity growth, it also raises uncertainty for enterprises and workers alike and, depending on how it is governed, could cause major disruptions in labour markets. Demographic change also has profound implications for labour markets. While ageing societies in high-income countries will tend to result in a shrinking labour force, many low-income countries will struggle to generate jobs of sufficient quality for the large cohort of young people entering the labour market. Finally, rising government debt levels across the world are increasing the risk of debt crises, with the related risk of severe adverse implications for employment and social outcomes in the affected countries.

Especially in these turbulent times, relying on economic growth alone is insufficient to deliver meaningful progress in decent work. Governments, employers and workers must act together to develop and promote strategies that reduce decent work deficits and promote social justice.



Gilbert F. Houngbo
ILO Director-General

Contents

List of boxes

List of figures

List of tables

Abbreviations

AI	artificial intelligence
ADB	Asian Development Bank
CARICOM	Caribbean Community
FDI	foreign direct investment
GCC	Cooperation Council for the Arab States of the Gulf
LFPR	labour force participation rate
NEET	not in employment, education or training
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PPP	purchasing power parity
TPU	trade policy uncertainty
WTO	World Trade Organization

Acknowledgements

Employment and Social Trends 2026 was prepared by the Macroeconomic Policies and Jobs Unit of the ILO Research Department. The report was written by Marva Corley-Coulibaly, Ekkehard Ernst, Richard Horne, Stefan Kühn, Iuliia Privalikhina and Miguel Sanchez Martinez, under the overall coordination and leadership of Stefan Kühn. Ekkehard Ernst supervised the process. The authors also acknowledge contributions by David Bescond, Sajid Ghani, Fabiola Mieres and Professor Dandan Zhang. The report was produced under the overall guidance of Caroline Fredrickson, Director of the ILO Research Department. The authors are grateful for all the input and suggestions received from the ILO Regional Offices for Africa, Arab States, Asia and the Pacific, Europe and Central Asia, and Latin America and the Caribbean.

The ILO modelled estimates presented in this report were produced by the Data Production and Analysis Unit, led by Steven Kapsos, of the ILO Department of Statistics, and by the Macroeconomic Policies and Jobs Unit of the ILO Research Department. The authors especially acknowledge the modelling work carried out by Evangelia Bourmpoula, Paloma Carrillo, Marta Golin, Roger Gomis, Stefan Kühn, Avichal Mahajan, Miguel Sanchez Martinez and Rémi Vine. The underlying database of international labour market indicators used to produce the estimates was prepared by the Data Production and Analysis Unit. The authors also wish to acknowledge the efforts of Hamidreza Bakhtiarizadeh, David Bescond, Vipasana Karkee, Donika Limani, Sandra Mora Caballero and Yves Perardel.

The ILO Research Department wishes to acknowledge the comments and suggestions provided by the following ILO colleagues: Uma Rani Amara, Christina Behrendt, Adelle Blackett, Paloma Carrillo, Juan Chacaltana, Sabrina de Gobbi, Giulia De Lazzari, Sara Elder, Najati Ghosheh, Steven Kapsos, Gerson Martinez, Mansour Omeira, Mariana Pereira, Celine Peyron Bista, Shahrashoub Razavi, Pelin Sekerler, Steven Tobin, Rosalia Vazquez-Alvarez, Rie Vejs-Kjeldgaard, Sher Verick, Stéphanie Villadiego De La Hoz and Zhiming Yu. The authors also thank colleagues from the ILO Bureau for Employers' Activities and ILO Bureau for Workers' Activities for their excellent comments and suggestions.

We would like to express our gratitude to Judy Rafferty and our colleagues in the ILO Publications Production and Publishing Management Unit for providing production project management, graphic design including the cover, copy-editing, typesetting and proofreading, and to Alessandro Ippolito Neira and our colleagues in the ILO Department of Communication and Public Information for their continued collaboration and support in disseminating the report.

Executive summary

Steadiness amid high uncertainty

Progress in employment quality has stalled

Globally, improvement in the quality of employment has slowed over the past two decades. Between 2015 and 2025, the share of workers living in extreme poverty declined by only 3.1 percentage points, to 7.9 per cent, compared with a decline of 15 percentage points in the previous decade. This leaves 284 million workers living in extreme poverty – that is, less than US$3.00 a day. Moreover, both extreme and moderate working poverty rates increased in low-income countries between 2015 and 2025, with almost 68 per cent of workers living in extreme or moderate poverty in 2025.

The global rate of informality increased by 0.3 percentage points between 2015 and 2025, after having declined in the previous decade. By 2026, 2.1 billion workers globally are projected to be informally employed. Informality is typically associated with lower job quality due to limited access to social protection, rights at work, workplace safety and job security. This increase largely reflects the growing share of employment in countries with higher rates of informality, chiefly in Africa and Southern Asia, making efforts to reduce informality in these economies critical. In addition, the incidence of own-account work, which in low- and middle-income countries is often low paid and undertaken out of necessity, rose again between 2015 and 2025**.**

The slowdown in the transformation of economies towards sectors with more productive workers and better working conditions acts as a major roadblock in ensuring steady progress in narrowing decent work deficits. The process of workers moving across economic activities over time has halved globally over the last two decades. The slowing transition of workers towards sectors with higher formality and employee status is not only a major driver of the global deceleration in improvements in work quality but also of weakening productivity growth.

Unemployment shows no signs of change, albeit looming risks exist

The global economy and labour markets remain resilient in the face of heightened uncertainty and an evolving policy landscape. Projected GDP growth for 2025 to 2027 has barely changed compared to the outlook in 2024. In 2025, trade diversion and rerouting helped cushion the immediate impact of trade disruptions, while businesses and households front-loaded consumption and investment, which

boosted activity in the first half of the year. Whereas higher uncertainty and lower business and consumer confidence can weigh on aggregate demand, falling inflation, supportive fiscal and monetary policy, and investment into artificial intelligence (AI) technologies are all expected to support growth in 2026. Yet, the outlook continues to include significant risks relating to mounting sovereign debt, trade policy uncertainty and AI-driven disruptions. The materialization of these risks could have non-negligible consequences not only on the employment growth prospects but also on key dimensions of work quality, such as informality, working poverty and real wages.

Slower labour force growth amid demographic shifts is stabilizing unemployment rates despite weak employment growth. The global labour force participation rate is projected to decline by around 0.2 percentage points each year, reaching 60.5 per cent in 2027. This structural downward trend, driven in part by the growing number of retirees as populations age, has accelerated once again due to the halt in the moderating effect of rising participation rates for women in lower-middle- and high-income countries between 2015 and 2025.

The global unemployment rate was estimated at 4.9 per cent in 2025, unchanged from 2024, and is projected to remain at a similar level until 2027. Global unemployment is forecast to reach 186 million in 2026, while the broader measure of labour underutilization – the jobs gap – is projected at 408 million. Regional patterns vary, with Latin America and the Caribbean poised to further reduce its overall unemployment rate in the medium term, whereas unemployment in Northern America is expected to worsen.

Global employment growth, projected at 1.0 per cent in 2026, is slightly below the average of the preceding decade, with demographic shifts accounting for significant variation across countries. Employment is forecast to decline in high-income countries in 2026, a sharp turnaround following the 1.1 per cent average annual growth in the decade 2010 to 2019. Upper-middle-income countries are set to experience relatively low employment growth of 0.5 per cent due to demographic change, while lower-middle-income countries are projected to reach 1.8 per cent. Thanks to strong population growth and a large youth cohort entering the labour market, employment in low-income countries is expected to grow at 3.1 per cent in 2026, following an average growth rate of 2.3 per cent from 2010 to 2019. However, weak productivity growth and a shortage of decent work opportunities risk preventing these countries from capitalizing on a potential demographic dividend.

In 2025, women represented only two fifths of global employment, indicating significant barriers to accessing employment. Women were 24.2 percentage points less likely than men to be in the labour force, while young women were 14.4 percentage points more likely than young men not to be in employment, education or training (NEET). The global unemployment rate for women is only slightly above that of men, indicating that they primarily face barriers to accessing the labour market rather than to finding a job. In addition, the jobs gap rate continues to be higher for women relative to men, with an anticipated gap of 4.3 percentage points in 2026. Gender gaps vary greatly by region, but much less so by country income group, highlighting the role of social norms and stereotypes in shaping these patterns. Furthermore, gender gaps have not narrowed in indicators such as the incidence of contributing family work and the proportion of workers living in extreme poverty.

Productivity and labour income growth are insufficient to advance decent work

Growth in both GDP and labour productivity continues to underperform in low-income countries, hindering progress in reducing decent work deficits. High population growth, combined with lackluster productivity gains, is slowing the convergence of living standards in low-income countries towards those observed in more advanced economies. Regional patterns vary, with labour productivity growth projected to be lowest in Latin America and the Caribbean, at 1.0 per cent, and highest in Southern Asia, at 3.9 per cent in 2026. With appropriate labour market institutions, gains in productivity generally lead to higher wages and, over time, contribute to stronger employment growth.

Growth in global real wages and labour income remains insufficient to offset the real income losses caused by the surge in inflation in 2022 to 2024. The global labour income share, at 52.6 per

cent in 2025, remained below its 2019 level of 53.0 per cent, indicating that real wage growth has not kept up with labour productivity growth. Even though aggregate real wages in 2024, measured using the consumer price index, were below their 2019 level in high-income countries, producers faced higher real labour costs in terms of the producer price index.

Challenging labour market conditions for youth could be compounded by AI adoption

Labour market conditions for young people remain problematic, especially in low-income countries. In 2025, the global youth unemployment rate crept up to 12.4 per cent, from 12.3 per cent in 2024, while the share of youth with NEET status rose slightly to 20.0 per cent, from 19.9 per cent. This is concerning, since 257 million young individuals with NEET status missed out on the opportunity to gain valuable education, skills and experience to improve their future labour market prospects. The situation is especially problematic in low-income countries, where NEET rates were as much as 17 percentage points higher than in high-income countries.

While higher education holds the promise of obtaining better jobs more easily, it does not always lead to lower youth unemployment rates. Young persons with advanced degrees in high-income countries have lower unemployment rates than their peers with less education. However, this pattern does not hold in low- and middle-income countries. While young women on average face lower unemployment rates than young men, their unemployment rates are higher in certain country income groups and for certain education levels.

Concerns have recently emerged about the impact of AI adoption on young workers, particularly those seeking their first job in high-skilled occupations. Preliminary evidence for high-income countries suggests that youth with advanced education entering the labour market may face greater difficulties because of AI adoption. An analysis by risk of exposure to AI shows that younger individuals (aged 15 to 24) with an advanced education level face a greater risk of automation than their less educated counterparts. While the full impact of AI on youth employment remains uncertain, its potential magnitude warrants close monitoring.

Disruptions and shifting patterns in trade affect employment outcomes

Recent disruptions caused by trade uncertainty, combined with ongoing long-term transformations in global trade, could significantly affect labour market outcomes. ILO modelling suggests that a moderate increase in trade policy uncertainty may reduce returns to labour and, as a consequence, real wages for both skilled and unskilled workers across all sectors. The estimated income losses are greatest in regions deeply integrated into global supply chains – up to 0.45 per cent in South-Eastern Asia, and up to 0.3 per cent in Europe and Southern Asia.

The potential of trade to generate new employment opportunities is also being challenged by these disruptions. Globally, around 465 million jobs in 80 countries and territories in 2024 depended on foreign demand through exports of goods and services and their related supply chains. Asia and the Pacific accounted for more than half of these jobs, at 278 million, followed by Europe and Central Asia, at 96 million. Trade-linked employment reflects global trade patterns: it declined during the COVID-19 pandemic, recovered thereafter and had remained relatively stable overall, representing approximately 15.3 per cent of global employment in 2024.

Trade has the potential to drive decent work, particularly in low- and middle-income countries. Sectors with a higher share of trade-linked employment tend to have lower informality rates, better pay and more employment opportunities for women and youth, compared to sectors that depend less on foreign demand. The slowdown in trade growth and in the implied halt in the further deepening of global supply chains reduce the pace at which workers transition to other sectors, thereby contributing to the slowing of global improvements in decent work indicators.

Among all trade-linked sectors, the share of employment in market services has been rising at an accelerated pace, increasing from 35.9 per cent in 1995 to 48.6 per cent in 2022. This aligns

with the growing importance of services in international trade, which account for approximately one quarter of international trade flows. One of the fastest-growing segments – trade in digitally delivered services – has more than doubled over the past decade – representing 14.5 per cent of global exports in 2024.

Leveraging trade to create more and better jobs remains uneven, with low-income countries largely excluded from cross-border trade and investment flows, and at risk of being left behind as global supply chains reconfigure. Trade and investment flows among low- and middle-income countries expanded from 6 per cent in 2005 to 14 per cent in 2024. However, the share of trade-related employment linked to intraregional trade was only around 5 per cent in Africa and the Arab States and 9.5 per cent in Southern America, compared with much higher levels in regions dominated by high-income countries – 47.1 per cent in Canada, Mexico and the United States and 57.4 per cent in Europe and Central Asia.

Faster growth and stronger institutions are needed to address decent work deficits

Despite the resilience of global unemployment rates amid economic uncertainty, the world continues to fall short in achieving meaningful reductions in decent work deficits. Given demographic shifts in global labour markets, decent work deficits are set to increase again after a prolonged period of improvement. Yet, rising AI adoption, trade policy uncertainty, low foreign direct investment and stagnant trade growth render improvements in working conditions through an expansion of employment in trade-related sectors more difficult. In times of sluggish global growth and falling levels of official development assistance, countries will need to increasingly rely on domestic policies and drivers of economic transformation to promote decent work.

1 Global trends and outlook

Key messages

- **Amid resilient economic growth, the global unemployment rate is projected to remain at 4.9 per cent in 2026, representing 186 million unemployed** – with a rise of 1 million in 2027 due to labour force growth. The jobs gap is expected to reach 408 million in 2026.
- **Significant risks – primarily trade and policy uncertainty, rising debt and job disruption from artificial intelligence (AI) – all could deteriorate the outlook.** Yet, low labour force growth in countries with ageing populations could soften the impact on unemployment rates.
- **Access to quality employment remains elusive for a significant share of the global labour force.** In 2025, 284 million workers worldwide lived in extreme poverty, on less than US$3.00 a day, while the share of extreme working poor in low-income countries worryingly rose by 0.8 percentage points between 2015 and 2025. Furthermore, 2.1 billion workers (57.7 per cent) in the world are informal – and the trend is increasing.
- **Women continue to confront significant barriers to employment and tend to fare worse in terms of employment quality than men.** Young people could face challenging labour market prospects as firms may reduce hiring and AI threatens entry-level positions.
- **Global labour productivity is projected to grow by 2.0 per cent in 2026, mirroring trends in 2010 to 2020**, although with regional differences. Weak productivity growth in low-income countries is preventing income convergence and is slowing progress towards decent work.
- **From 2015 to 2025, the world experienced a slowdown in the shift of employment towards sectors offering higher-quality employment.** This slowdown is a significant driver of changing trends in key indicators such as global informality rates and wage employment.

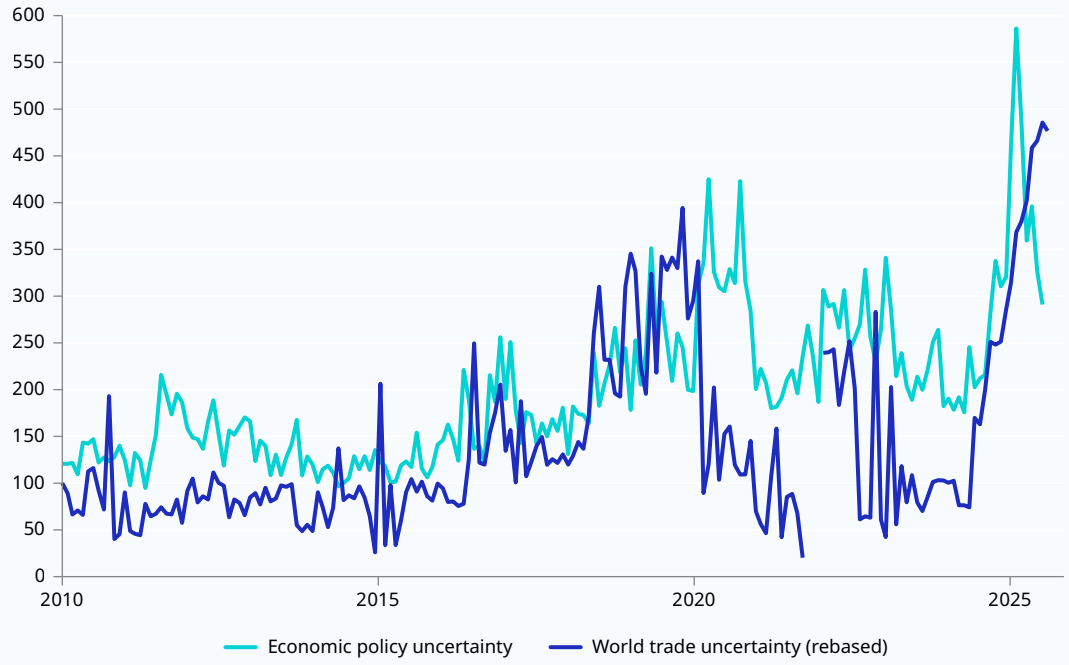
▶ Resilient growth amid high uncertainty

The global economy remains resilient. Although economic and trade policy uncertainty spiked in early 2025, estimated and expected global GDP growth in 2025 and 2026, respectively, remain broadly in line with projections from 2024 (IMF 2025a). The 2025 estimate for global GDP growth was revised upward by 0.7 per cent compared to the first assessment in April 2025 on account of lower-than-expected increases in trade barriers, a front-loading of shipping orders by businesses, easing financial conditions, including lower interest rates, and a weaker US dollar, which supported investment and trade, together with supportive fiscal policies in key economies that bolstered domestic demand (IMF 2025a). For 2026, growth is expected to decelerate only marginally to 3.1 per cent, with a slight uptick to 3.2 per cent forecasted for 2027. In 2026, GDP in low- and lower-middle-income countries is projected to expand by 5.1 and 5.4 per cent, respectively, while upper-middle- and high-income countries are projected to grow by 3.6 and 1.8 per cent, respectively.

Elevated uncertainty and falling confidence

Uncertainty indices, which capture financial, economic and policy-related risks, reached unprecedented levels in the first half of 2025 (see figure 1.1). As of September 2025, the economic policy uncertainty index, which is based on newspaper articles in 19 countries, stood at twice the average of the period 2010 to 2019. World trade uncertainty, which is based on textual analysis of country reports by the Economist Intelligence Unit for around 200 countries and territories, is still

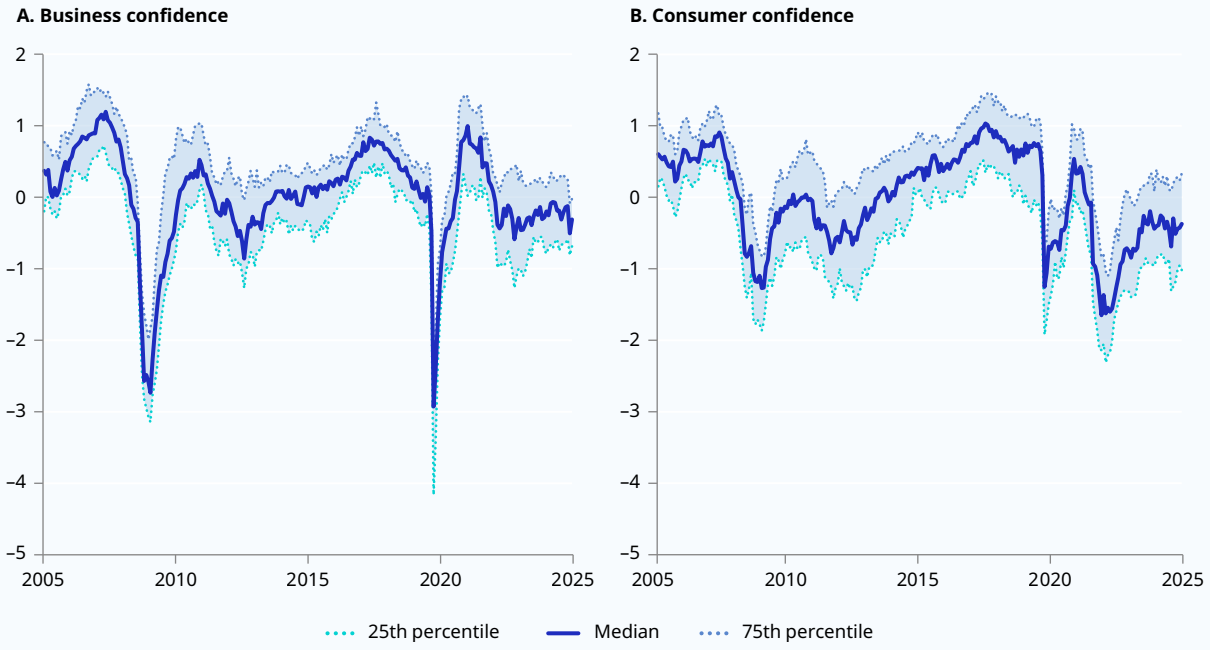
▶ Figure 1.1. Uncertainty indices, January 2010 to October 2025



Note: The countries included in the economic policy uncertainty index comprise Australia, Brazil, Canada, Chile, China, France, Germany, Greece, India, Ireland, Italy, Japan, Pakistan, Republic of Korea, Russian Federation, Singapore, Spain, United Kingdom and United States. The world trade uncertainty index, which is based on textual analysis of Economist Intelligence Unit country reports, has been adjusted for better display in the figure by taking the third root of the raw data and rebasing it to January 2010. No data available for the period December 2021 to February 2022.

Source: Economic Policy Uncertainty Index (see https://www.policyuncertainty.com) and World Uncertainty Index (see https://worlduncertaintyindex.com).

Figure 1.2. Business and consumer confidence indicators, 2005–25



Note: The lines represent the median (solid) and selected percentiles (dotted) of the distribution across countries of z-scores – showing the number of standard deviations from the historical mean for a sample comprising 42 (business confidence) and 44 (consumer confidence) mostly high-income countries. This means that each country's time series has a mean of zero and the figure shows the distribution of those series across countries. The list of countries is available upon request.

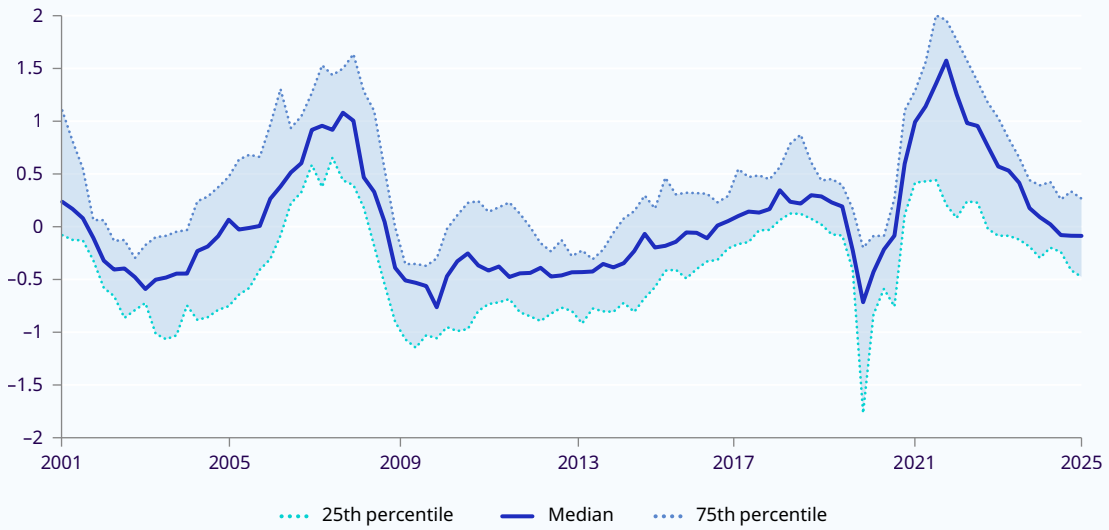
Source: Calculations based on Trading Economics (see https://tradingeconomics.com).

close to its peak value. Evidence shows a strong link between global and country-level uncertainty. In almost all countries, a 1-percentage-point increase in global uncertainty raises, on average, country-level uncertainty by 0.3 percentage points (Ahir, Bloom and Furceri 2022; World Bank 2025). Business confidence is below its historical mean in three quarters of the 42 countries with available data – a phenomenon previously observed only during the global financial and economic crises of 2008 and the COVID-19 pandemic in 2020 (see figure 1.2). Similarly, consumer confidence is significantly below its long-term average in most of the 44 countries with available data.

Economic uncertainty can depress both investment and hiring by firms and consumer spending, weakening aggregate demand and creating significant downside risks for labour markets. Amid an unclear future outlook, firms often reduce new vacancies or freeze hiring (Bernanke 1983; Ernst and Viegelahn 2014). Heightened economic uncertainty was one of the key factors contributing to the prolonged recession following the 2008–09 financial crisis (Bonciani and Oh 2019; Born and Elstner 2017), which was accompanied by a global jobs crisis (Leduc and Liu 2016; Verick and Islam 2010). In trade relations, policy uncertainty can lower foreign direct investment flows and depress overall investment activity, as firms face greater uncertainty about future demand (see Chapter 3). Financial market reactions to uncertainty, such as tighter credit conditions or higher risk premia, can further amplify these effects, creating a feedback loop that reinforces the economic slowdown.

Projected economic and employment growth prove to be quite resilient, suggesting that current levels of heightened uncertainty and weakened confidence have not yet tipped the economy into a downturn. For example, job vacancies in 19 countries with available data have receded to a more neutral stance from their unusually high levels following the post-COVID recovery (see figure 1.3). Falling vacancies reflect the hesitancy of firms to expand their workforce amid uncertainty (Ernst and Feist 2024). However, declining vacancy postings have not yet led to higher unemployment rates, since ageing populations limit lay-offs for fear of facing future labour shortages and reduce the required number of newly created jobs (De Gobbi et al. 2025; ILO 2024a). As a result, new labour market entrants could face greater difficulty in securing employment in this environment.

▶ Figure 1.3. Job vacancies in 19 countries with available data, 2001–25



Note: The lines represent the median (solid) and selected percentiles (dotted) of the distribution across countries of z-scores – showing number of standard deviations from the historical mean – for a sample comprising 19 mostly high-income countries. The list of countries is available upon request.

Source: Calculations based on Trading Economics (see https://tradingeconomics.com).

Risks to the global labour market outlook

High geopolitical uncertainty suggests significant downside risks to the forecasts. A significant decline in business and consumer confidence, coupled with a further reduction in vacancies, could eventually depress employment growth, raise unemployment rates, and constrain wage growth and domestic consumption. Faltering aggregate demand in major economies would cause global ripple effects on trade-dependent employment through global supply chains (see Chapter 3).

Falling official development assistance (ODA) and increasingly restricted global migration can have serious medium-term social and labour market consequences in low-income countries. Remittances form an important source of household income in low- and middle-income countries, reaching a total of US$685 billion in 2024 (Ratha, Plaza and Kim 2024). Restricted migration flows reduce the medium-term income potential from remittances, whereas ODA is often heavily concentrated in social sectors, such as health and education, as well as other vital services (OECD 2025a). As such, the direct health and social impact is likely much higher than measurable labour market outcomes, although the medium-term impact on human capital accumulation could be significant (Cavalcanti et al. 2025).

Rising public debt further limits the fiscal space needed to implement policies that support labour markets, increasing the risk of crises with severe social repercussions. Global public debt remains higher than pre-COVID levels and is expected to surpass 100 per cent of global GDP by 2029, the highest level since 1948 (IMF 2025b). This is largely driven by advanced economies, where fiscal consolidation after the COVID shock has proceeded slowly. Mounting debt stocks and higher term premia, as observed in several countries, raise the probability of default (Furceri et al. 2025; OECD 2025b).[1]

The challenge of debt reduction is not limited to advanced economies. Since 2019, the majority of emerging and developing economies have seen government debt rise as a share of GDP.

1 Term premia refer to the extra return investors demand for holding longer-term relative to short-term bonds. They are often interpreted as a measure of uncertainty with regard to the degree of governments' future fiscal sustainability and economic stability.

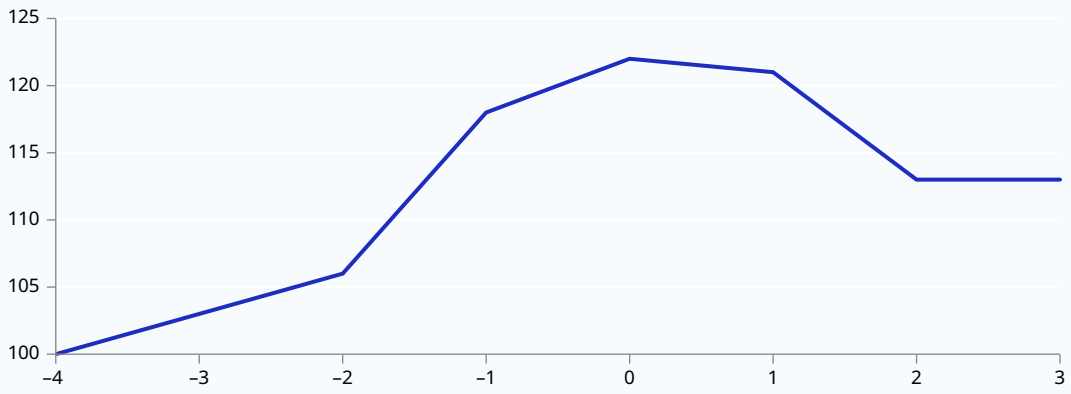
Although the depreciation of the US dollar in 2025 has eased financing conditions for some emerging-market economies, potential future increases in term premia could elevate refinancing difficulties, raising the prospects of debt distress. Past episodes of major debt events have been shown to significantly depress labour market outcomes (see box 1.1). Governments dealing with large fiscal imbalances face difficult trade-offs that limit their ability to pursue labour-enhancing policies such as education, lifelong learning, social protection and policies aimed at poverty reduction. This is especially crucial in low- and middle-income countries where formal employment creation and improvements in job quality is an urgent priority, and where debt crises are typically followed by deep currency crises, credit crunches, austerity measures and large declines in aggregate demand, further impeding improvement in job quality (ILO 2012).

▶ Box 1.1. Unemployment and public debt crises

Bernal-Verdugo, Furceri and Guillaume (2012) estimate that financial crises lead to a significant increase in the unemployment rate in the short term. They document that these effects are even larger for youth unemployment in the short term and long-term unemployment in the medium term. Mendoza and Yue (2012) document, for a set of emerging economies, that debt default events are associated with deep recessions where employment falls on average about 15 per cent relative to pre-default levels. The impact of debt crises on labour markets also include protracted negative employment effects, with the associated greater rate of human capital loss that these longer unemployment spells imply (Prein 2023; Tavares 2019). The latter, in turn, limits the economy's future potential growth, and thus its fiscal capacity to service public debt, further aggravating the sovereign debt crisis. Similarly, periods of higher unemployment lead to lower tax revenues, higher government expenditure and thus a higher probability of defaults, further compounding the crisis. This mutual reinforcement between labour market and debt crises leads to the entrenchment of both public finance and labour market challenges.

Analysing past debt default episodes across the globe, it is observed that the unemployment rate starts increasing in the years leading to the debt crisis (year 0 in figure B1.1) – most likely due to growing recessionary macroeconomic shocks. The unemployment rate reaches a peak the year the debt default is declared and declines thereafter, until it stabilizes three years later at a higher level than before the crisis.

▶ Figure B1.1. Unemployment rate following a debt crisis (4 years before debt default = 100)



Note: Following Mendoza and Yue (2012), the horizontal axis depicts the years before and after sovereign debt default (year 0). The sample includes countries with at least one debt default episode. The years used include periods with no consecutive debt crises.

Source: ILO calculations based on ILO modelled estimates, November 2025. Global Crises database compiled and maintained by the Harvard Business School (see https://www.hbs.edu/behavioral-finance-and-financial-stability/data/Pages/global.aspx).

The acceleration in technological change, particularly in artificial intelligence (AI), has also added a new layer of uncertainty to labour markets. The latest wave of generative AI tools has not yet fundamentally reshaped employment patterns (del Rio-Chanona et al. 2025), and current analyses do not suggest that entire occupations will be automated away (Gmyrek et al. 2025). Nevertheless, early evidence indicates that specific labour market groups, in particular young workers and high-skilled IT professionals, may be disproportionately affected by this wave of digital innovation (Brynjolfsson, Chandar and Chen 2025; Challenger, Gray and Christmas 2025). Beyond actual employment impacts, the uncertainty surrounding AI adoption is already influencing firm behaviour, as businesses are hesitant to hire or expand their workforce until they better understand how AI might alter internal operations, skills requirements and their competitive environment.

▶ Trends and outlook in access to employment

Unemployment and youth not in employment, education or training

Similar to the overall economic outlook discussed in the previous section, the global unemployment rate is projected to remain broadly stable throughout 2026 and 2027. The number of unemployed globally is projected to rise modestly to around 185.8 million in 2026, from 182.9 million in 2024, on account of an expanding labour force (see table 1.1).[2] This stability in headline unemployment rates against a backdrop of resilient but tepid economic growth can be observed across all country income groups since 2024. At the regional level, notable improvements are expected in Northern Africa and Latin America and the Caribbean, while a deterioration is projected for Northern America, reflecting a combination of job losses and labour force growth (see Chapter 2). Unemployment rates for both men and women are projected to remain essentially unchanged over the coming two years. Youth unemployment rates are projected to decline slightly following an increase in 2025, with the improvement driven mainly by upper-middle-income countries.

The global jobs gap is expected to grow to nearly 408 million people in 2026, from around 403 million in 2025. In addition to those unemployed, this includes almost 222 million people of working age who are willing to take up employment but are not defined as unemployed because they are either unavailable or not actively searching for employment due, for example, to care responsibilities or discouragement in the face of insufficient employment opportunities. The jobs gap rate, which is the ratio of those willing to work but not in employment to the sum of those willing to work plus those in employment, is projected to stand at 10.1 per cent in 2026, unchanged from 2025.

Progress in labour market conditions for young people is stagnating. In 2025, the global youth unemployment rate reached 12.4 per cent, while the share of youth not in employment, education or training (NEET) reached 20.0 per cent. This means that 67.3 million young people were unemployed, and a total of 257 million missed out on the opportunity to gain valuable knowledge and experience for their future labour market prospects. Following a low point of 19.7 per cent in 2023, the recent reversal of the downward trend in youth NEET rates – projected to continue increasing modestly until 2027 – is particularly worrying (see figure 1.4). NEET rates are lowest in high-income countries and highest in low-income countries, standing at 10.9 per cent and 27.9 per cent in 2025, respectively. Similarly, the global youth unemployment rate, which had been declining since 2020, stabilized in 2024 at 12.3 per cent and is projected to remain close to that level through 2027.

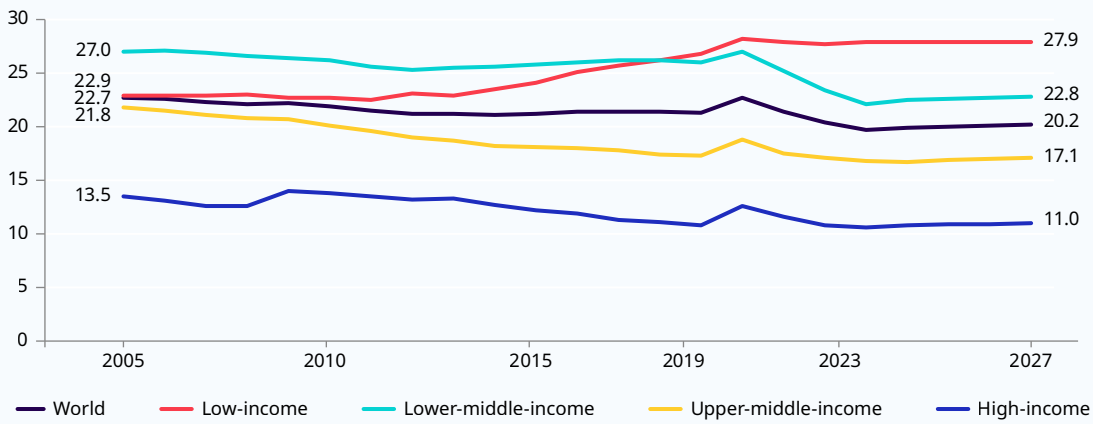
2 The projected change in the global unemployment rate between 2026 and 2027 is only –0.02 percentage points. The table shows a 0.1 percentage point fall due to rounding.

Table 1.1. Unemployment rate and number of unemployed by age, sex and country income group, 2024–27 (percentage and million)

	Unemployment rate (percentage)				Number of unemployed (million)			
	2024	2025	2026	2027	2024	2025	2026	2027
Total								
World	4.9	4.9	4.9	4.8	182.9	184.2	185.8	186.9
Low-income	5.4	5.4	5.3	5.3	15.1	15.5	15.8	16.1
Lower-middle-income	4.3	4.4	4.4	4.4	56.0	57.3	58.4	59.6
Upper-middle-income	5.5	5.5	5.4	5.4	79.9	79.1	78.9	78.9
High-income	4.4	4.4	4.5	4.4	32.0	32.2	32.7	32.3
Youth								
World	12.3	12.4	12.3	12.3	66.2	67.3	67.5	68.0
Low-income	8.8	8.8	8.7	8.5	6.5	6.7	6.7	6.8
Lower-middle-income	11.6	11.8	11.8	11.9	25.5	26.1	26.4	26.8
Upper-middle-income	15.2	15.3	15.0	15.0	26.2	26.4	26.1	26.2
High-income	11.0	11.1	11.2	11.1	7.9	8.1	8.2	8.2
Men								
World	4.8	4.8	4.8	4.8	106.6	107.8	109.1	110.0
Low-income	5.5	5.5	5.5	5.4	8.8	9.2	9.4	9.5
Lower-middle-income	4.1	4.2	4.2	4.2	35.2	36.2	37.2	38.1
Upper-middle-income	5.5	5.5	5.4	5.4	45.6	45.3	45.3	45.4
High-income	4.2	4.2	4.3	4.2	17.0	17.1	17.2	17.1
Women								
World	5.1	5.0	5.0	5.0	76.3	76.4	76.7	76.9
Low-income	5.3	5.2	5.2	5.1	6.3	6.4	6.5	6.6
Lower-middle-income	4.7	4.7	4.6	4.6	20.8	21.1	21.2	21.5
Upper-middle-income	5.6	5.5	5.4	5.4	34.3	33.8	33.6	33.5
High-income	4.5	4.6	4.7	4.6	15.0	15.2	15.4	15.3

Source: ILO modelled estimates, November 2025.

Figure 1.4. Share of youth not in employment, education or training by country income group, 2005–27 (percentage)



Source: ILOSTAT, ILO modelled estimates, November 2025.

Employment and labour force

The global labour force participation rate (LFPR) is projected to continue its long-term downward trend, declining to 60.7 per cent in 2026 and 60.5 per cent in 2027, from 61.0 per cent in 2024 (see table 1.2). This presents an acceleration of the downward trend compared to the period 2015 to 2025, during which rising LFPR of women in lower-middle- and high-income countries slowed the structural decline. Yet, the continued growth of the working-age population has led to a projected expansion of the global labour force by around 40 million annually, to reach an expected 3.8 billion in 2026. Participation rates are projected to decline by 0.5 percentage points in upper-middle- and high-income countries between 2025 and 2027, driven mostly by an increasing older, mostly retired, population (De Gobbi et al. 2025; ILO 2025a). High-income countries as a group face zero labour force growth, meaning that many of them already have a shrinking labour force. The global composition of the labour force is also changing. Between 2025 and 2030, the share of individuals from low-income countries in the global labour force is projected to increase by 0.7 percentage points and to decline by 0.8 percentage points for high-income countries.[3]

Global employment is projected to grow by 1.0 per cent in 2026, unchanged from 2025 and slightly below its 2010–19 average (see figure 1.5).[4] High-income countries are experiencing a significant decline in employment growth, shifting from an average growth of 1.1 per cent annually from 2010 to 2019 to a contraction of 0.1 per cent in 2026, mainly due to population ageing. Even though this contraction is not driven by rising unemployment, it raises concerns about dependency ratios, innovation capacity and productivity growth (De Gobbi et al. 2025). Upper-middle-income countries are following a similar demographic transition towards ageing societies, with employment growth reaching just 0.5 per cent in 2026. By contrast, low-income countries are projected to experience a robust employment expansion of 3.1 per cent as large youth cohorts enter the labour market. However, there exists a lack of quality employment opportunities, which is partly a reflection of weak labour productivity growth, implying that many of these countries risk not benefiting from the potential demographic dividend.[5]

▶ **Table 1.2. Labour force and labour force participation rate by country income group, 2024–27** (million and percentage)

	Labour force (million)				Labour force participation rate (percentage)			
	2024	2025	2026	2027	2024	2025	2026	2027
World	3 745.3	3 783.3	3 821.9	3 859.8	61.0	60.8	60.7	60.5
Low-income	279.4	287.9	296.7	305.6	62.8	62.7	62.6	62.5
Lower-middle-income	1 291.7	1 315.1	1 338.9	1 362.7	58.7	58.7	58.7	58.7
Upper-middle-income	1 440.6	1 446.7	1 453.1	1 458.2	62.7	62.4	62.2	61.9
High-income	733.6	733.6	733.3	733.2	61.2	61.0	60.8	60.5

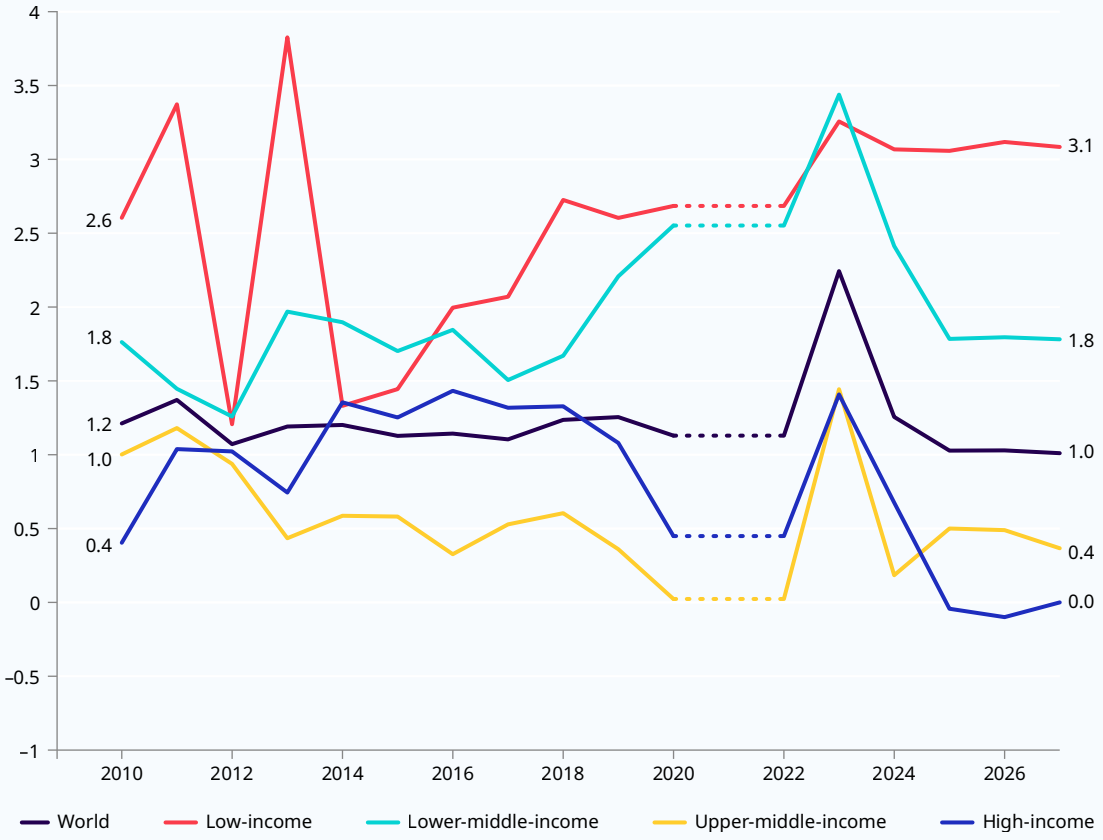
Source: ILOSTAT, ILO modelled estimates, November 2025.

3 The change in shares has been calculated assuming constant LFPRs. Both country income groups face downward trends in LFPR, for differing reasons. However, the downward trend in high-income countries seems to be stronger, implying a potentially larger drop in their global labour force share by 2030.

4 With unemployment rates largely unchanged, employment growth mirrors labour force growth while the employment-to-population ratio evolves like the labour force participation rate.

5 A demographic dividend refers to the increase in GDP per capita that takes place after a formerly large child population becomes economically active and contributes to GDP. Without sufficient productivity growth, however, such a demographic dividend fails to materialize and have a meaningful impact on people's livelihoods.

Figure 1.5. Employment growth by country income group, 2010–27 (percentage)



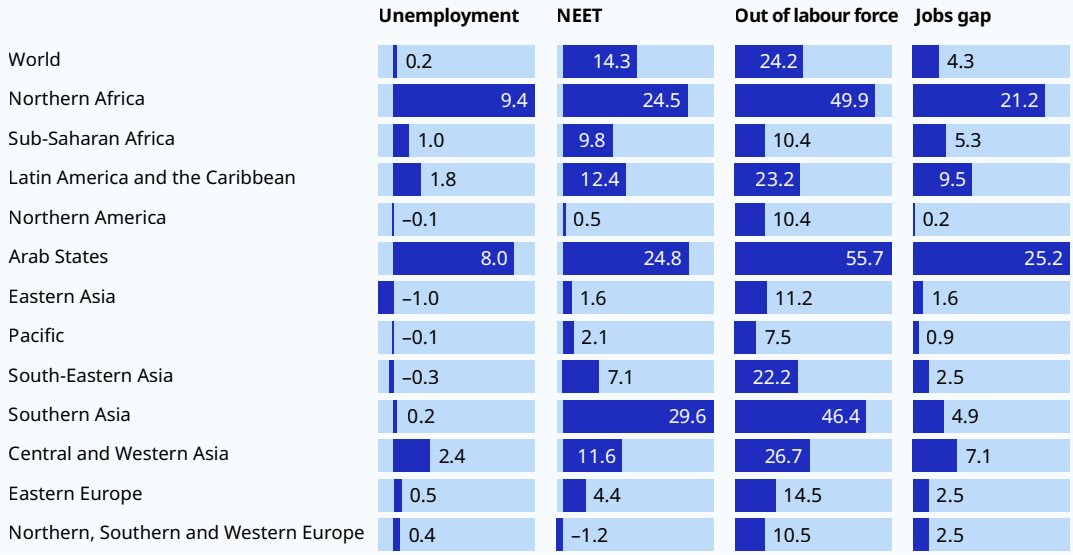
Note: The years 2020 to 2022 show average employment growth for those years to smooth out the very large fluctuations during the COVID-19 pandemic.

Source: Calculations based on ILOSTAT, ILO modelled estimates, November 2025.

Gender gaps in access to employment

In 2025, women constituted only two fifths of global employment, pointing to significant barriers to accessing employment. Globally in 2026, women are projected to face a 0.2-percentage-point higher unemployment rate and a 4.3-percentage-point higher jobs gap rate relative to men (see figure 1.6). In 2025, women were around 24.2 percentage points less likely than men to participate in the labour force, while young women were around 14.3 percentage points more likely to be in the NEET category (that is, not in employment, education or training). Gender gaps in labour market indicators vary far more across regions than across income groups, highlighting the strong influence of social norms in shaping women's access to employment (ILO 2019a). Furthermore, gender disparities in NEET rates, LFPRs and the jobs gap rate are correlated to some degree, with regions displaying high gaps jointly in all areas, which suggests that these gaps reinforce one another. The unemployment rate is an exception, as gender gaps are narrow both globally and across several regions – an indication that the main barrier for women is not in finding work once in the labour market, but in entering it in the first place.

Figure 1.6. Gender gaps in selected labour market indicators by subregion, 2026
(percentage point difference in rates)



Note: Gender gaps refer to the women's rate minus the men's rate.

Source: Calculations based on ILOSTAT, ILO modelled estimates, November 2025.

Changing labour market prospects of youth and workers with advanced education

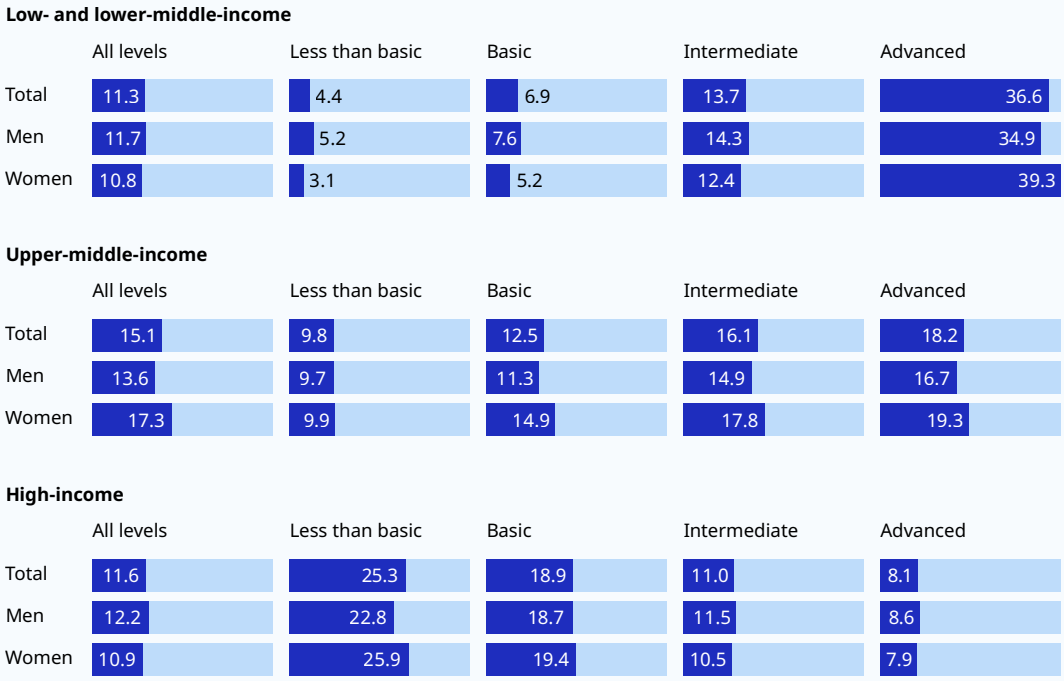
While higher education holds the promise of easier access to better jobs, it does not always translate into lower unemployment rates (see figure 1.7).[6] Young persons with advanced degrees in high-income countries display lower unemployment rates than their peers with lower degrees of education. However, this pattern does not hold in low- and middle-income countries, where youth with higher education often face higher unemployment – largely due to educational mismatch (ILO 2019b). Having an advanced degree, especially when combined with financial support, often leads young people in these countries to await better-paid jobs – such as public sector jobs or employment abroad – which are limited compared to the pool of qualified candidates.[7] By contrast, youth with lower education levels in these countries, often from households with fewer resources, are more likely to take up any available work opportunity, which is typically of an informal nature. Indeed, at the global level, it is observed that the incidence of informal work is much lower among workers with advanced education (Palmer 2020).

Although the global unemployment rate for young women is lower than that of young men, important differences exist across regions and education levels. Young women face higher unemployment rates than young men when they have: (i) less than basic or basic education in high-income countries; (ii) advanced education levels in low- and lower-middle-income countries; and (iii) intermediate education levels in upper-middle-income countries (see figure 1.7). Given that the majority of unemployed workers have an intermediate degree of education in upper-middle-income countries, the aggregate youth

6 By contrast, higher education invariably leads to lower NEET rates (ILO 2024b).

7 For recent evidence of this limited availability of better-paid formal jobs in developing countries, see, for instance, Nguyen et al. (2025), who find that in Viet Nam the expansion in tertiary education from 2016 to 2022 outpaced the growth of formal employment. This in turn implies that a growing share of graduates eventually take up employment in the informal sector, where returns to education have been shown to be higher. Similarly, people with advanced education degrees often face higher labour market concentration due to the smaller number of large formal enterprises, which limits employment opportunities for this group of employees (for Peru, for instance, see Davalos and Ernst 2021). However, at the global level, it is still observed that the share of informal work is lower among workers with advanced education.

Figure 1.7. Youth unemployment rate by sex, education level and country income group, 2024 (percentage)



Note: Figure based on data for 70 low- and lower-middle-income countries, 44 upper-middle-income countries and 53 high-income countries with available data of unemployment by education. Country coverage is not homogeneous across education levels due to missing data, in particular for less than basic education. See box 1.2 for the estimation methodology.

Source: ILO estimates based on ILOSTAT.

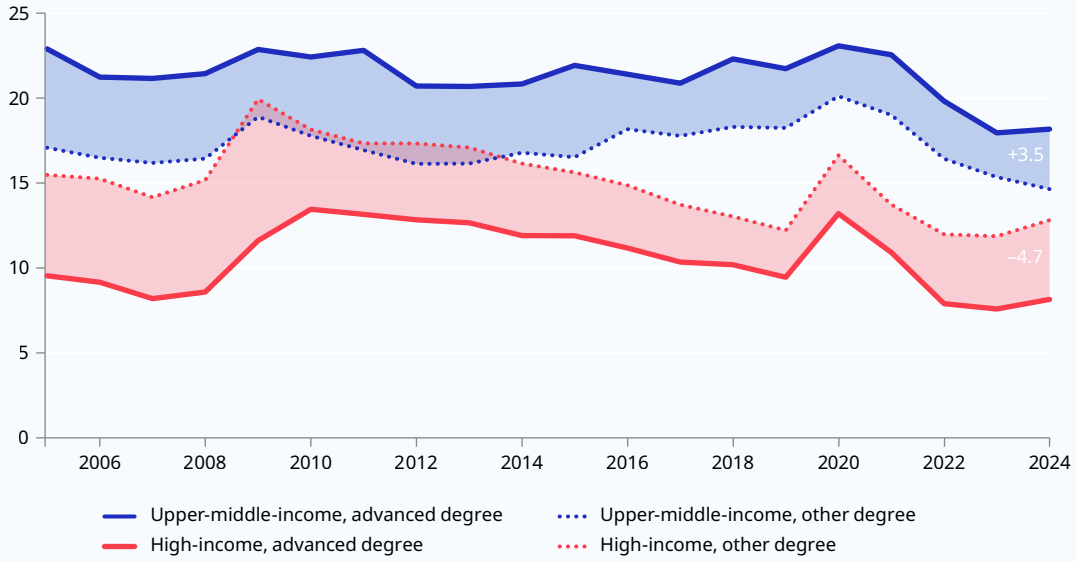
Box 1.2. Estimation methodology for youth unemployment rates by sex and education

Estimates for youth unemployment rates by sex and education level have been made only for countries with at least some available data. A total of 97 of 167 countries have the latest observed value in 2023 or after. Since unemployment rates vary considerably over time, it is preferable to present aggregates referring to the same year, instead of mixing various years. Therefore, missing values of the unemployment rate by sex and education level have been estimated for the period 2005 to 2024 using a regression approach, with indicators such as the total youth unemployment rate by sex or GDP per capita as predictors. Figure 1.7 presents the average in 2024, which includes actual observations when possible and predicted values when not. To ensure that the overall trend between 2005 and 2024 presented in figure 1.8 is driven by real data, the figure only includes countries with at least one observed value in each of the three periods: 2005–12, 2013–19 and 2020–24.

unemployment rate is higher for women than for men in this country group.

Since 2005, youth with advanced education have experienced a narrowing gap in their unemployment rate compared to other young people in countries with available data, with a reversal of the trend since 2023 (see figure 1.8). In high-income countries, youth in 2009 with an advanced degree had unemployment rates of up to 8 percentage points below those with non-advanced degrees, shrinking to 2.7 percentage

Figure 1.8. Youth unemployment rate in upper-middle- and high-income countries by education degree, 2005–24 (percentage)



Note: Time series estimates for 28 upper-middle- and 42 high-income countries with at least one data point available at the beginning, the middle and the end of the time span. Data over such a time span are not available for low- and lower-middle-income countries. See box 1.2 for the estimation methodology.

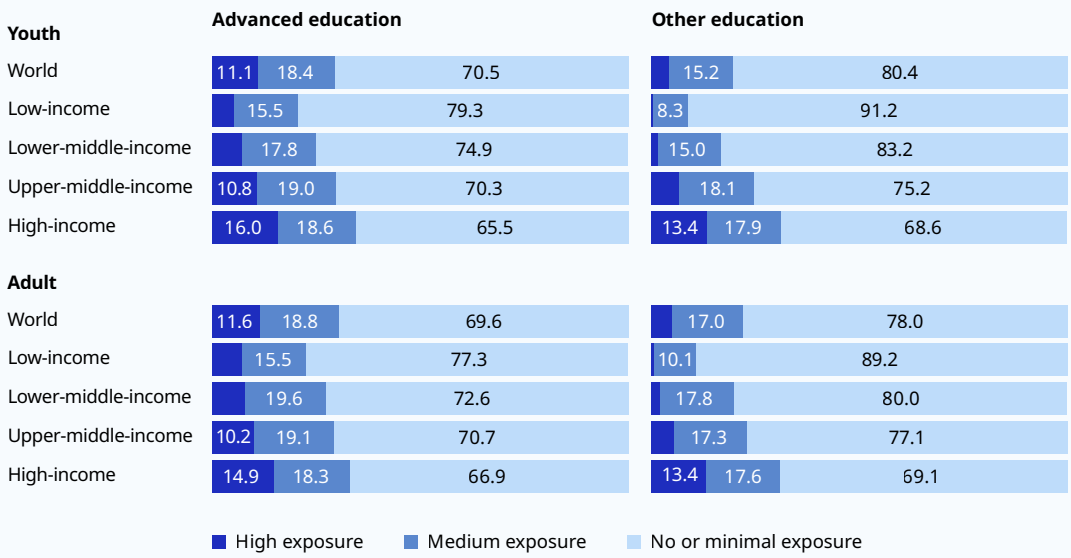
Source: ILO estimates based on ILOSTAT.

points by 2019 due to generally improving labour markets for youth. By 2024, the difference rose again to 4.7 percentage points. In upper-middle-income countries, youth in 2024 with an advanced degree experienced an unemployment rate 3.5 percentage points higher than their peers with non-advanced degrees. This presents a renewed increase in the gap – a trend that continued to the second quarter of 2025.

Concerns have recently emerged about the impact of AI adoption on young workers, particularly those seeking their first job in high-skilled occupations. Preliminary evidence from the United States suggests that entry-level positions may be disproportionately affected by AI technologies (Brynjolfsson, Chandar and Chen 2025). Recent survey data from members of the Organisation for Economic Co-operation and Development (OECD) indicate that young people with higher education express greater concern about potential job displacement due to AI, whereas older workers may be relatively protected by tenure and seniority (OECD 2024). The risk of automation is higher among individuals aged 15 to 24 with university-level education relative to their less educated counterparts, partly because they tend to work in occupations more exposed to AI (see figure 1.9).[8] This exposure is most pronounced in high-income countries, regardless of age or education level, reflecting their specific occupational structures and task profiles. In contrast, youth and adults in low-income countries – where agriculture is more prevalent and non-routine task intensity is lower – face lower risk, particularly those with non-advanced education. While the full impact of AI on youth employment remains uncertain, monitoring both risks and opportunities is essential to ensure policies maximize benefits and mitigate negative impacts.

8 In the exposure taxonomy in Gmyrek et al. (2025), high exposure (gradients 3 to 4) is associated with occupations that have a large share of a task exposed to automation, potentially leading to substitution of the entire occupation. Medium exposure (gradients 1 to 2) concerns occupations that have only some tasks exposed to automation and others that require a human role, which is more likely to result in "augmentation" or complementarity.

Figure 1.9. Share of employment exposed to AI by age, educational attainment and country income group (percentage)



Note: Figure based on latest available data for 16 low-, 35 lower-middle-, 27 upper-middle- and 36 high-income countries.

Source: Calculations based on ILO Harmonized Microdata collection and the Gmyrek et al. (2025) occupational AI exposure measure.

Employment quality

In addition to fostering access to opportunities for work that is productive, decent work involves, among other things, a fair income, security in the workplace and social protection for families, enhanced prospects for personal development and social integration, and freedom for people to express their concerns. This section analyses three metrics that can be strong indicators of existing decent work deficits: working poverty, informality and an excessive incidence of own-account and contributing family work as an indicator of a lack of formal quality employment opportunities.

Trends in working poverty, informality and status in employment

Globally, improvement in working poverty has slowed over the past decade. The share of workers living in extreme poverty – that is, on less than US$3.00 a day – declined by a mere 3.1 percentage points between 2015 and 2025, to 7.9 per cent, following a decline of 15 percentage points in the previous decade (see table 1.3). This is equivalent to 284 million workers living in extreme poverty in 2025. Worryingly, both extreme and moderate working poverty – that is, less than US$4.20 a day – increased by around 0.7 percentage points in low-income countries between 2015 and 2025. This means that in 2025, almost 68 per cent of workers in low-income countries lived in extreme or moderate poverty.

The global rate of informality increased by 0.3 percentage points between 2015 and 2025, following a decline of 2.2 percentage points between 2005 and 2015. In 2026, 2.1 billion workers are projected to be in informal employment. This recent increase in aggregate informality largely reflects the composition effect of an ever-increasing share of global employment in countries with higher rates of informality (see figure 1.11 in the next section). This composition effect also explains the unfavourable trajectory for women, whose global share of informality increased from 54.8 per cent in 2015 to 55.9 per cent in 2025, in contrast with that of men, which decreased somewhat, by 0.2 percentage points.

▶ Table 1.3. Type of employment as a share of total employment by sex and country income group, 2005–25 (percentage)

	Total			Men			Women		
	2005	2015	2025	2005	2015	2025	2005	2015	2025
World									
Employees	49.8	53.2	53.7	49.4	52.2	53.0	50.4	54.7	54.7
Own-account workers	32.9	32.1	32.8	37.3	36.1	35.7	26.2	25.9	28.6
Contributing family workers	13.6	11.0	9.5	8.3	6.7	6.1	21.5	17.5	14.4
Extreme working poverty	26.0	11.0	7.9	25.5	10.8	7.9	26.7	11.3	8.9
Moderate working poverty	14.3	11.0	6.7	15.1	11.9	7.7	13.0	9.7	6.6
Informality	59.6	57.4	57.7	61.1	59.1	58.9	57.3	54.8	55.9
Low-income									
Employees	21.2	21.5	22.1	26.6	26.9	26.8	14.3	14.5	15.6
Own-account workers	51.1	52.4	53.5	55.5	55.6	53.9	45.4	48.3	52.9
Contributing family workers	25.1	23.7	21.5	14.1	14.1	15.5	39.2	36.0	29.8
Extreme working poverty	57.3	49.7	50.5	53.8	47.0	48.8	61.8	53.2	55.0
Moderate working poverty	15.0	16.5	17.2	15.4	16.9	18.0	14.5	16.0	16.1
Informality	94.6	91.4	90.2	92.6	89.0	88.3	97.2	94.4	92.9
Lower-middle-income									
Employees	24.4	29.1	32.0	27.7	31.5	34.8	17.7	24.1	26.5
Own-account workers	53.3	50.7	49.4	55.7	53.3	50.5	48.4	45.2	47.1
Contributing family workers	18.7	16.1	14.0	12.3	10.3	8.8	31.8	28.4	24.0
Extreme working poverty	38.4	18.0	10.1	37.0	16.9	10.3	41.4	20.4	13.7
Moderate working poverty	24.4	21.0	13.0	24.8	21.4	14.5	23.7	20.0	15.4
Informality	86.8	84.3	83.4	85.6	83.5	81.8	89.4	86.0	86.3
Upper-middle-income									
Employees	53.8	59.8	61.9	54.0	59.2	60.9	53.6	60.5	63.2
Own-account workers	27.9	26.4	26.6	32.5	30.1	29.7	21.6	21.2	22.5
Contributing family workers	14.3	9.9	7.4	8.0	5.3	4.2	23.1	16.2	11.7
Extreme working poverty	25.6	4.8	1.4	24.3	4.8	1.7	27.4	4.9	1.6
Moderate working poverty	13.9	8.0	2.3	14.2	8.3	2.6	13.4	7.6	2.2
Informality	60.5	55.1	53.0	61.7	56.0	53.5	58.7	53.8	52.2
High-income									
Employees	86.0	87.6	88.9	83.3	85.1	86.9	89.5	90.6	91.4
Own-account workers	8.7	8.1	7.4	10.7	9.8	8.6	6.2	6.1	5.9
Contributing family workers	1.6	1.0	0.6	0.8	0.5	0.4	2.6	1.6	1.0
Informality	9.0	9.4	8.5	9.1	9.6	8.8	9.0	9.1	8.1

Note: Working poverty refers to workers living in households with an income of less than US$3.00 per person per day for extreme poverty, and between US$3.00 and US$4.20 per person per day for moderate poverty, both in purchasing power parity terms. Sex-disaggregated estimates for working poverty presented as 2025 are for 2023 due to data limitations.

Source: ILOSTAT, ILO modelled estimates, November 2025.

Informality is associated with lower job quality due to limited access to social protection, rights at work, workplace safety and job security. Informality also tends to reduce productivity at both the firm and economy-wide levels, as informal jobs are often characterized by low skill development, limited training and fewer incentives for innovation. From a business perspective, high informality can constrain the growth of enterprises, reduce workforce stability and limit access to formal financial and regulatory support – ultimately affecting competitiveness.

The incidence of own-account work, which in low- and middle-income countries is often informal, of poor quality, with low earnings and undertaken out of necessity, rose again between 2015 and 2025 back to its 2005 level. This global rise is driven partially by a composition effect, but also by an upward trend in low-income countries. In contrast, contributing family work – by definition informal – has continued to decline over the past decade at roughly the same speed as in the previous decade. This decline is mostly due to a strong downward trend in upper-middle-income countries, which mirrors the reduction in the incidence of informality and the increase in the share of workers in the services sector in these countries. In contrast, wage employment rose by 3.4 percentage points between 2005 and 2015, but increased by only 0.5 percentage points from 2015 to 2025. This weak recent growth accrued only to men, as the share of female employees remained constant throughout that decade. While wage employment within firms is no guarantee of high-quality employment, enterprises are nevertheless more likely to be formal or to formalize than own-account workers. Only 4 per cent of the employed were categorized as employers as of 2025 at the global level – a share which has hardly changed over time.

Women tend to fare worse in terms of employment quality than men, even though global indicators can be distorted by composition effects. Gender gaps are particularly pronounced in employment status, with 14.4 per cent of women engaged in contributing family work in 2025 compared to 6.1 per cent of men (see table 1.3). Overall, however, gender differences in employment status have declined significantly over the past two decades. Working women are also somewhat more likely than men to live in households marked by extreme poverty, but somewhat less likely to live in households in moderate poverty.[9] The lower global rate of informality for women compared to men is partly due to a composition effect, as, on average across the world, women are less likely to participate in the labour force in countries with higher rates of informality.[10] In low- and lower-middle-income countries, women's informality rate is about 4 percentage points above men's, whereas in upper-middle- and high-income countries, it is less than 1 percentage point below that of men. Finally, women conduct a disproportionate amount of unpaid services work for own use, such as care work – activities which are not covered by the statistical indicators presented in this report (ILO 2024c).

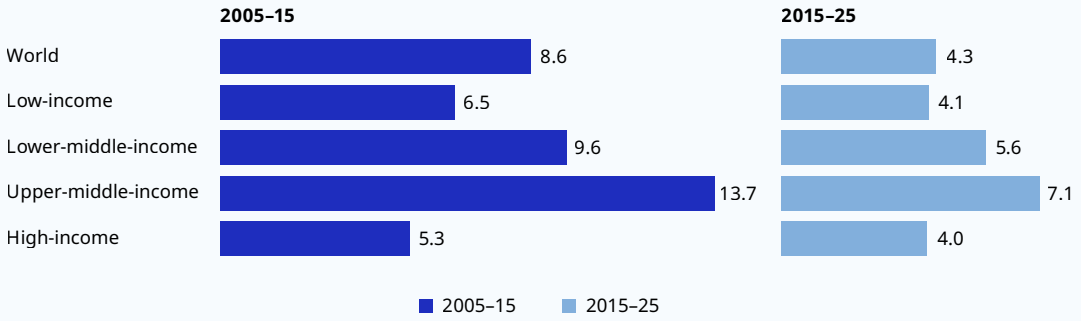
Drivers of the slowdown in employment quality improvements

The structural change in the economy from low-productivity activities and poorer working conditions towards high-productivity activities and better working conditions is a key driver of overall improvements in working conditions, formalization and living standards. Yet, this structural transformation process occurred at only half the speed in the decade 2015 to 2025 compared to the decade prior (see figure 1.10). Middle-income countries have seen the largest sectoral employment shifts since 2005 as they transitioned towards more modern economies, including a major shift out of agriculture. Shifts in high-income countries were more muted, as they had largely modernized earlier. The speed of structural transformation in low-income countries was worryingly low. This explains part of their slow productivity gains, persistent decent work deficits and rising disparities compared to the rest of the world. Trade uncertainty and the longer-term slowdown in trade growth contribute to a deceleration of structural change, since they undermine a country's ability

9 An important caveat is that poverty is measured at the household level. If a household has both working men and women, then they will all be classified as either poor or not poor, regardless of individual income differences.

10 Globally, a 1-percentage-point higher gap in the labour force participation rate correlates with a 0.3-percentage-point higher rate of informality. Both informality and gender gaps in the LFPR are likely driven jointly by a multitude of socio-economic factors, rather than a direct causality existing between gender gaps and informality. This implies that, on average, countries with a lower informality rate receive a higher weight in the global female aggregate relative to the global male aggregate.

▶ **Figure 1.10. Difference in employment distribution across economic activities, 2005–15 and 2015–25** (percentage point)



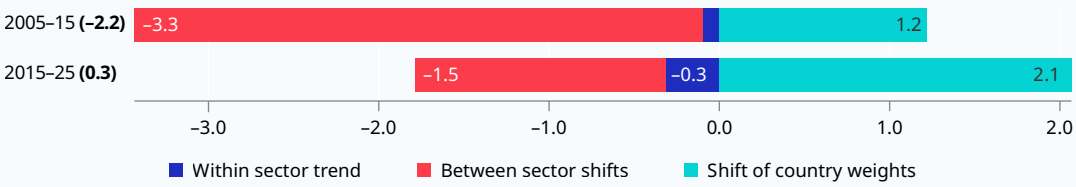
Note: The figure shows half of the sum of absolute differences in sectoral employment shares between the endpoints of each period. This can be interpreted as the percentage of workers that would need to change sectors to recreate the sectoral employment structure of the previous decade. For example, if sectors A and B had 50 per cent of employment each in year 2015, a 5-percentage-point shift in the structure would mean that sector A had 55 per cent of employment in 2025 and sector B 45 per cent. The underlying employment estimates cover the 189 countries and territories of the ILO modelled estimates and 43 economic activities, partially defined by the two-digit International Standard Industrial Classification of All Economic Activities, revision 4, known as ISIC-4, and partially by a combination of multiple two-digit activities.

Source: ILO estimates.

to achieve its potential economic development and improve job quality through integration into global supply chains (see Chapter 3).

The global increase in informality between 2015 and 2025 was entirely driven by the rising share of countries with higher informality rates in global employment.[11] This increased share would have pushed up the global informality rate by 2.1 percentage points had it not been for improvements in employment formalization within the countries (see figure 1.11). Structural transformation within countries would have led to a 1.5-percentage-point global decline in informality over this period. Within-sector improvements contributed only 0.3 percentage points over ten years – highlighting the crawling pace of formalization efforts at the level of activities. In the decade 2005 to 2015, the higher contribution of structural transformation compared to 2015 to 2025 enabled the global informality rate to fall by 2.2 percentage points, which is a much higher rate than the one achieved in the subsequent decade. This highlights the major drag that the

▶ **Figure 1.11. Decomposition of changes in the global informality rate, 2005–15 and 2015–25** (percentage)



Note: The number in parentheses shows the total global percentage point change in the global incidence over the period. See box 1.3 for methodology.

Source: Calculations based on ILO estimates.

11 The total change in the global rate of informality is determined by three components. First, the rate of informality changes over time within each sector in a country. Second, employment shifts over time towards sectors with a higher or lower incidence of informality, which would raise or lower the aggregate rate in the country. Third, cross-country differences in population and labour force growth mean that the weight of countries in global employment slowly shifts over time, which would also raise global informality, all else equal, if countries with a higher rate increase their employment share. The same decomposition can be applied to the share of employees in total employment, or any other indicator for that matter (see box 1.3).

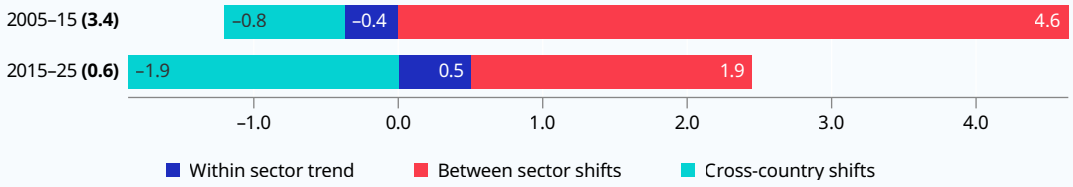
Box 1.3. Decomposing the change in the global incidence of employee status and informality

The incidence of an employment type i in a country, such as the share (S) of informal workers or employees in total employment, can be decomposed into the sum of the product of the incidences within individual economic activities, $S^i_{s,c}$, times the employment shares of the activities within the country, $S^e_{s,c}$. The global incidence S^i_g is then obtained as the sum across countries of the country-level incidences multiplied by the countries' share in global employment, S^e_c.

The change in the global incidence of a given indicator is decomposed using a shift–share analysis – a common method to distinguish the influence of multiple components on the change in an aggregate indicator. For example, the changes of the incidence of informality within a sector and country are summed over all sectors and countries, using the sector's employment share within the country and the country's employment share in the world as weights. The shift–share analysis is conducted for the time periods 2005 to 2015 and 2015 to 2025.

$$S^i_g = \sum_c S^e_c \sum_s S^e_{s,c}\, S^i_{s,c}$$

Figure 1.12. Decomposition of changes in the global share of employees in total employment, 2005–15 and 2015–25 (percentage)



Note: The number in parentheses shows the total global percentage point change in the global incidence over the period. See box 1.3 for methodology.

Source: Calculations based on ILO estimates.

slowdown in structural transformation represented on the global evolution of informality rates between 2015 and 2025.

Just as with informality, the slowdown in structural change between the period 2005 to 2015 and 2015 to 2025 is chiefly responsible for the reduced global shift towards wage employment (see figure 1.12). Structural change has had a larger impact on wage employment than on informality in both periods because cross-sectoral differences in employee shares are larger than cross-sectoral differences in informality rates. Nevertheless, the underlying economic transformation that raises the employee share in total employment is also conducive to formalization.

Productivity growth and labour incomes

GDP growth and aggregate demand matters for job creation, but labour productivity growth is vital to support sustained growth of labour incomes and is conducive to advancing decent work (ILO 2023). In well-functioning labour markets and social protection systems, gains in output per worker or per hour typically result in higher wages, improved job quality and, over time, stronger employment growth. Higher labour productivity supports profitability, innovation and long-term business sustainability. It also enables governments to fund social and economic policies aimed at reducing inequality, thereby expanding opportunities for workers and enhancing various non-financial dimensions of well-being – such as reduced working hours, improved workplace

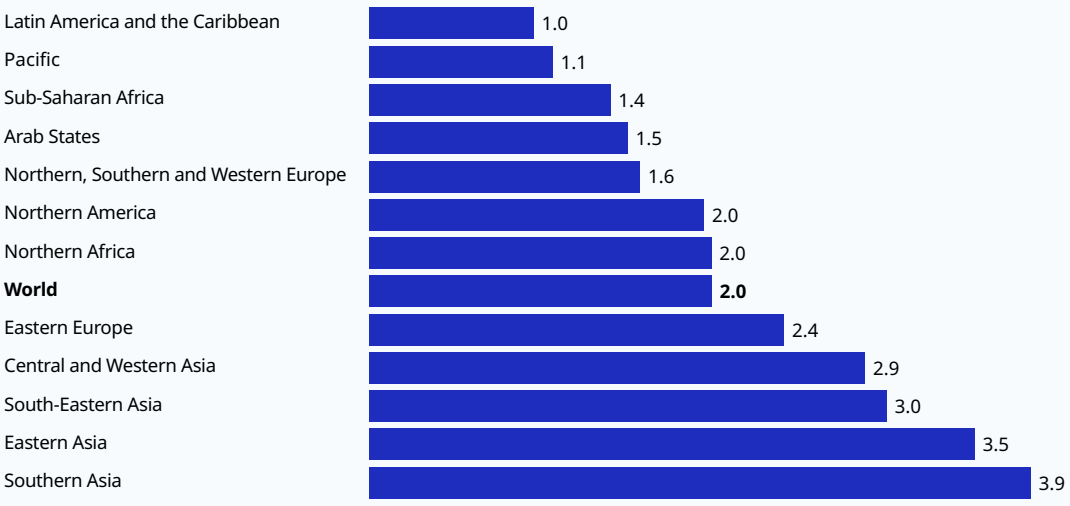
safety and health, as well as social protection systems (ILO 2024d). The observed negative correlation between productivity, poverty and informality underscores that productivity gains are necessary to advancing decent work and broader economic development – provided these gains are evenly distributed.

In 2026, global labour productivity growth is projected at 2.0 per cent, roughly the same rate achieved in both 2024 and 2025, following low growth rates in 2022 and 2023. This is partly due to much stronger employment growth in 2022 to 2023 relative to 2024 onwards, which was a result of workers resuming employment following the COVID-19 pandemic – coupled with very similar GDP growth rates across the two periods. Labour productivity growth rates vary considerably by region, with such growth projected to be lowest in Latin America and the Caribbean, at 1.0 per cent, and highest in Southern Asia, at 3.9 per cent (see figure 1.13). These regional disparities signal differences in competitiveness and investment opportunities, among others, underscoring the importance of inclusive productivity-enhancing policies and workforce development strategies.

Economic growth and decent work creation in low-income countries continue to disappoint. In the absence of countervailing factors, their high population growth prevents a faster convergence of living standards to those observed in more advanced economies, despite a projected GDP growth of 5.1 per cent in 2026 (see figure 1.14). Labour productivity growth will reach only 2.0 per cent in 2026 in these countries, which is roughly the same rate as in high-income countries but far below the rates in lower-middle- and upper-middle-income countries, at 3.6 and 3.1 per cent, respectively. At those growth rates, living standards in low-income countries will fall even further behind. As a result, the growth in quality employment would remain insufficient, and poverty and decent work deficits would remain widespread in these countries. Boosting labour productivity growth in low-income countries is therefore crucial to improve living standards, enhance employment quality and enable sustainable economic development.

Ageing also constrains economic growth in high-income countries, with demographic shifts shaving off 0.2 percentage points per year from their growth rate due to a falling share of those employed in the total population. This trend will affect an increasing number of countries and will only become stronger over the coming decades, requiring faster productivity growth to help maintain stable income and wage growth (De Gobbi et al. 2025; ILO 2024a). In addition, GDP growth in some high-income countries, such as the United States, was driven heavily by investment in AI in 2025. However, it remains unclear how far these gains can translate into broad-based improvements in living standards and employment quality (Lichtenberg 2025).

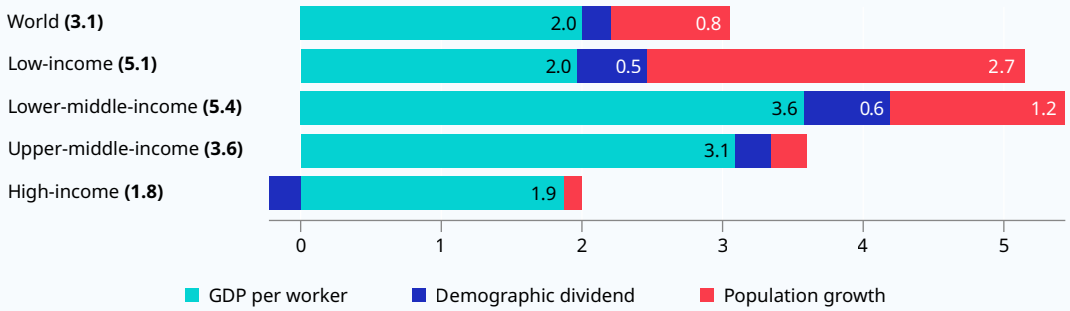
▶ **Figure 1.13. Growth of GDP per worker by subregion, 2026** (percentage)



Note: Figures are aggregated using purchasing power parity (constant 2021 US dollars).

Source: ILOSTAT, ILO modelled estimates, November 2025.

Figure 1.14. GDP growth and its decomposition by country income group, 2026 (percentage)



Note: The number in parentheses shows the total GDP growth. GDP growth is decomposed into growth of GDP per worker, the growth of the ratio of employed to the total population (labelled demographic dividend) and the growth of the total population. Demographic dividend also equals the difference between growth of GDP per capita and GDP per worker. GDP figures are aggregated using purchasing power parity (constant 2021 US dollars).

Source: ILOSTAT, ILO modelled estimates, November 2025; IMF (2025a).

Global real wage and labour income growth rates have not kept pace with labour productivity growth and are still insufficient to make up for the real income losses caused by the inflation surge in 2022 to 2024. In 2024, global real wages were estimated to have grown by 2.7 per cent, while the global labour income share increased from 52.4 per cent in 2024 to 52.6 per cent in 2025 (ILO 2024e, 2025b). Yet, the fact that the global labour income share remained below its 2019 level of 53.0 per cent highlights that real wage growth has not kept up with labour productivity growth. In 2024, aggregate real wages in advanced G20 countries also remained below their 2019 level (ILO 2024e); and in half of OECD countries, they were even below the level reached in the first quarter of 2021 (OECD 2025b). Yet, the nature of the inflation surge has created a divergence between consumer and producer price indices, with real wages from a producer perspective having risen above the level of the fourth quarter of 2021 in the euro area (Bates et al. 2025).

References

- Ahir, Hites, Nicholas Bloom and Davide Furceri. 2022. "The World Uncertainty Index". NBER Working Paper No. 29763. National Bureau of Economic Research. https://doi.org/10.3386/w29763.
- Bates, Colm, Katalin Bodnár, Vasco Botelho and Flavie Rousseau. 2025. "Real Wage Catch-Up in the Euro Area". *ECB Economic Bulletin: Issue 5/2025*: 53–58. https://www.ecb.europa.eu/press/economic-bulletin/html/eb202505.en.html.
- Bernal-Verdugo, Lorenzo E., Davide Furceri and Dominique Guillaume. 2012. "Crises, Labor Market Policy, and Unemployment". IMF Working Paper No. 65. International Monetary Fund. https://doi.org/10.5089/9781463938420.001.
- Bernanke, Ben S. 1983. "Irreversibility, Uncertainty, and Cyclical Investment". *The Quarterly Journal of Economics* 98 (1): 85–106. https://doi.org/10.2307/1885568.
- Bonciani, Dario, and Joonseok Jason Oh. 2019. "The Long-Run Effects of Uncertainty Shocks". Bank Underground. 4 July 2019. https://bankunderground.co.uk/2019/07/04/the-long-run-effects-of-uncertainty-shocks.
- Born, Benjamin, and Steffen Elstner. 2017. "Uncertainty and the Great Recession". CEPR Discussion Paper No. 12083. Centre for Economic Policy Research. https://cepr.org/publications/dp12083.
- Brynjolfsson, Erik, Bharat Chandar and Ruyu Chen. 2025. "Canaries in the Coal Mine? Six Facts about the Recent Employment Effects of Artificial Intelligence". Working Paper. Stanford Digital Economy Lab. https://digitaleconomy.stanford.edu/publications/canaries-in-the-coal-mine.
- Cavalcanti, Daniella Medeiros, Lucas de Oliveira Ferreira de Sales, Andrea Ferreira da Silva, Elisa Landin Basterra, Daiana Pena, Caterina Monti, Gonzalo Barreix, Natanael J. Silva, Paula Vaz, Francisco Saute et al. 2025. "Evaluating the Impact of Two Decades of USAID Interventions and Projecting the Effects of Defunding on Mortality up to 2030: A Retrospective Impact Evaluation and Forecasting Analysis". *The Lancet* 406 (10500): 283–294. https://doi.org/10.1016/S0140-6736(25)01186-9.
- Challenger, Gray and Christmas. 2025. *Challenger Report: October 2025*. Challenger, Gray and Christmas, Inc. https://www.challengergray.com/blog/october-challenger-report-153074-job-cuts-on-cost-cutting-ai.
- Davalos, Jorge, and Ekkehard Ernst. 2021. "How Has Labour Market Power Evolved? Comparing Labour Market Monopsony in Peru and the United States". *arXiv*. https://doi.org/10.48550/arXiv.2103.15183.
- De Gobbi, Maria Sabrina, Stefan Kühn, Guido Heins and Ziyodakhon Malikova. 2025. "Demographic Change in Europe and Central Asia: Addressing the Issue of a Shrinking and Ageing Labour Force". ILO Working Paper No. 139. https://doi.org/10.54394/UTFG0314.
- del Rio-Chanona, R. Maria, Ekkehard Ernst, Rossana Merola, Daniel Samaan and Ole Teutloff. 2025. "AI and Jobs: A Review of Theory, Estimates, and Evidence". *arXiv*. https://doi.org/10.48550/arXiv.2509.15265.
- Ernst, Ekkehard, and Lisa Feist. 2024. "Tomorrow at Work: The Age of Shortages". *Intereconomics* 59 (3): 125–131. https://doi.org/10.2478/ie-2024-0027.
- Ernst, Ekkehard, and Christian Viegelahn. 2014. "Hiring Uncertainty: A New Labour Market Indicator". http://dx.doi.org/10.2139/ssrn.2411299.

- Furceri, David, Domenico Giannone, Faizaan Kisat, Waikei Raphael Lam and Hongchi Li. 2025. "Debt-at-Risk". IMF Working Paper No. 86. International Monetary Fund. https://www.imf.org/en/publications/wp/issues/2025/05/05/debt-at-risk-566595.
- Gmyrek, Pawel, Janine Berg, Karol Kamiński, Filip Konopczyński, Agnieszka Ładna, Balint Nafradi, Konrad Rosłaniec and Marek Troszyński. 2025. "Generative AI and Jobs: A Refined Global Index of Occupational Exposure". ILO Working Paper No. 140. https://doi.org/10.54394/HETP0387.
- ILO. 2012. *World of Work Report 2012: Better Jobs for a Better Economy*. https://researchrepository.ilo.org/esploro/outputs/995372390302676.
- ———. 2019a. *A Quantum Leap for Gender Equality: For a Better Future of Work for All*. https://researchrepository.ilo.org/esploro/outputs/995218707102676.
- ———. 2019b. *Skills and Jobs Mismatches in Low- and Middle-Income Countries*. https://researchrepository.ilo.org/esploro/outputs/995219563302676.
- ———. 2023. *World Employment and Social Outlook: Trends 2023*. https://doi.org/10.54394/SNCP1637.
- ———. 2024a. *Asia-Pacific Employment and Social Outlook 2024: Promoting Decent Work and Social Justice to Manage Ageing Societies*. https://doi.org/10.54394/EZFF3499.
- ———. 2024b. *Global Employment Trends for Youth 2024: Decent Work, Brighter Futures*. https://doi.org/10.54394/ZUUI5430.
- ———. 2024c. "The Impact of Care Responsibilities on Women's Labour Force Participation". ILO Brief. October 2024. https://doi.org/10.54394/LPTT5569.
- ———. 2024d. *World Social Protection Report 2024–26: Universal Social Protection for Climate Action and a Just Transition*. https://doi.org/10.54394/ZMDK5543.
- ———. 2024e. *Global Wage Report 2024–25: Is Wage Inequality Decreasing Globally?* https://doi.org/10.54394/CJQU6666.
- ———. 2025a. *World Employment and Social Outlook: Trends 2025.* https://doi.org/10.54394/IZLN1673.
- ———. 2025b. "World Employment and Social Outlook: May 2025 Update". ILO Brief. May 2025. https://doi.org/10.54394/XMEG0270.
- IMF (International Monetary Fund). 2025a. *World Economic Outlook 2025: Global Economy in Flux, Prospects Remain Dim*. https://www.imf.org/en/publications/weo/issues/2025/10/14/world-economic-outlook-october-2025.
- ———. 2025b. *Fiscal Monitor: Spending Smarter – How Efficient and Well-Allocated Public Spending Can Boost Economic Growth*. https://www.imf.org/en/publications/fm/issues/2025/10/07/fiscal-monitor-october-2025.
- Leduc, Sylvain, and Zheng Liu. 2016. "Uncertainty Shocks Are Aggregate Demand Shocks". *Journal of Monetary Economics* 82: 20–35. https://doi.org/10.1016/j.jmoneco.2016.07.002.
- Lichtenberg, Nick. 2025. "Without Data Centers, GDP Growth Was 0.1% in the First Half of 2025, Harvard Economist Says". *Fortune*. 7 October 2025. https://fortune.com/2025/10/07/data-centers-gdp-growth-zero-first-half-2025-jason-furman-harvard-economist.
- Mendoza, Enrique G., and Vivian Z. Yue. 2012. "A General Equilibrium Model of Sovereign Default and Business Cycles". *The Quarterly Journal of Economics* 127 (2): 889–946. https://doi.org/10.1093/qje/qjs009.
- Nguyen, Coung Viet, Juan Chacaltana, Xavier Estupinan and Phu Huynh. 2025. "Heterogenous Returns to Education in Labor Markets: New Evidence from Vietnam". *International Journal of Educational Development* 118: 103407. https://doi.org/10.1016/j.ijedudev.2025.103407.

▶ OECD (Organisation for Economic Co-operation and Development). 2024. "Who Will Be the Workers Most Affected by AI?: A Closer Look at the Impact of AI on Women, Low-Skilled Workers and Other Groups". OECD Artificial Intelligence Papers No. 26. https://doi.org/10.1787/14dc6f89-en.

▶ ———. 2025a. "Cuts in Official Development Assistance: OECD Projections for 2025 and the Near Term". OECD Policy Brief. 26 June 2025. https://doi.org/10.1787/8c530629-en.

▶ ———. 2025b. *OECD Employment Outlook 2025: Can We Get Through the Demographic Crunch?* https://doi.org/10.1787/194a947b-en.

▶ Palmer, Robert. 2020. *Lifelong Learning in the Informal Economy: A Literature Review*. ILO. https://researchrepository.ilo.org/esploro/outputs/995218807502676.

▶ Prein, Timm M. 2023. "Persistent Unemployment, Sovereign Debt Crises, and the Impact of Haircuts". Helsinki GSE Discussion Papers No. 12. Helsinki Graduate School of Economics. https://www.helsinkigse.fi/discussion-papers/discussion-paper-12.

▶ Ratha, Dilip, Sonia Plaza and Eung Ju Kim. 2024. "In 2024, Remittance Flows to Low- and Middle-Income Countries Are Expected to Reach $685 Billion, Larger Than FDI and ODA Combined". *World Bank Blogs*. 18 December 2024. https://blogs.worldbank.org/en/peoplemove/in-2024--remittance-flows-to-low--and-middle-income-countries-ar.

▶ Tavares, Tiago. 2019. "Labor Market Distortions under Sovereign Debt Default Crises". *Journal of Economic Dynamics and Control* 108: 103749. https://doi.org/10.1016/j.jedc.2019.103749.

▶ Verick, Sher, and Iyanatul Islam. 2010. "The Great Recession of 2008–2009: Causes, Consequences and Policy Responses". ILO Employment Working Paper No. 61. https://researchrepository.ilo.org/esploro/outputs/995218696902676.

▶ World Bank. 2025. *World Bank East Asia and Pacific Economic Update: October 2025 – Jobs*. https://doi.org/10.1596/978-1-4648-2295-7.

2 Employment and social trends by region

Key messages

- **Headline indicators display employment growth and falling or stable unemployment rates in most regions between 2024 and 2025.** This was the case for Africa, the Americas, the Arab States, and Asia and the Pacific. Europe and Central Asia saw declining employment. However, there was some variation at the subregional level, with increases in the unemployment rate observed in Northern America, the Pacific, and Northern, Southern and Western Europe over this period.
- **Despite this, decent work deficits persist across all regions, to varying degrees and through different dimensions.** Informal employment rates remain pervasive in subregions such as Latin America and the Caribbean, South-Eastern Asia and Southern Asia, and highest in sub-Saharan Africa, where nearly nine in every ten workers were in informal employment in 2025. At the same time, working poverty remains elevated, especially in sub-Saharan Africa, where it accounted for more than half of all employment in 2025.
- **While there has been progress, there remain significant inequalities in the labour market, particularly between men and women.** In the Arab States, Northern Africa and Southern Asia, women's participation in the labour force remains far below the rates for men, reflecting longstanding obstacles for women, both in access to the labour market and also decent and productive employment.
- **The outlook varies significantly by region, with labour markets disrupted by both long-standing dynamics such as demographic change and newer developments, including artificial intelligence (AI).** In Latin America and the Caribbean, the unemployment rate is projected to continue decreasing into 2027, in contrast to increases projected for Central and Western Asia. Meanwhile, population growth in sub-Saharan Africa presents very different challenges to ageing taking place elsewhere. While some challenges differ across regions, others, including the potential impact of AI, remain common.

▶ Africa

GDP growth in Africa remains moderate on the back of improving macroeconomic conditions, including inflation, and limited exposure to US tariffs. GDP growth in Africa was estimated at 4.2 per cent in 2025, and is projected to increase slightly to 4.3 per cent in 2026 (IMF 2025a). GDP growth in 2025 was expected to be slightly higher for the sub-Saharan region, at 4.3 per cent, compared with Northern Africa, at 4.1 per cent (IMF 2025a). Part of the growth performance in Africa reflects progress in controlling inflation. The Economist Intelligence Unit reports that average regional inflation fell from 17.5 per cent in 2024 to 12.6 per cent in 2025 (EIU 2025a). This is expected to significantly decrease further, with inflation forecast at 9.6 per cent in 2026 (EIU 2025a). There are also some signs of other macroeconomic improvements in many of the region's economies, including stabilizing levels of public debt and continued fiscal consolidation (IMF 2025b). Despite this, the macroeconomic situation is mixed, and inflation remains high in many countries with levels of public debt remaining elevated (IMF 2025b). In a global context with heightened trade policy uncertainty, it is worth noting that most countries in sub-Saharan Africa have a relatively small share of employment linked to trade and limited trade exposure with the United States (see Chapter 3).

Despite these positive trends, structural challenges continue to constrain future growth prospects, including persistent conflict and recurrent climatic shocks. Continued armed conflict has caused ongoing contractions in economic output in South Sudan and Sudan, while the 2023–24 El Niño brought about intense droughts and sharp contractions in agricultural outputs across Southern Africa. South Africa, for example, recorded growth of only 0.5 per cent in 2024 due, in part, to these weather events (IMF 2025a), along with fiscal consolidation and enduring structural constraints, with only marginally better prospects for 2025 and 2026 (World Bank 2025a). Indeed, exposure to climate events continues to increase in frequency and severity, with a doubling of serious droughts, floods and storms in the past decade (World Bank 2025a). These challenges are compounded by deep social and economic vulnerabilities: 46 per cent of the population of sub-Saharan Africa lived on less than US$3.00 a day[1] in 2024, and 12 per cent of the total population (140 million people) are described as severely food insecure (IMF 2025c). Adding to these pressures, global uncertainty is also expected to restrict countries' ability to finance investments, and US aid cuts are expected to have significant impacts on many countries in the region (EIU 2025a).

Labour market trends in Northern Africa

Employment growth in Northern Africa is driven in part by employment in construction, with increases also evident across other sectors, including agriculture. In Northern Africa, total employment increased by 1.3 million between 2024 and 2025; yet, this was outpaced by growth of the working-age population, resulting in a marginal decrease in the employment-to-population ratio. A large part of the increase in employment was in the construction sector, which accounted for 20 per cent of the increase in 2024 and 2025, despite representing only 13 per cent of total employment overall. Part of this expansion was driven by investment in transport and energy infrastructure projects as well as by growth in real estate developments. In Egypt, for instance, real estate construction has been a major recipient of foreign direct investment (*Daily News Egypt* 2025). Agriculture also exhibited an increase in employment, despite the long-term decline in its share of total employment – a pattern typical of structural transformation processes. This may be partly attributed to short-term conditions, such as improved weather conditions, and subsequent agricultural sector expansion in Morocco and Tunisia in 2025 (IMF 2025d).

Unemployment remains stable in Northern Africa, although youth unemployment remains elevated and the rate of youth not in employment, education or training (NEET) is persistent. The unemployment rate was expected to have declined marginally in Northern Africa from 10.0 per cent in 2024 to 9.9 per cent in 2025, and is forecast to decrease further to 9.7 per cent in 2026 (see table 2.1). While this is a positive development, the youth unemployment rate remains high, at 22.6 per cent – the highest since

1 Poverty headcount data from the World Bank, "World Development Indicators".

2020 – with youth unemployment for women particularly elevated, at 35.6 per cent. In 2025, the NEET rate was 30.1 per cent – with young women again more likely to be classified NEET, at 42.6 per cent, compared to young men, at 18.1 per cent. These gender gaps reflect the persistent structural disparities that continue to shape labour market outcomes across Northern Africa.

Table 2.1. Estimates and projections for employment, unemployment, the labour force, informal employment and working poverty, Africa and subregions, 2015–27 (percentage and million)

	2015	2020	2024	2025	2026	2027
Employment-to-population ratio (percentage)						
Africa	61.7	58.7	60.8	60.8	60.8	60.8
Northern Africa	40.2	36.8	38.8	38.7	38.7	38.6
Sub-Saharan Africa	67.6	64.5	66.3	66.2	66.2	66.2
Employment (million)						
Africa	440.9	483.5	560.0	575.9	592.3	609.0
Northern Africa	62.3	63.2	72.0	73.3	74.8	76.4
Sub-Saharan Africa	378.6	420.3	488.0	502.6	517.5	532.6
Unemployment rate (percentage)						
Africa	6.6	7.1	6.3	6.3	6.2	6.2
Northern Africa	12.6	11.0	10.0	9.9	9.7	9.4
Sub-Saharan Africa	5.6	6.5	5.8	5.7	5.7	5.7
Unemployment (million)						
Africa	31.4	37.2	37.7	38.6	39.4	40.3
Northern Africa	9.0	7.8	8.0	8.0	8.0	7.9
Sub-Saharan Africa	22.4	29.4	29.8	30.6	31.5	32.4
Labour force participation rate (percentage)						
Africa	66.1	63.3	64.9	64.8	64.8	64.8
Northern Africa	46.0	41.4	43.1	42.9	42.8	42.7
Sub-Saharan Africa	71.6	69.0	70.3	70.3	70.3	70.2
Labour force (million)						
Africa	472.3	520.7	597.7	614.5	631.7	649.3
Northern Africa	71.3	71.0	79.9	81.3	82.8	84.3
Sub-Saharan Africa	401.0	449.7	517.8	533.2	548.9	565.0
Informal employment rate (percentage)						
Africa	85.0	85.9	85.4	85.2	85.1	n/a
Northern Africa	56.8	62.9	63.2	63.0	62.9	n/a
Sub-Saharan Africa	89.6	89.4	88.6	88.5	88.3	n/a
Working poverty rate (US$4.20/day) (percentage)						
Africa	51.7	53.5	51.9	51.2	n/a	n/a
Northern Africa	7.3	9.7	11.6	11.3	n/a	n/a
Sub-Saharan Africa	59.0	60.1	57.9	57.1	n/a	n/a

Key: n/a = data not available.

Source: ILOSTAT, ILO modelled estimates, November 2025.

Labour market trends in sub-Saharan Africa

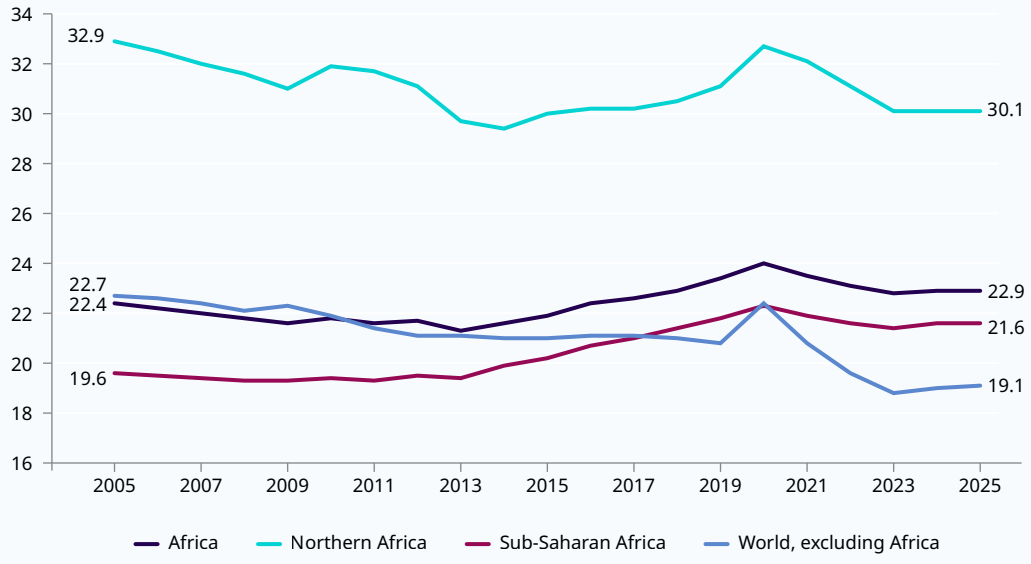
In sub-Saharan Africa, headline labour market indicators have remained relatively unchanged, although pressure on decent work continues to build amid rapid population growth. The labour force increased by 15.4 million between 2024 and 2025, while employment expanded by 14.6 million (see table 2.1). This was in line with the working-age population, which increased by 22.4 million, resulting in a stable labour force participation rate and employment-to-population ratio. However, sustained population growth in sub-Saharan Africa underscores the urgent need to create productive employment and decent jobs for new labour market entrants. Currently, nearly nine in ten workers in sub-Saharan Africa are in informal employment, and close to six in ten workers belong to households living below the moderate poverty threshold (less than US$4.20 a day in purchasing power parity terms). Informality decreased marginally between 2015 and 2025, in contrast to Northern Africa, which experienced a significant increase in informal employment – owing to relatively low levels of human capital and an expanding population of low-skilled young workers (Cardarelli et al. 2022). The persistence of informality in sub-Saharan Africa is driven by high levels of agricultural employment, the lack of formal job creation in urban areas and widespread working poverty (Danquah, Schotte and Sen 2021).

Prevalence of young people not in employment, education or training in Africa

More than one in five young people in Africa, aged 15 to 24, are classified as NEET. In Africa, the employment-to-population ratio for young people (aged 15 to 24) was estimated at around 43 per cent in 2025 – which means 57 per cent were not employed. Some absence from employment is expected for this age group, as it reflects participation in education and training. However, a significant share of youth are classified as NEET, which was estimated at 22.9 per cent in 2025, a slight increase from 22.0 per cent a decade earlier (see figure 2.1). By subregion, this is highest in Northern Africa, at 30.1 per cent, compared to sub-Saharan Africa, at 21.6 per cent.

Alongside limited productive opportunities for youth, a key challenge is the persistently low levels of participation in education and training. According to figures from the ILO, 21 per cent of youth (aged 15 to 29) in Africa have never attended

▶ **Figure 2.1. Share of youth (aged 15–24) not in employment, education or training, Africa and subregions, 2005–25** (percentage)



Source: ILOSTAT, ILO modelled estimates, November 2025.

school or have completed only pre-primary education, while only 46 per cent have completed primary or lower secondary education as their highest level of educational attainment (Stoevska 2025). Participation in technical and vocational training is also limited. Only 6.5 per cent of youth (aged 15 to 29) in Africa (based on 43 countries with available data) have completed a technical and vocational education and training programme, with evidence pointing to a lack of vocational training opportunities at the secondary level (Stoevska 2025). These figures reflect shortfalls in access to skill-based education (despite longer-term progress in educational attainment in Africa). This remains not only crucial for addressing youth unemployment but also for tackling skills mismatches, enabling young people to secure decent work, progress in their careers and develop the skills needed for long-term labour market success. Work-based learning, which includes apprenticeships and internship programmes, is an effective means of equipping young people with skills that are in demand in the labour market, and can complement formal education systems when access to higher education is limited (Stoevska 2025).

Americas

Slowing economic growth in the Americas has been driven by weaker prospects in both Northern America and Latin America and the Caribbean. For the Americas overall, GDP growth was estimated at 1.9 per cent in 2025, down from 2.6 per cent in 2024. In Northern America, GDP growth in 2025 was estimated at 2.0 per cent, down from 2.8 per cent a year earlier (IMF 2025a). Despite the possibility of trade disruptions weighing on growth prospects into 2026, projections are marginally higher in Northern America, at 2.1 per cent for 2026 (IMF 2025a). The US economy was expected to grow by 2.0 per cent in 2025, relative to a previous growth forecast of 2.2 per cent (IMF 2025a). Around 75 per cent of goods exports from Canada and Mexico currently go to the United States, with growth projections for 2025 of only 1.2 and 1.0 per cent, respectively (IMF 2025a).

With the exception of Argentina, growth in the Americas has lagged behind other regions. In Latin America and the Caribbean, GDP growth was estimated at 1.9 per cent in 2025, down from 2.7 per cent in 2024 (IMF 2025a). This continues a trend of relatively weak economic performance over the past decade, with the region recording the lowest ten-year growth rates among all emerging markets and developing economies (World Bank 2025a). Regional growth in 2025 was aided by a significant economic recovery in Argentina – which is expected to expand by 4.5 per cent in 2025, following two years of recession (IMF 2025a). Policy measures to stabilize the economy in Argentina and to bring inflation under control have shown some success so far (EIU 2025b; OECD 2025a). Other factors limiting regional economic growth have included stalled investment in Chile and Colombia amid political and regulatory uncertainty, weaker consumer demand in Brazil compounded by low productivity, and a weakening agricultural sector in Costa Rica and Peru, driven by low productivity and adverse weather conditions (ECLAC 2025).

US trade barriers and a slowdown in the US economy are likely to have a significant impact on the region as a whole. Looking ahead, the trade barriers and related policy uncertainty are expected to affect growth significantly in the region, particularly Mexico and other countries in Central America (EIU 2025c). Mexico's growth projections for 2025, at 1.0 per cent, represents a drop from 1.4 per cent in 2024 (IMF 2025a). Ongoing trade barriers may further dampen Mexico's economic outlook (World Bank 2025a). Many of the region's major economies, including Brazil and Colombia, continue to battle inflation rates at the top end of central bank target ranges, leaving them limited room to ease monetary policy to stimulate growth (World Bank 2025a). Weaker global growth is also likely to dampen remittances – an important revenue source in Central America and the Caribbean (World Bank 2025a).

Labour market trends in Latin America and the Caribbean

Employment growth in Latin America and the Caribbean is being undermined by persistent informality. Total employment in Latin America and the Caribbean increased by 4.4 million between 2024 and 2025, resulting in a slight uptick in the employment-to-population ratio, from 59.1 to 59.3 per cent over this period (see table 2.2). Not all jobs in the region are decent jobs, however, and 2 million of the increase in employment were in informal employment. Indeed, growth in informal jobs has been particularly persistent in several countries over the last five years (ILO 2025a). This reflects the entrenched challenge of informality, which accounts for more than half of all employment in the region (51.1 per cent in 2025). These workers in informal jobs – particularly unpaid contributing family workers and own-account holders, who account for the largest share of informal employment – often face precarious conditions, including unstable and irregular incomes, limited access to social protection and minimal coverage by labour regulations. The incidence of informal employment remains particularly elevated in countries such as Ecuador, Mexico, Paraguay and Peru (ILO 2025a).

Modest improvements in unemployment rates mask ongoing challenges for youth. Overall unemployment in the region fell slightly to 5.5 per cent in 2025, down from 5.9 per cent in 2024 (see table 2.2). However, youth unemployment remains high at 11.9 per cent, nearly three times the adult rate of 4.3 per cent. Similarly, nearly one in five young people aged 15 to 24 are classified as NEET. The challenge is exacerbated by high informality, low productivity growth and low wages (ILO 2025a). The situation for young women is worse than for young men, with unemployment rates of 14.5 per cent compared to 10.1 per cent – reflecting persistent gender inequalities in the labour market, including disparities in pay, job quality and career advancement (ILO 2025a).

Labour market trends in Northern America

Slowing employment growth and declining job vacancies suggest a cooling of labour markets in Northern America. In Northern America, the employment-to-population ratio continued its decline from 60.3 per cent in 2023 to 59.2 per cent in 2025, reflecting both cyclical moderation and demographic pressures from an ageing population (see table 2.2). This trend is expected to continue in the medium term, reaching 58.6 per cent in 2027. In the United States, employment growth has moderated compared with the strong post-pandemic recovery period, reflecting a maturing labour market operating near full employment. Despite this, in July 2025, job vacancies per person unemployed reached its lowest level since before the COVID-19 pandemic: around 7.2 million vacancies, corresponding to a ratio of 1:1 with the number of unemployed (BLS 2025a; OECD 2025b). As this represents a decrease from around 2:1 in July 2024, it suggests a loosening labour market in the United States, whereby employers face less competition per vacancy. Meanwhile, in Canada, there is also a loosening based on the latest available data from Statistics Canada, whereby the ratio of vacancies to persons unemployed decreased from 0.4 to 0.3 between July 2024 and July 2025.[2] Labour market tightness in both countries is influenced not only by monetary policy and fiscal measures, but also structural changes including ageing populations as well as immigration policies (FRED 2024).

Unemployment rates are expected to increase in the medium term in both Canada and the United States. The unemployment rate in Northern America was estimated at 4.5 per cent in 2025, representing an increase from 4.3 per cent in 2024. A further increase is expected in the medium term, with 4.7 per cent forecast for 2027. This upward trend is observed in both the Canada and the United States: in Canada, the rate was estimated at 6.9 per cent in 2025, up from 6.4 per cent in 2024 and 5.4 per cent in 2023; while in the United States, the unemployment rate was estimated at 4.2 per cent in 2025, up from 4.0 per cent in 2024 and 3.6 per cent in 2023. By 2027, the unemployment rate in Canada is expected to increase to 7.3 per cent and to 4.4 per cent in the United States. In Canada, rising unemployment rates are driven more by labour force growth than job losses (Bounajm and Devakos 2025). In the United States, however, unemployment increases in August 2025 were linked to job losses in the Federal Government, as well as in sectors such as mining, quarrying and oil and gas extraction (BLS 2025b).

2 Statistics Canada, "Labour Statistics".

Table 2.2. Estimates and projections for employment, unemployment, the labour force, informal employment and working poverty, Americas and subregions, 2015–27 (percentage and million)

	2015	2020	2024	2025	2026	2027
Employment-to-population ratio (percentage)						
Americas	59.2	54.7	59.3	59.3	59.2	59.1
Latin America and the Caribbean	59.2	53.4	59.1	59.3	59.4	59.3
Northern America	59.2	56.7	59.6	59.2	58.8	58.6
Employment (million)						
Americas	445.9	437.3	493.2	498.1	502.0	506.0
Latin America and the Caribbean	272.0	261.9	303.0	307.4	311.1	314.4
Northern America	173.9	175.4	190.3	190.7	190.9	191.6
Unemployment rate (percentage)						
Americas	6.2	9.4	5.3	5.1	5.0	5.0
Latin America and the Caribbean	6.7	10.2	5.9	5.5	5.2	5.1
Northern America	5.5	8.2	4.3	4.5	4.8	4.7
Unemployment (million)						
Americas	29.5	45.5	27.4	26.7	26.7	26.4
Latin America and the Caribbean	19.5	29.8	18.9	17.7	17.1	16.9
Northern America	10.0	15.7	8.5	9.0	9.5	9.5
Labour force participation rate (percentage)						
Americas	63.1	60.4	62.6	62.4	62.3	62.1
Latin America and the Caribbean	63.4	59.5	62.8	62.7	62.6	62.5
Northern America	62.6	61.8	62.3	62.0	61.8	61.5
Labour force (million)						
Americas	475.4	482.8	520.6	524.8	528.7	532.4
Latin America and the Caribbean	291.4	291.7	321.9	325.1	328.3	331.3
Northern America	183.9	191.1	198.8	199.7	200.4	201.1
Informal employment rate (percentage)						
Americas	34.6	34.1	34.5	34.5	34.5	n/a
Latin America and the Caribbean	51.4	51.5	51.2	51.1	51.0	n/a
Northern America	8.4	8.1	8.0	7.8	7.7	n/a
Working poverty rate (US$4.20/day) (percentage)						
Americas	4.9	6.1	4.4	4.4	n/a	n/a
Latin America and the Caribbean	8.1	10.3	7.2	7.2	n/a	n/a
Northern America	0.0	0.0	0.0	0.0	n/a	n/a

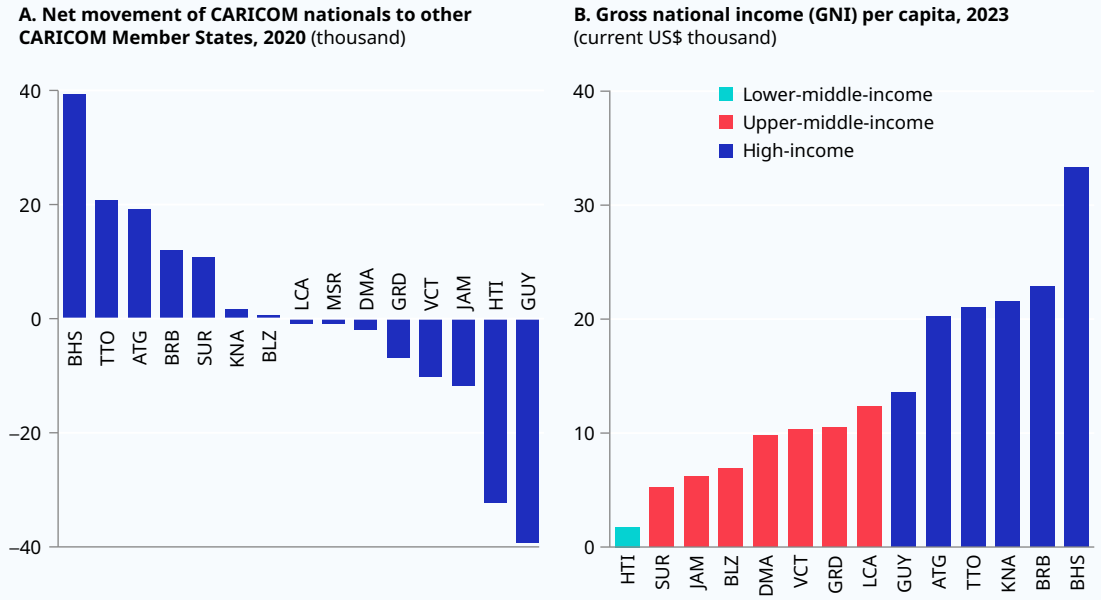
Key: n/a = data not available.
Source: ILOSTAT, ILO modelled estimates, November 2025.

Regional labour migration policy to help address skills gaps in the Caribbean Community region

The movement of persons within the Caribbean Community (CARICOM) is a fundamental feature of labour markets in the region. Intraregional migration is driven particularly by the movement of workers from lower-income to higher-income CARICOM Member States in search of better opportunities, including employment (see figure 2.2). Although the recent discovery of oil in Guyana has improved its economic outlook and its income group classification, a significant change in the numbers of nationals leaving for other CARICOM Member States is still to appear in the data. Net-receiving Member States include the Bahamas and Trinidad and Tobago. Economic differences in the region are stark and reflect different labour market challenges, opportunities and needs within the region.[3]

Sector-specific labour shortages point to the need for improved regional labour migration governance. First, with regard to the outward movement of skilled labour, many higher educated and higher skilled workers migrate from the CARICOM region, creating skill gaps and shortages of qualified personnel in certain sectors. Second, a recent analysis of the CARICOM labour market found that certain occupations in the health and education sector, including nursing and teaching, were experiencing critically low levels of labour supply, driven in part by labour demand in more developed economies, including members of the Organisation for Economic Co-operation and Development, which offer higher earnings (CARICOM and ILO, forthcoming). Shortages were also observed in agriculture. The study further

▶ **Figure 2.2. Net movement within CARICOM and GNI per capita by CARICOM Member State**



Key: ATG = Antigua and Barbuda; BHS = Bahamas; BLZ = Belize; BRB = Barbados; DMA = Dominica; GRD = Grenada; GUY = Guyana; HTI = Haiti; JAM = Jamaica; KNA = Saint Kitts and Nevis; LCA = Saint Lucia; MSR = Monserrat; SUR = Suriname; TTO = Trinidad and Tobago; VCT = Saint Vincent and the Grenadines.

Note: In Panel B, GNI is calculated using the Atlas method (current US dollars).

Source: Panel A: UNDESA (2020); Panel B: World Bank, "World Development Indicators" and "World Bank Country and Lending Groups".

3 Notably, Haiti accounts for more than half the total population in the CARICOM region and has not completed the internal processes to fully implement the CARICOM Single Market and Economy (CSME) (while it does allow for free movement of CARICOM nationals into Haiti without restrictions), while the Bahamas does not participate in the CSME.

noted that despite existing legislation and mechanisms to facilitate labour migration within the region, such as skills certificates for specific occupations and education levels, some CARICOM Member States sourced migrant workers from outside the region, via a work permit system rather than using the channels available within the region (CARICOM and ILO, forthcoming). This highlights shortcomings in the governance of labour migration in the CARICOM region and points to the need for enhanced labour migration governance.

A CARICOM labour migration framework can help manage labour migration flows in the region and address labour market shortages and skill gaps across the region. CARICOM plans to develop a regional labour migration policy as part of the CARICOM migration policy framework, which was mandated by the Conference of Heads of Government in 2019. This is expected to strengthen labour migration governance, skills matching and standard-setting for the protection of migrant workers, including CARICOM nationals exercising their right to free movement (CARICOM and ILO, forthcoming). The need for such a regional policy is compounded by the limited number of national labour migration policies in the region, combined with high rates of informal employment.

Arab States

GDP growth for the Arab States is largely driven by the Cooperation Council for the Arab States of the Gulf (GCC) economies. GDP growth in the Arab States was estimated at 3.2 per cent in 2025, up from 1.4 per cent in 2024 (IMF 2025a). Most of this was driven by GDP growth in the GCC[4] economies, where it was estimated at 3.9 per cent in 2025, up from 2.1 per cent a year earlier (IMF 2025a). Growth is driven almost equally by growth in hydrocarbon and non-hydrocarbon sectors (Chattha et al. 2025). The gradual ramp up of permitted production by members of the Organization of the Petroleum Exporting Countries Plus throughout 2025 is expected to more than offset the effects of lower global oil prices and weaker global demand (World Bank 2025a). The GCC economies have also increased borrowing from international bond markets to diversify funding sources, strengthening foreign reserves and enabling new capital investments (IMF 2025d). Saudi Arabia continues to expand domestic investment through its sovereign wealth fund, while Bahrain, Kuwait and the United Arab Emirates have expanded non-oil activities in sectors such as manufacturing and construction (World Bank 2025a). Growth for the GCC economies as a whole is expected to increase to 4.3 per cent in 2026 (IMF 2025a).

Elsewhere in the region, non-GCC economies continue to be affected by ongoing conflicts. GDP growth for these economies was low, at around 0.7 per cent in 2025. However, this marks an improvement from –1.3 per cent in 2024 (IMF 2025a). Conflicts have significantly weakened economic performance in the region, particularly in oil-importing countries. Between 2022 and 2024, output contracted by an estimated 30 per cent in the West Bank and the Gaza Strip, 8 per cent in Lebanon and 3 per cent in Yemen (IMF 2025d). While these conflicts weaken business confidence in non-GCC economies, GDP growth is projected to recover in 2026 to 2.7 per cent (IMF 2025a).

Labour market trends in the Arab States

Stable but low overall labour force participation rates in the region reflect significant disparities between men and women. The labour force participation rate for the Arab States was estimated at 49.5 per cent in 2025 and remained virtually unchanged from 49.3 per cent in 2015 (see table 2.3). The participation rate in the GCC economies was estimated at 70.1 per cent in 2025, compared to 38.3 per cent in non-GCC economies. In the GCC economies, the participation rate for women was estimated at 39.5 per cent in 2025, less than half the rate for men, at 86.7 per cent, although long-term improvements in women's participation continue to narrow the gap. In

4 Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

non-GCC economies, the difference was even more pronounced, at 66.1 per cent for men in 2025 – six times higher than for women, at 10.8 per cent. These gender differences are evident across the labour market indicators, with women far more likely to be unemployed or NEET than their male counterparts, limiting the region's overall productivity potential and highlighting the economic gains that could be achieved by closing gender gaps (ILO 2024; UNESCWA and UNWOMEN 2024).

Different factors and challenges impact labour markets in the GCC and non-GCC economies. In non-GCC economies in 2025, fewer than one in three workers were in formal employment, and more than one in four lived in households below the moderate poverty level (US$4.20 a day) (see table 2.3). In contrast, only one in four workers were in informal employment in the GCC economies, and working poverty was virtually negligible.[5] Non-GCC economies are particularly vulnerable to conflict, political instability and weak institutional capacity, which have long-lasting implications for labour markets and compound persistent structural labour market challenges (ILO 2024). Meanwhile, in the GCC economies, there are ongoing efforts to reduce reliance on migrant workers and increase participation among the national workforce. In Bahrain, for example, the Bahrainization programme, managed by the Labour Market Regulatory Authority, enforces employment quotas of nationals to boost the share of Bahrainis in the national labour market.[6] Similar systems are used across the GCC economies, where employment of migrant workers, particularly in construction and services, can account for as much as 94 per cent of total employment.[7]

Dual-speed digital transition in the Arab States could widen inequalities

The GCC and non-GCC economies are characterized by distinct differences in digital readiness and AI preparedness, resulting in a dual-speed transition in the Arab States region. In the GCC economies, digitalization and AI are central to national development strategies and are accompanied by major investment, infrastructure and institutional frameworks. Qatar, Saudi Arabia and the United Arab Emirates, for instance, are advancing AI strategies with large-scale funding, specialized institutions, and initiatives spanning fintech, smart cities, green technologies and e-government (ILO 2025b). In contrast, non-GCC economies are characterized by lower broadband coverage, weaker digital infrastructure and lower incidence of digital finance, reflecting underinvestment, regulatory gaps and structural challenges. These differences have important implications for the employment effects of digitalization and AI in the Arab States. Benefits are likely to be concentrated in the GCC economies – through growth in digital jobs and improved working conditions – while non-GCC economies may struggle to capture the full gains from digitalization and AI.

Women in the Arab States are more likely to benefit from the augmentation potential of generative AI, yet they are also more exposed to automation and the possibility of job replacement. The impacts of generative AI on employment can be divided into two main categories: (i) augmentation potential, which refers to the ability to enhance employment and raise productivity through task complementarity; and (ii) automation potential, which reflects replacement impacts, whereby jobs can be substituted by automated processes facilitated by generative AI (ILO 2025b). The estimated impacts for the Arab States as a whole are presented in figure 2.3. Overall, augmentation potential (14.6 per cent of employment) substantially exceeds automation potential (2.2 per cent of employment), suggesting that generative AI is likely to have a net positive impact on employment and productivity in the region. However, the benefits and risks are unevenly distributed across population groups. Differences between youth and adults are marginal, but sex differences are more pronounced. Notably, women have the highest augmentation potential, at 22.7 per cent, compared to men, at 13.0 per cent. While this is encouraging in a region where women face structural labour market barriers, it also shows a vulnerability. Women are significantly more exposed to automation from generative AI, affecting 5.3 per cent of female

5 Absolute poverty lines have limited relevance in high-income countries, as someone earning just above such thresholds may still be very poor in relative terms and, in all likelihood, face difficulty in sustaining an adequate standard of living.

6 Labour Market Regulatory Authority, "Bahrainization Calculator".

7 For example, in Qatar (see National Planning Council, "Population based on Qatar Monthly Statistics").

Table 2.3. Estimates and projections for employment, unemployment, the labour force, informal employment and working poverty, Arab States and subregions, 2015–27 (percentage and million)

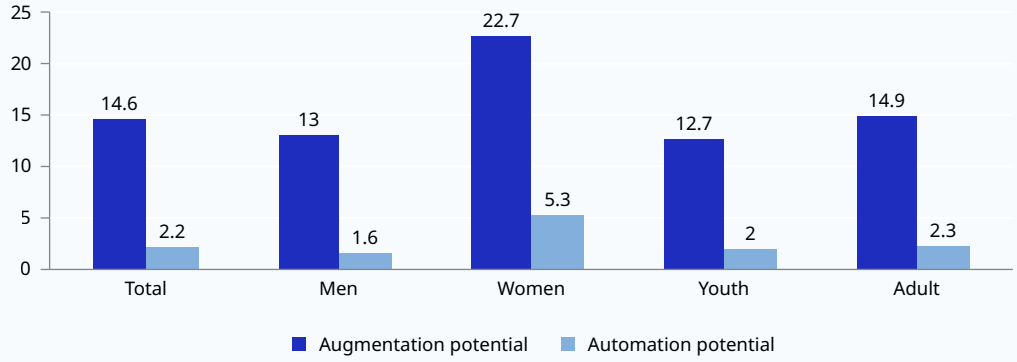
	2015	2020	2024	2025	2026	2027
Employment-to-population ratio (percentage)						
Arab States	45.0	43.0	44.9	44.8	44.7	44.6
GCC	64.2	64.3	68.2	68.3	68.3	68.2
Non-GCC	33.6	31.3	32.1	32.1	32.0	32.0
Employment (million)						
Arab States	47.2	50.2	59.8	61.5	63.0	64.5
GCC	25.1	26.6	32.1	32.9	33.6	34.2
Non-GCC	22.1	23.6	27.7	28.5	29.3	30.2
Unemployment rate (percentage)						
Arab States	8.7	11.2	9.5	9.5	9.5	9.5
GCC	3.8	5.5	2.8	2.5	2.5	2.5
Non-GCC	13.7	16.8	16.3	16.3	16.4	16.3
Unemployment (million)						
Arab States	4.5	6.3	6.3	6.4	6.6	6.8
GCC	1.0	1.5	0.9	0.9	0.9	0.9
Non-GCC	3.5	4.8	5.4	5.6	5.7	5.9
Labour force participation rate (percentage)						
Arab States	49.3	48.4	49.6	49.5	49.4	49.3
GCC	66.7	68.0	70.2	70.1	70.0	70.0
Non-GCC	38.9	37.7	38.4	38.3	38.3	38.3
Labour force (million)						
Arab States	51.7	56.5	66.1	67.9	69.6	71.2
GCC	26.1	28.1	33.0	33.8	34.5	35.1
Non-GCC	25.6	28.4	33.1	34.1	35.1	36.1
Informal employment rate (percentage)						
Arab States	43.2	45.7	46.4	46.2	46.1	n/a
GCC	21.7	24.4	25.3	25.2	25.0	n/a
Non-GCC	67.6	69.7	70.7	70.6	70.3	n/a
Working poverty rate (US$4.20/day) (percentage)						
Arab States	8.7	11.4	13.0	13.4	n/a	n/a
GCC	n/a	n/a	n/a	n/a	n/a	n/a
Non-GCC	18.5	24.0	27.8	28.6	n/a	n/a

Key: GCC = Cooperation Council for the Arab States of the Gulf; n/a = data not available.

Source: ILOSTAT, ILO modelled estimates, November 2025.

employment compared to only 1.6 per cent for men. The higher exposure of women to automation is consistent with patterns observed in high- and middle-income countries, where women similarly face greater risks than men (Gmyrek et al. 2025).

Figure 2.3. Share of employment in Arab States with augmentation and automation potential from generative AI (percentage)



Note: These estimates are derived by application of a methodology developed by the ILO (Gmyrek, Berg and Bescond 2023) and applied to the ILO's database of harmonized microdata to calculate a regional estimate that is representative of the 12 Arab States.

Source: Adapted from (ILO 2025b).

▶ Asia and the Pacific

GDP growth in Asia and the Pacific has slowed slightly despite buoyant growth performances in many major economies. GDP growth for the region was estimated at 4.4 per cent in 2025, down from 4.5 per cent in 2024 (IMF 2025a). For a region as vast as Asia and the Pacific, there is considerable heterogeneity by subregion. In Eastern Asia, GDP growth estimated at 4.0 per cent in 2025 represented a modest decrease from 4.1 per cent in 2024 (IMF 2025a). In China, growth has been supported by a temporary uptick in industrial activity, as importing and exporting firms rushed shipments out of China before tariff hikes were implemented (ADB 2025). Falling household and investor confidence, along with widespread financial weakness among property developers, is a cause for concern in China, which is likely to continue fiscal stimulus measures to counter these underlying challenges and the emerging fallout from US tariffs (ADB 2025; EIU 2025c). With a growth forecast of 3.5 per cent for Eastern Asia in 2026, there is still considerable potential to use technology and innovation improvements in Eastern Asia to increase GDP and per capita GDP growth rates in the longer term – particularly in the context of ageing populations (Lee and Song 2025). Meanwhile, India is expected to exhibit among the highest growth in the region, keeping the GDP growth rate in Southern Asia elevated. Weaker global demand and business sentiment in South-Eastern Asia may keep growth at around 4.2 per cent in 2026, compared to 4.8 per cent in 2024 (EIU 2025d; IMF 2025a).

Labour market trends in Asia and the Pacific

Despite stable headline employment and unemployment indicators, there is considerable heterogeneity between and within regions, especially in unemployment. The unemployment rate in Asia and the Pacific was estimated at 4.1 per cent in 2025, compared to 5.1 per cent a decade earlier, reflecting structural transformation and job creation (see table 2.4). Within the region, the unemployment rate varies from 4.6 per cent in Southern Asia and 4.3 per cent in Eastern Asia, to 2.4 per cent in South-Eastern Asia. In Eastern Asia, China is experiencing significant youth unemployment challenges. Estimates for urban youth unemployment (defined here as those aged 16 to 24) was at around 17.8 per cent in July 2025, 0.7 percentage points higher than a year earlier, according to official statistics.[8] However, in the August 2025 estimates, this had risen to closer to 19 per cent

8 World Bank (2025b); Trading Economics, "China Youth Unemployment Rate", accessed 19 November 2025.

Table 2.4. Estimates and projections for employment, unemployment, the labour force, informal employment and working poverty, Asia and the Pacific and subregions, 2015–27 (percentage and million)

	2015	2020	2024	2025	2026	2027
Employment-to-population ratio (percentage)						
Asia and the Pacific	58.4	56.2	58.1	57.9	57.8	57.6
Eastern Asia	65.2	62.3	62.1	61.8	61.5	61.1
Pacific	59.2	59.2	61.5	61.3	61.1	60.9
South-Eastern Asia	65.9	64.1	65.2	65.1	65.0	65.0
Southern Asia	48.7	47.5	51.8	51.8	51.8	51.8
Employment (million)						
Asia and the Pacific	1 840.7	1 877.6	2 019.7	2 035.0	2 051.0	2 066.0
Eastern Asia	876.9	858.1	869.1	868.4	868.0	866.6
Pacific	18.1	19.9	21.8	22.0	22.3	22.5
South-Eastern Asia	310.4	323.0	344.9	348.7	352.8	356.7
Southern Asia	635.3	676.7	784.0	795.9	808.0	820.2
Unemployment rate (percentage)						
Asia and the Pacific	5.1	5.5	4.1	4.1	4.1	4.1
Eastern Asia	4.5	4.8	4.3	4.3	4.4	4.4
Pacific	5.4	5.5	3.9	4.0	4.0	4.0
South-Eastern Asia	2.9	3.0	2.5	2.4	2.3	2.3
Southern Asia	7.1	7.6	4.6	4.6	4.6	4.6
Unemployment (million)						
Asia and the Pacific	99.8	109.5	86.5	87.5	88.1	88.7
Eastern Asia	41.2	42.9	39.4	39.4	39.5	39.5
Pacific	1.0	1.2	0.9	0.9	0.9	0.9
South-Eastern Asia	9.2	9.9	8.7	8.7	8.5	8.4
Southern Asia	48.3	55.5	37.6	38.5	39.2	39.9
Labour force participation rate (percentage)						
Asia and the Pacific	61.6	59.5	60.6	60.4	60.2	60.1
Eastern Asia	68.2	65.4	64.9	64.6	64.3	63.9
Pacific	62.6	62.7	64.0	63.8	63.7	63.5
South-Eastern Asia	67.8	66.1	66.8	66.7	66.6	66.5
Southern Asia	52.4	51.4	54.3	54.3	54.3	54.3
Labour force (million)						
Asia and the Pacific	1 940.5	1 987.2	2 106.2	2 122.5	2 139.2	2 154.8
Eastern Asia	918.1	901.0	908.4	907.9	907.5	906.2
Pacific	19.2	21.0	22.7	22.9	23.2	23.4
South-Eastern Asia	319.6	332.9	353.6	357.4	361.2	365.1
Southern Asia	683.6	732.2	821.6	834.3	847.2	860.1

Key: n/a = data not available.

Source: ILOSTAT, ILO modelled estimates, November 2025.

▶ **Table 2.4.** *(continued)*

	2015	2020	2024	2025	2026	2027
Informal employment rate (percentage)						
Asia and the Pacific	66.1	65.1	65.9	65.6	65.4	n/a
Eastern Asia	50.0	47.1	47.6	47.3	47.0	n/a
Pacific	18.8	18.3	18.0	18.2	18.3	n/a
South-Eastern Asia	74.2	69.6	70.4	70.1	69.7	n/a
Southern Asia	85.8	87.2	85.5	85.0	84.5	n/a
Working poverty rate (US$4.20/day) (percentage)						
Asia and the Pacific	23.8	15.3	10.7	9.8	n/a	n/a
Eastern Asia	11.5	2.7	1.2	1.2	n/a	n/a
Pacific	9.8	10.8	10.6	10.6	n/a	n/a
South-Eastern Asia	24.0	16.0	12.6	11.8	n/a	n/a
Southern Asia	41.3	30.9	20.3	18.4	n/a	n/a

Key: n/a = data not available.

Source: ILOSTAT, ILO modelled estimates, November 2025.

(Bram 2025). The employment outlook for young people in China is particularly uncertain with the potential of further trade disruption between China and the United States.

Employment growth faces multiple headwinds and is slowing. Despite an increase in employment of around 15.3 million people between 2024 and 2025, the employment-to-population ratio in Asia and the Pacific was estimated at 57.9 per cent in 2025 (see table 2.4). It is expected to decrease through to 2027, partly because of population ageing. Eastern Asia, the largest subregion, comprises some of the fastest ageing countries in the world, putting significant downward pressure on employment-to-population ratios. Moreover, the current rise in trade uncertainty is weighing on employment growth across different sectors, especially manufacturing, which is highly prevalent in this region (see Chapter 3). Around 2.9 per cent of all employment in Asia and the Pacific is estimated to be directly or indirectly linked to final demand through supply chains or trade affected by the current slowdown in trade (see Chapter 3, box 3.2). Much of this impact is in manufacturing employment, with 15 million manufacturing jobs exposed to US demand in Eastern Asia, especially in electrical and optical equipment, and 6.4 million and 6.3 million manufacturing jobs exposed in South-Eastern Asia and Southern Asia, respectively, especially in textiles and textile products (ILO 2025c).

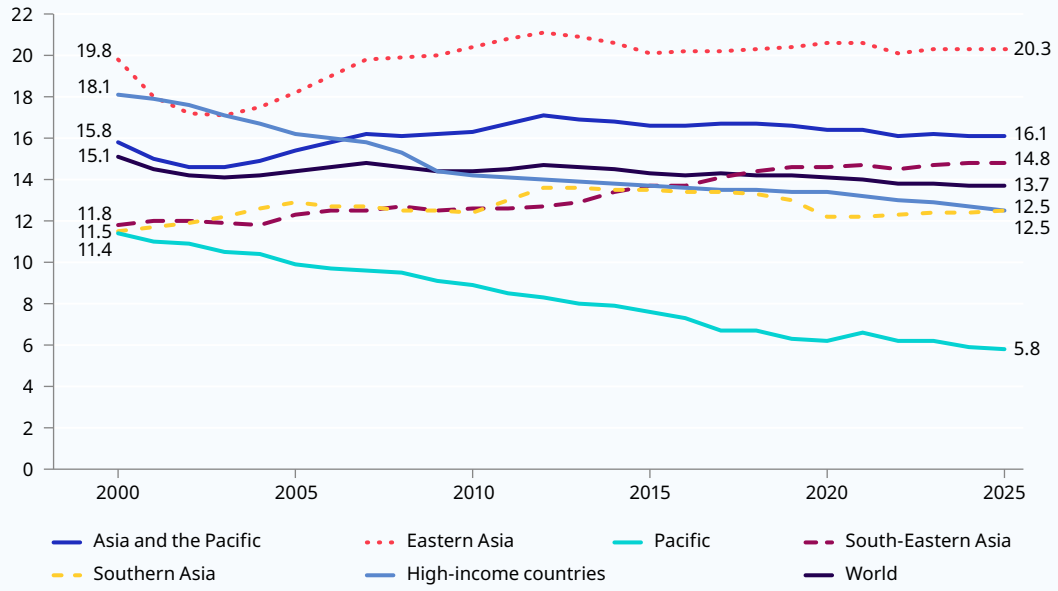
Given the persistence of informality, technological advancements and artificial intelligence may improve the employment prospects for informal workers. Around 1.3 billion employed persons in Asia and the Pacific were in informal employment in 2025 (65.4 per cent of employment), and around 200.1 million employed persons lived in households on less than the moderate poverty threshold (US$4.20 a day; 10.0 per cent of employment). There is growing evidence that AI and digitalization are facilitating the formalizing of aspects of informal employment (ILO 2025d). This includes AI-based financial services such as credit assessments, digital payments and banking platforms (Chacaltana, Leung and Lee 2018; Mpedi and Marwala 2025; UNESCAP 2023). These services can bolster economic activity for those in the informal sector, provided that the platforms are developed to be accessible and equitable (ILO 2025d; Kuewor 2025). Despite this, the impact of AI on labour markets is far from clear-cut, and the risks – including digital exclusion, job displacement and inequitable access to AI-driven services – highlight the myriad potential impacts on both formal and informal workers. At the same time, the complex nature of informality points to the need for a comprehensive and integrated approach to

reduce informality that would fully consider the impacts of AI (ILO 2025d, 2025e).

Employment in manufacturing across Asia and the Pacific continues to rise as a share of total employment. Employment in manufacturing is declining globally as a share of total employment, in part due to automation and other productivity enhancing developments. However, this decline is driven mostly by high-income countries. Subregions in Asia and the Pacific are instead exhibiting increases in the share in manufacturing employment (see figure 2.4). In Asia and the Pacific, around 330 million people were employed in manufacturing in 2025, accounting for 16.1 per cent of total employment. In Eastern Asia, more than 20 per cent of total employment was estimated to be in manufacturing in 2025 – much of which was in China – which is considerably higher than the global average of 13.7 per cent. In 2024, China accounted for around 27 per cent of the world's manufacturing in current US dollar terms – higher than the United States (17 per cent), Germany (5 per cent) and India (3 per cent) combined.

Employment in the manufacturing sector does not necessarily provide decent work. In China, there is evidence that manufacturing is increasingly a source of temporary work for young people, offering neither formal contracts nor access to basic social security benefits. Often, these workers are employed through intermediary agencies or work as day labourers who lack formal or service contracts (Zhang 2025). A field research study in the Guandong and Jiangsu Provinces, in China, showed that between 2022 and 2024, employment through temporary employment agencies made up an average of one third of the workforce, increasing to two thirds during peak seasons (Zhang 2025). In large manufacturing establishments with over 10,000 workers, as many as 80 per cent of workers can be employed through temporary work agencies. The average age of labour market entrants in manufacturing through these channels is estimated to be around 27 years and predominantly from rural areas (Zhang, Li and Li, forthcoming). This temporary manufacturing work is mostly low-skilled, but estimates suggest that most have high-school degrees and many are college graduates, implying overqualification of these workers (Zhang, Li and Li, forthcoming). The lack of access to social security is problematic given the cyclical nature of manufacturing demand, which often results in periods of unemployment for these young people and underscores the challenges they face in securing long-term integration into the labour market.

Figure 2.4. Manufacturing as a share of total employment, selected regions, 2000–25
(percentage)



Source: ILOSTAT, ILO modelled estimates, November 2025.

The dual challenge of climate risk and greenhouse gas emissions in Asia and the Pacific and the implications for green job growth

Asia and the Pacific is one of the most exposed regions to the effects of climate change, while also being a major emitter of greenhouse gases. Some estimates suggest that as much as 30 per cent of the region's wealth is derived from natural capital (that is, the stock of natural assets such as forests, rivers and biodiversity). As a result, the depletion of this capital through climate change and human activity could have significant implications for the region's GDP (ADB 2022). In the region covering members of the Association of Southeast Asian Nations, for example, recurrent flooding has disrupted agricultural output and damaged infrastructure, and rising sea levels have increased soil salinity and reduced crop yields (ASEAN 2021). These developments have significant implications for labour markets, contributing to job displacement and migration within and across borders (ILO 2025f). Yet, the region is also a major contributor to climate change. In 2023, Asia and the Pacific was estimated to have generated around 60 per cent of the world's greenhouse gas emissions, reflecting a reliance on fossil-fuelled industrialization (UNESCAP and UNEP 2024). This is also reflected in the high material footprint of the region.[9] Together, these factors present a dual challenge of climate risk and the need to diversify away from fossil-fuel reliance, which can be addressed through efforts to advance a green transition in the region.

As a green transition advances in the region, green jobs are appearing more prominently in national development strategies and plans. Large-scale renewable energy strategies have been developed in China, India and Indonesia, alongside long-term low-carbon strategies that make only fleeting references to employment and jobs (China, 2020; India, MEFCC 2022; Indonesia, MEF 2021). More recently, however, strategies have begun to explicitly address green jobs. For instance, the Philippines launched its National Green Jobs Human Resource Development Plan 2020–2030 in 2025, which sets out the national strategic framework to guide the development of a sustainable workforce (Philippines, DOLE 2024); and in Thailand, different policies and plans seek to increase green jobs and green skills such as by supporting the environmental goods and services sectors and investing in research and development (PAGE 2023).

Jobs in the renewable energy sector have been on the rise, but they represent only part of the broader green jobs landscape. Indeed, China alone accounted for 7.4 million jobs in renewable energy in 2024 – equivalent to 46 per cent of the global total – and India, Japan and the Republic of Korea are each also making significant headway in increasing the number of renewable energy jobs (IRENA and ILO 2024). However, green jobs extend beyond the renewable energy sector and encompasses jobs in other areas, including those relating to restoring and preserving the environment – including minimizing waste and pollution, protecting and restoring ecosystems, and mitigating the impacts of climate change (ILO 2023). Strategies and initiatives in this regard that generate green jobs include the development and use of climate-smart agriculture in the Lao People's Democratic Republic, greener waste management in the Philippines and the circular economy vision in Japan.[10] An analysis of LinkedIn job postings also found that hiring for green jobs in Asia and the Pacific grew by 30 per cent between 2016 and 2021 (Chua 2022). More recent analysis of LinkedIn data (between 2023 and 2024) suggests that the demand for green talent is far outstripping the supply in countries in the Asia and the Pacific with available data, including Australia, India, Malaysia, the Philippines, Singapore, Thailand and Viet Nam (LinkedIn 2024).

9 UNDESA, "Ensure Sustainable Consumption and Production Patterns".

10 See: SNV, "Climate Smart Agriculture: Lao PDR"; Philippines, "Public–Private Partnerships for a Transition to a Circular Economy through an Improved Solid Waste Management System", 20 March 2025; Japan, Ministry of Economy, Trade and Industry, "Circular Economy Vision 2020".

Europe and Central Asia

GDP growth in Eastern Europe and Central and Western Asia remains mixed, with geopolitical factors continuing to have spillover effects. GDP growth in Eastern Europe was estimated to decrease from 3.4 per cent in 2024 to 1.3 per cent in 2025 – attributable in large part to the slowdown in the Russian Federation (IMF 2025a). Long-standing economic ties between the Russian Federation and many of the countries in Central and Western Asia have increased exposure for these countries. Despite this, for Central and Western Asia, GDP growth of 4.1 per cent in 2025 improved from 3.8 per cent a year earlier and is expected to remain at around 4.0 per cent into 2026. However, economic downturn in the Russian Federation could negatively impact remittance inflows, domestic demand and fiscal balances in Central Asia in particular (Barisitz 2025). Meanwhile, countries such as Georgia, Kyrgyzstan, Tajikistan and Uzbekistan have seen strong private consumption in light of healthy real wage growth and remittances (IMF 2025d). Investment in infrastructure, energy and mining has also contributed to growth in Central and Western Asia, such as in Kazakhstan (ADB 2025). Further spillovers from global tensions could weaken growth in the region by disrupting inward investment and supply chains, reducing demand for exports and by tightening capital markets (EIU 2025c; IMF 2025d).

Northern, Southern and Western Europe is expecting to see stable yet modest growth, despite recent trade uncertainties. GDP growth was estimated at 1.2 per cent in 2025, marginally higher than 1.1 per cent a year earlier (IMF 2025a). The slight uptick in 2026 to 1.3 per cent reflects a continued positive trajectory for the short term (IMF 2025a). Strong wage growth and increased investment from EU funding is expected to support strong growth in Central Europe's largest economy, Poland, bringing a subregional growth of 2.4 per cent for 2025 (World Bank 2025a).[11] Looking beyond 2026, real wage growth and employment are expected to be strong in Europe, and boosts in government spending on infrastructure and defence should work to strengthen demand within the euro area and set favourable conditions for growth (ECB 2025). Relatively slow growth is estimated for the euro area, at 1.2 per cent in 2025 and 1.0 per cent in 2026 (ECB 2025). This relatively weak growth projection may also adversely affect non-euro-area exporters in Eastern Europe and the Balkans (World Bank 2025a).[12]

Labour market trends in Europe and Central Asia

In Northern, Southern and Western Europe, headline labour market indicators of employment and unemployment appear relatively stable, but beneath the surface, there are signs of both labour shortages and surpluses. The employment-to-population ratio was estimated at 54.6 per cent in 2025; the unemployment rate stood at 6.2 per cent (relatively unchanged from 2024); and labour force participation decreased only marginally year on year, reaching 58.1 per cent in 2025 (see table 2.5). However, other measures suggest that Europe is experiencing labour shortages in different occupations. For instance, in the European Union, 98 per cent of occupations examined were found to be in shortage in at least one country (ELA 2025). Occupations with the greatest shortages included welders, nursing professionals, cooks and electricians. At the same time, there are also significant surpluses across the subregion in different occupations, which may partly reflect job replacement by technology (ELA 2025). The shortages and surpluses represent both changing labour demand and skill mismatches across the subregion, driven by structural factors such as ageing populations, as well as the green and digital transitions, which are affecting the skills composition of labour demand.

In both Eastern Europe and Central and Western Asia, decent work deficits persist. In these regions, informality remains prevalent (albeit relatively low compared to other regions), but there has been ongoing progress. In Eastern Europe,

11 "Central Europe" in the context of the cited World Bank report refers to Bulgaria, Hungary, Poland and Romania.

12 "Eastern Europe and the Balkans" in the context of the cited World Bank report refer to Albania, Bosnia and Herzegovina, Kosovo (as defined in UN Security Council resolution 1244 of 1999), Montenegro, North Macedonia and Serbia (Western Balkans), and Belarus, Republic of Moldova and Ukraine (Eastern Europe).

▶ Table 2.5. Estimates and projections for employment, unemployment, the labour force and informal employment, Europe and Central Asia and subregions, 2015–27 (percentage and million)

	2015	2020	2024	2025	2026	2027
Employment-to-population ratio (percentage)						
Europe and Central Asia	53.1	53.3	55.3	54.9	54.6	54.4
Central and Western Asia	51.1	49.0	53.0	52.8	52.7	52.6
Eastern Europe	55.8	55.8	57.3	56.9	56.4	56.1
Northern, Southern and Western Europe	52.0	53.3	54.8	54.6	54.3	54.0
Employment (million)						
Europe and Central Asia	401.4	410.6	429.7	428.7	427.9	427.4
Central and Western Asia	66.3	68.6	77.6	78.2	79.1	79.9
Eastern Europe	138.1	136.6	137.1	136.1	135.2	134.4
Northern, Southern and Western Europe	197.0	205.4	215.0	214.3	213.6	213.0
Unemployment rate (percentage)						
Europe and Central Asia	8.5	7.1	5.5	5.5	5.5	5.5
Central and Western Asia	8.0	9.2	6.8	6.7	6.8	6.9
Eastern Europe	6.6	5.6	3.7	3.7	3.7	3.6
Northern, Southern and Western Europe	10.0	7.3	6.1	6.2	6.2	6.1
Unemployment (million)						
Europe and Central Asia	37.4	31.3	25.0	24.9	24.9	24.7
Central and Western Asia	5.8	7.0	5.7	5.6	5.8	5.9
Eastern Europe	9.8	8.1	5.3	5.2	5.2	5.0
Northern, Southern and Western Europe	21.9	16.2	14.0	14.1	14.0	13.8
Labour force participation rate (percentage)						
Europe and Central Asia	58.1	57.4	58.5	58.1	57.8	57.5
Central and Western Asia	55.6	54.0	56.8	56.6	56.5	56.5
Eastern Europe	59.7	59.1	59.5	59.1	58.6	58.2
Northern, Southern and Western Europe	57.8	57.5	58.4	58.1	57.8	57.5
Labour force (million)						
Europe and Central Asia	438.8	441.8	454.6	453.6	452.8	452.1
Central and Western Asia	72.1	75.6	83.3	83.9	84.9	85.8
Eastern Europe	147.9	144.6	142.3	141.3	140.3	139.4
Northern, Southern and Western Europe	218.8	221.6	229.0	228.4	227.6	226.8
Informal employment rate (percentage)						
Europe and Central Asia	14.3	12.9	12.0	11.9	11.8	n/a
Central and Western Asia	37.5	33.8	31.6	31.5	31.2	n/a
Eastern Europe	16.5	15.1	13.9	13.8	13.6	n/a
Northern, Southern and Western Europe	4.8	4.4	3.7	3.6	3.5	n/a

Key: n/a = data not available.

Source: ILOSTAT, ILO modelled estimates, November 2025.

13.8 per cent of the employed population were estimated to be in informal employment in 2025 and 31.5 per cent in Central and Western Asia. Progress in reducing informality has been substantial in Central and Western Asia – where the majority of informal workers are in agriculture (ILO 2025g) – with the informal employment rate decreasing from 37.5 per cent in 2015. This has been driven by factors including structural transformation and urbanization, and the creation of more jobs outside of agriculture (UNDP 2024). In addition, in Central and Western Asia, the share of the youth population (aged 15 to 24) classified as NEET was estimated at 19.0 per cent in 2025. The rate was considerably higher for young women, at 24.9 per cent, compared with 13.3 per cent for young men.

Ageing populations in Europe and Central Asia

Europe and Central Asia are expected to experience a significant ageing of their populations over the medium to long term. The old-age ratio – the number of persons aged 65 and above per 100 persons aged 15 to 64 – is projected to increase in the region from 28 per 100 in 2024 to 43 per 100 in 2050 (De Gobbi et al. 2025). The largest change is expected in Southern Europe, with the ratio projected to almost double from 36 to 66 per 100 by 2050. While the old-age ratios in Central and Western Asia are currently much lower than in Europe, these regions will also experience the effects of ageing populations. Western Asia is projected to see the greatest proportional increase in the old-age ratio in the region, rising from 16 to 34 per 100 by 2050. However, inward migration will help to moderate increases in these ratios. Without any inward migration into the region, the regional ratio would be around 3 persons per 100 higher in 2050, showing that the effects of demographic change within the region are expected to far outweigh the scale and impact of international migration.

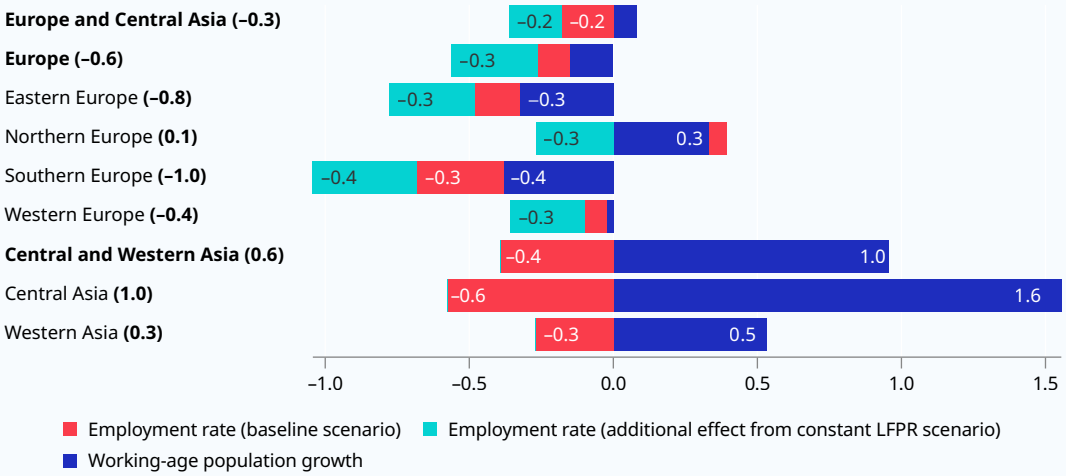
Without proactive policies, demographic change risks worsening economic and labour force outcomes through multiple channels. Increased spending on public pensions, healthcare and other forms of social security can place a substantial drag on public finances, crowding out resources for capital investments and innovation (De Gobbi et al. 2025). In countries experiencing population declines – particularly in Eastern, Southern and Western Europe subregions (INED 2024) – firms may pull back on research and development investment in anticipation of falling domestic demand, which could slow productivity growth and long-term competitiveness. An ageing population will also increase demand for care and social services, placing additional pressure on the labour force; simultaneously, higher productivity sectors would need to achieve elevated productivity growth to offset any average slowdown (Duernecker and Sanchez-Martinez 2021). Beyond this, younger workers tend to adopt new technologies more readily, meaning ageing workforces could slow down the diffusion of innovation, reduce technological adoption rates and limit potential productivity gains, thereby amplifying the drag of demographic shifts on economic performance.

Demographic change is expected to represent a significant drag on growth in some subregions, showing the potential cost of inaction and the need for targeted policy interventions. Figure 2.5 demonstrates the expected impacts of demographic change on annual GDP growth up to 2050 in percentage points (De Gobbi et al. 2025). It shows that Southern Europe could forego annual GDP growth of more than a percentage point on the back of falling working-age population growth, as well as decreasing employment growth and labour force growth. In Central and Western Asia, anticipated increases in the working-age population are expected to be partially offset by decreases in overall employment rates, as participation rates for those aged over 50 years have been historically low in the region.

Well-targeted policies to adapt the labour force to demographic changes can work to improve long-term growth and employment outcomes. The shrinking and ageing population faced by Europe and Central Asia demonstrates the need to actively retain workers for longer periods and to attract those currently unemployed or outside the labour force (UNECE 2025). Between 1991 and 2023, labour force participation rates of women aged 55 to 64 in Europe more than doubled – from 26.2 to 58.1 per cent. By contrast, in Central and Western Asia, this proportion is forecast to remain below 35 per cent up to 2050 (De Gobbi et al. 2025). Technological innovation and AI can potentially drive efficiency gains that partially offset the demand for labour that countries will struggle to meet, provided workers possess the required skills. Countries also have opportunities to boost participation rates by focusing on population groups

with high NEET rates. Persons with disabilities have disproportionately high NEET rates, although digitalization, AI and remote working are all creating more opportunities for them to access productive and decent employment (De Gobbi et al. 2025).

▶ Figure 2.5. Impact of demography and the employment rate on average annual GDP growth in Europe and Central Asia by region, 2024–50 (percentage point)



Key: LFPR = labour force participation rate.

Note: The number in parentheses shows the total global percentage point change in the GDP over the period. Blue denotes the direct impact of changes in the working-age population through the birth and death rate and through migration; red denotes any changes in employment as a share of the working-age population (aged 15 and above) in the baseline scenario; and teal denotes stagnant labour force participation rates (projected in the baseline to improve marginally). Bold numbers show the combined effect of all three components. Growth rates in labour productivity of those employed are not shown and represent a policy lever.

Source: De Gobbi et al. (2025).

References

- ADB (Asian Development Bank). 2022. "Nature-Positive Investment Cuts Through Global Crises". 6 June 2022. https://www.adb.org/news/features/nature-positive-investment-cuts-through-global-crises.
- ———. 2025. "Slower Growth Amid Tariffs and Uncertainty". Asian Development Outlook. July 2025. http://dx.doi.org/10.22617/FLS250292-3.
- ASEAN (Association of Southeast Asian Nations). 2021. *ASEAN State of Climate Change Report*. https://asean.org/book/asean-state-of-climate-change-report.
- Barisitz, Stephan. 2025. "Robust Growth in Central Asia 2019–24: In the Face of Uncertainties, the Pandemic and Protracted War in the Neighborhood". Occasional Paper No. 10. Oesterreichische Nationalbank. https://www.oenb.at/dam/jcr:4020c8b6-9bd0-427d-8c76-0b9c3bbe7035/occasional-paper-no-10.pdf.
- BLS (United States Bureau of Labor Statistics). 2025a. "Job Openings and Labor Turnover: July 2025". 3 September 2025. https://www.bls.gov/news.release/archives/jolts_09032025.pdf.
- ———. 2025b. "The Employment Situation: August 2025". 5 September 2025. https://www.bls.gov/news.release/archives/empsit_09052025.pdf.
- Bounajm, Fares, and Tessa Devakos. 2025. "Benchmarks for Assessing Labour Market Health: 2025 Update". Staff Analytical Note 2025-17. Bank of Canada. https://doi.org/10.34989/san-2025-17.
- Bram, Barclay. 2025. "The 19 Percent Revisited: How Youth Unemployment Has Changed Chinese Society". Asia Society Policy Institute. 3 September 2025. https://asiasociety.org/policy-institute/19-percent-revisited-how-youth-unemployment-has-changed-chinese-society.
- Cardarelli, Robert, Azhin Abdulkarim, Adrian Alter, Shant Arzoumanian, Karim Badr, Hippolyte Balima, Aymen Belgacem, Olivier Bizimana, Matt Gaertner, Mahmoud Harb et al. 2022. "'Informality, Development, and the Business Cycle in North Africa". Departmental Paper No. 11. International Monetary Fund. https://doi.org/10.5089/9781513591773.087.
- CARICOM (Caribbean Community) and ILO. Forthcoming. *Free Movement of Persons in the CARICOM Region: A Labour Market Analysis*.
- Chacaltana, Juan, Vicky Leung and Miso Lee. 2018. "New Technologies and the Transition to Formality: The Trend towards e-Formality". ILO EMPLOYMENT Working Paper No. 247. https://researchrepository.ilo.org/esploro/outputs/995219350202676.
- Chattha, Muhammad Khudadad, Ashwaq Natiq Maseeh, Luan Zhao, Morakane Thelejane, Olena Ftomova, Hoda Youssef, Tobias Kawalec, Xinyue Wang, Yacine Ouahioune and Željko Bogetić. 2025. *Gulf Economic Update, June 2025: Smart Spending, Stronger Outcomes – Fiscal Policy for a Thriving GCC*. World Bank. https://doi.org/10.1596/43355.
- China. 2020. *China's Mid-Century Long-Term Low Greenhouse Gas Emission Development Strategy*. https://unfccc.int/documents/307765.
- Chua, Pei Ying. 2022. "Investing in Green Jobs and Skills in the Asia Pacific Region Will Pave the Way towards a Sustainable Future". LinkedIn Economic Graph. 18 April 2022. https://economicgraph.linkedin.com/blog/investing-in-green-jobs-and-skills-in-the-asia-pacific-region-will-pave-the-way-towards-a-sustainable-future.
- *Daily News Egypt*. 2025. "Egypt's Construction Sector Drives FDI Growth with $35.8bn from Ras El Hekma Deal: GAFI". 16 September 2025. https://www.dailynewsegypt.com/2025/09/16/egypts-construction-sector-drives-fdi-growth-with-35-8bn-from-ras-el-hekma-deal-gafi.

▶ Danquah, Michael, Simone Schotte and Kunal Sen. 2021. "Informal Work in Sub-Saharan Africa: Dead End or Stepping-Stone?". *IZA Journal of Development and Migration* 12 (1): 1–44. https://doi.org/10.2478/izajodm-2021-0015.

▶ De Gobbi, Maria Sabrina, Stefan Kühn, Guido Heins and Ziyodakhon Malikova. 2025. "Demographic Change in Europe and Central Asia: Addressing the Issue of a Shrinking and Ageing Labour Force". ILO Working Paper No. 139. https://doi.org/10.54394/UTFG0314.

▶ Duernecker, Georg, and Miguel Sanchez-Martinez. 2021. "Structural Change and Productivity Growth in Europe: Past, Present and Future". CESifo Working Paper No. 9323. https://www.cesifo.org/node/65357.

▶ ECB (European Central Bank). 2025. "ECB Staff Macroeconomic Projections for the Euro Area". 11 September 2025. https://www.ecb.europa.eu/press/projections/html/ecb.projections202509_ecbstaff~c0da697d54.en.html.

▶ ECLAC (Economic Commission for Latin America and the Caribbean). 2025. *Economic Survey of Latin America and the Caribbean 2025: Resource Mobilization to Finance Development – Executive Summary.* https://hdl.handle.net/11362/82264.

▶ EIU (Economist Intelligence Unit). 2025a. *Africa Outlook 2025: Driving Investment Opportunities amid Political Pressures*. https://www.eiu.com/n/campaigns/africa-outlook-2025.

▶ ———. 2025b. *Latin America Outlook 2025: Trump's Second Term Will Weigh on the Outlook*. https://www.eiu.com/n/campaigns/latam-outlook-2025.

▶ ———. 2025c. *EIU Global Outlook 2025: The US Takes a Wrecking Ball to Global Trade*. https://www.eiu.com/n/campaigns/global-outlook-2025-the-us-takes-a-wrecking-ball-to-global-trade.

▶ ———. 2025d. *Asia Outlook 2025: A Consumer Comeback amid Geopolitical Uncertainty*. https://www.eiu.com/n/campaigns/asia-outlook-2025.

▶ ELA (European Labour Authority). 2025. *EURES Report on Labour Shortages and Surpluses 2024*. https://doi.org/10.2883/9158114.

▶ FRED (Federal Reserve Bank of St Louis). 2024. "Measuring Labor Market Tightness with FRED". *The FRED Blog*. 17 October 2024. https://fredblog.stlouisfed.org/2024/10/measuring-labor-market-tightness-with-fred.

▶ Gmyrek, Paweł, Janine Berg and David Bescond. 2023. "Generative AI and Jobs: A Global Analysis of Potential Effects on Job Quantity and Quality". ILO Working Paper No. 96. https://doi.org/10.54394/FHEM8239.

▶ Gmyrek, Paweł, Janine Berg, Karol Kamiński, Filip Konopczyński, Agnieszka Ładna, Balint Nafradi, Konrad Rosłaniec and Marek Troszyński. 2025. "Generative AI and Jobs: A 2025 Update". ILO Brief. May 2025. https://doi.org/10.54394/QFBQ1907.

▶ ILO. 2023. *Green Jobs, Green Economy, Just Transition and Related Concepts: A Review of Definitions Developed through Intergovernmental Processes and International Organizations*. https://researchrepository.ilo.org/esploro/outputs/995319449102676.

▶ ———. 2024. *Arab States Employment and Social Outlook: Trends 2024 – Promoting Social Justice through a Just Transition*. https://doi.org/10.54394/HAGV3833.

▶ ———. 2025a. *Panorama Laboral 2024: América Latina y el Caribe*. https://www.ilo.org/es/publications/panorama-laboral-2024-de-america-latina-y-el-caribe.

▶ ———. 2025b. *Navigating the Digital and Artificial Intelligence Revolution in Arab Labour Markets: Trends, Challenges and Opportunities*. https://doi.org/10.54394/OYOA8722.

▶ ———. 2025c. "World Employment and Social Outlook 2025: Asia and the Pacific May Update". ILO Brief. May 2025. https://doi.org/10.54394/KQSG9490.

- ———. 2025d. *Innovative Approaches to Formalization in Asia and the Pacific: Background Report to ILO Asia and the Pacific Tripartite Regional Knowledge Sharing Forum*. https://doi.org/10.54394/XOSQ7112.
- ———. 2025e. *Innovative Approaches to Addressing Informality and Promoting the Transition to Formality for Decent Work*. ILC.113/Report VI. https://researchrepository.ilo.org/esploro/outputs/995656676302676.
- ———. 2025f. "Climate Change, Environmental Degradation and Labour Mobility in the ASEAN Region". ILO Brief. August 2025. https://www.ilo.org/publications/labour-mobility-asean-region.
- ———. 2025g. *Progress towards SDG 8: Achieving Decent Work and Economic Growth in Europe and Central Asia*. ILO Brief. March 2025. https://doi.org/10.54394/URFU1438.
- IMF (International Monetary Fund). 2025a. *World Economic Outlook 2025: Global Economy in Flux, Prospects Remain Dim.* https://www.imf.org/en/Publications/WEO/Issues/2025/10/14/world-economic-outlook-october-2025.
- ———. 2025b. *Regional Economic Outlook 2025: Sub-Saharan Africa – Holding Steady*. https://www.imf.org/en/publications/reo/ssa/issues/2025/10/16/regional-economic-outlook-for-sub-saharan-africa-october-2025.
- ———. 2025c. *Regional Economic Outlook 2025: Sub-Saharan Africa – Recovery Interrupted*. https://www.imf.org/en/publications/reo/ssa/issues/2025/04/25/regional-economic-outlook-for-sub-saharan-africa-april-2025.
- ———. 2025d. *Regional Economic Outlook 2025: Middle East and Central Asia: Charting a Path through the Haze.* https://www.imf.org/en/publications/reo/meca/issues/2025/04/24/regional-economic-outlook-middle-east-central-asia-april-2025.
- India, MEFCC (Ministry of Environment, Forest and Climate Change). 2022. *India's Long-Term Low-Carbon Development Strategy*. https://unfccc.int/documents/623511.
- Indonesia, MEF (Ministry of Environment and Forestry). 2021. *Indonesia: Long-Term Strategy for Low Carbon and Climate Resilience 2050*. https://unfccc.int/sites/default/files/resource/Indonesia_LTS-LCCR_2021.pdf.
- INED (National Institute for Demographic Studies). 2024. "Projections by Continent". July 2024. https://www.ined.fr/en/everything_about_population/data/world-projections/projections-by-continent.
- IRENA (International Renewable Energy Agency) and ILO. 2024. *Renewable Energy and Jobs: Annual Review 2024*. https://www.ilo.org/publications/renewable-energy-and-jobs-annual-review-2024.
- Kuewor, Rya G. 2025. "How AI Is Reshaping the Future of Informal Work in the Global South". World Economic Forum. 13 May 2025. https://www.weforum.org/stories/2025/05/ai-reshaping-informal-work-global-south.
- Lee, Jong-Wha, and Eunbi Song. 2025. "Demographic Change and Long-Term Economic Growth Path in Asia". *Economic Modelling* 147: 107043. https://doi.org/10.1016/j.econmod.2025.107043.
- LinkedIn. 2024. *Global Green Skills Report 2024*. https://economicgraph.linkedin.com/content/dam/me/economicgraph/en-us/PDF/Global-Green-Skills-Report-2024.pdf.
- Mpedi, Letlhokwa Geoge, and Tshilidzi Marwala. 2025. "Artificial Intelligence, the Informal Economy and the Future of Social Security". United Nations University. 14 March 2025. https://unu.edu/article/artificial-intelligence-informal-economy-and-future-social-security.
- OECD (Organisation for Economic Co-operation and Development). 2025a. *OECD Economic Surveys: Argentina 2025*. https://doi.org/10.1787/27dd6e27-en.

▶ ———. 2025b. "OECD Employment Outlook 2025: United States". Country Note. 9 July 2025. https://www.oecd.org/en/publications/oecd-employment-outlook-2025-country-notes_f91531f7-en/united-states_a87f27e3-en.html.

▶ PAGE (Partnership for Action on Green Economy). 2023. *Green Jobs Policy Readiness Assessment in Thailand*. ILO. https://researchrepository.ilo.org/esploro/outputs/995321109202676.

▶ Philippines, DOLE (Department of Labor and Employment). 2024. *National Green Jobs Human Resource Development (NGJ HRD) Plan 2020–2030: Pathways for Building a Sustainable Workforce*. DOLE Institute for Labor Studies. https://ils.dole.gov.ph/downloads/file/796-national-green-jobs-human-resource-development-plan-2020-2030-pathways-for-building-a-sustainable-workforce.

▶ Stoevska, Valentina. 2025. "Empowering Africa's Youth: The Need for More Vocational Training and on-the-Job Learning". *ILOSTAT Blog*. 11 August 2025. https://ilostat.ilo.org/blog/empowering-africas-youth-the-need-for-more-vocational-training-and-on-the-job-learning.

▶ UNDESA (United Nations Department of Economic and Social Affairs). 2020. *International Migrant Stock 2020*. https://www.un.org/development/desa/pd/sites/www.un.org.development.desa.pd/files/files/documents/2021/Jan/undesa_pd_2020_international_migrant_stock_documentation.pdf.

▶ UNDP (United Nations Development Programme). 2024. *Exploring Pathways to Decent Employment, Formality and Inclusion in Central Asia*. https://www.undp.org/eurasia/publications/exploring-pathways-decent-employment-formality-and-inclusion-central-asia.

▶ UNECE (United Nations Economic Commission for Europe). 2025. "Unlocking the Potential of an Ageing Workforce". UNECE Policy Brief on Ageing No. 30. https://unece.org/population/publications/unlocking-potential-ageing-workforce.

▶ UNESCAP (Economic and Social Commission for Asia and the Pacific). 2023. *Leveraging Digital Innovation for Inclusive and Sustainable Development in Asia and the Pacific*. https://www.unescap.org/kp/2023/leveraging-digital-innovation-inclusive-and-sustainable-development-asia-and-pacific.

▶ UNESCAP and UNEP (United Nations Environment Programme). 2024. *2024 Review of Climate Ambition in Asia and the Pacific: From Ambitions to Results – Sectoral Solutions and Integrated Action*. https://hdl.handle.net/20.500.12870/7490.

▶ UNESCWA (United Nations Economic and Social Commission for Western Asia) and UNWOMEN. 2024. *Progress on the Sustainable Development Goals: A Gender Snapshot of the Arab Region 2024*. https://www.unescwa.org/publications/gender-snapshot-arab-region-2024.

▶ World Bank. 2025a. *Global Economic Prospects: June 2025*. https://doi.org/10.1596/978-1-4648-2193-6.

▶ ———. 2025b. *China Economic Update: June 2025 – Unlocking Consumption*. https://doi.org/10.1596/43431.

▶ Zhang, Dandan. 2025. "The Unignorable Trend of the Gig Economy in Manufacturing". Weixin. 18 February 2025. https://mp.weixin.qq.com/s/Td3LiMgqR36PPpd36rjBAg.

▶ Zhang, Dandan, Hongbo Li and Yaoyu Li. Forthcoming. *Technology, Agglomeration, and Institutions: Causes and Impacts of the Gigification in China's Manufacturing Industry*.

3 Shifting patterns of trade and employment

Key messages

- In the globalized economy in 2024, **around 465 million jobs in 80 countries and territories depended on foreign demand** through exports of goods and services and their related supply chains. Jobs in sectors with more trade linkages are generally of a higher quality, with lower informality, better pay and a greater inclusion of women and youth in low- and middle-income countries, compared to jobs in sectors depending less on foreign demand.
- **Trade-linked employment reflects global trade patterns and remains broadly stable overall**, even as trade-linked jobs in services expand and those in goods trade declines. However, major disruptions driven by trade uncertainty could have a significant impact on labour markets.
- **Market services accounted for nearly half of trade-linked employment, at 49 per cent in 2022 – up from 36 per cent in 1995.** This reflects the growing role of services and knowledge-intensive activities in global supply chains.
- **Trade and investment flows among low- and middle-income countries are expanding – from 6 per cent in 2005 to 14 per cent in 2024.** However, efforts to regionalize trade for resilience remain uneven, and low- and middle-income countries risk being left behind in global supply chain reconfigurations. Low-income countries continue to be largely excluded from cross-border investment flows, attracting only 1.2 per cent of global foreign direct investment (FDI) inflows in 2024. This exclusion limits their ability to integrate into global supply chains and constrains opportunities to create more and better jobs.

▶ Introduction

Chapter 1 of this report underscored the prominence of macroeconomic uncertainty as a defining feature of the current global landscape, with significant implications for growth and labour market dynamics. Within this broader context, trade policy uncertainty (TPU) has consistently emerged as a critical dimension – highlighted by major economic outlook reports (IMF 2025; World Bank 2025). This illustrates the evolving nature of global trade, shaped by both long-term structural transformations and more recent developments.

Global trade and investment patterns have shifted markedly in the past decade. Services trade now constitutes a growing share of global commerce, while FDI flows – despite a recent uptick – are on a declining trend. Regionalizing trade to strengthen supply chain resilience remains uneven, hindered by complex global ties and firms' reluctance to fully reconfigure. As a result, low-income countries face the risk of missing opportunities to integrate into global supply chains.

Concurrently, the frequency of restrictive trade measures has increased, contributing to a more fragmented and uncertain trading environment. These developments carry important short-term and long-term implications for labour markets, as enterprises and workers need to continuously adjust to shifting realities to ensure their continued competitiveness and participation in the labour market.

Trade is not only about exchanging goods and services, but also about raising living standards and ensuring full employment, as recognized in the Marrakesh Agreement Establishing the World Trade Organization (WTO). In 2024, approximately 15 per cent of all jobs were directly or indirectly linked to trade. Jobs linked to trade and investment tend to offer better wages, more formal employment arrangements and higher skill requirements compared to the domestic average. However, disparities remain across job types and tiers of supply chains, with poor working conditions and low wages still prevalent in lower tiers of supply chains (ILO 2021). Indeed, when gains from trade do not spread widely, inequalities within countries, sectors and firms can deepen (UNCTAD 2019; World Bank and WTO 2018).

Despite these challenges, global labour markets have shown resilience. As noted in Chapter 1, annual employment growth has remained steady at around 1 per cent. Importantly, trade-linked employment has also held broadly stable in aggregate terms, even as its composition shifts – the share of services trade continues to expand while the share of goods trade declines. The question now is how current uncertainties will shape future trajectories.

Some enterprises and workers are more vulnerable to disruptions than others. For instance, manufacturing remains particularly exposed to trade uncertainty. One third of manufacturing workers in middle-income countries are employed in industries reliant on foreign demand, and any sectoral reallocation aimed at bolstering domestic production could entail disruptive transitions. Moreover, rising trade costs may negatively affect returns to labour across all sectors.

This chapter analyses these dynamics in greater depth, examining how uncertainties relating to trade and investment intersect with labour market outcomes. The next section presents trends in trade, FDI and employment directly or indirectly related to trade through supply chains. The following two sections present the shifting patterns of trade in terms of sectoral composition and regionalization, respectively.

▶ Trends in trade, foreign direct investment and employment

Trends in international trade in a context of trade policy uncertainty

In 2025, the global trade environment is best characterized by uncertainty about the future configuration of trade flows rather than outright disruptions, as **both goods and services trade are projected to expand in volume**. Trade uncertainty can be rooted in policy decisions, such as

the implementation of protectionist measures and geopolitical tensions, or natural disasters causing significant disruptions to supply chains (see box 3.1). The former includes not only trade policy measures, such as tariff and non-tariff barriers, but also more complex policy bundles that ultimately shape the trade environment.

In the face of uncertainty, **global trade value rose by about 2.5 per cent in the second quarter of 2025**, largely driven by frontloading – as firms accelerated shipments and orders in anticipation of further tariff increases (UNCTAD 2025a). Yet, distortions in trade flows are becoming evident, including significant declines in United

▶ Box 3.1. Implications of trade uncertainty for labour incomes

Increases in global trade uncertainty can arise not only from major policy shifts but also from natural disasters or any events that cause severe trade and supply chain disruptions. Such upheavals pose significant challenges for workers and enterprises.

Expectations of higher future tariffs and other restrictive trade measures fuel trade policy uncertainty (TPU) and can prompt firms engaged in global supply chains to scale back investment plans and adjust pricing strategies (Caldara et al. 2019). At the same time, during an episode of trade policy tensions from 2018 to 2019, firms in sectors exposed to United States–China trade flows had significantly lower expectations about future employment and labour productivity than those in sectors not directly affected (Amiti et al. 2021).

Severe disruptions caused by global shocks have heightened trade uncertainty. COVID-19 lockdowns triggered supply- and demand-side disturbances, reducing cross-border trade and causing job and income losses in key sectors (Brenton, Ferrantino and Maliszewska 2022; ILO 2020). Localized shocks have also had global spillovers. The 2011 Japan earthquake created logistics bottlenecks that forced reconfigurations in automotive and electronics supply chains (Freund et al. 2021); while prolonged capacity cuts through the main trading routes of the Panama and Suez Canals raised shipping costs, delayed deliveries and disrupted supply chains. These effects were ultimately passed on in higher global consumer prices and created risks for countries that rely heavily on trade for essential consumer goods (OECD 2024; UNCTAD 2024a).

Recent estimates suggest that the current episode of trade uncertainty could have similarly adverse effects, with studies indicating that rising tariff uncertainty could reduce GDP growth by 0.1 to 0.25 per cent (IMF 2025; WTO 2025a). Similarly, empirical evidence based on EU data suggests that the average economic policy uncertainty shock[1] reduces economic growth by about 0.45 percentage points over a one-year period (European Commission 2024).

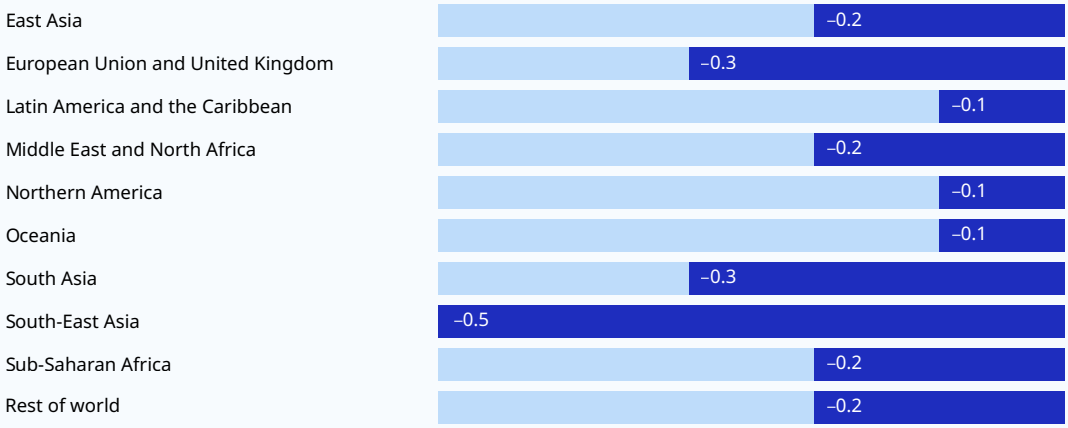
To assess the potential impact on returns to labour, the ILO incorporated TPU into a computable general equilibrium (CGE) model of the Global Trade Analysis Project (GTAP) through adjustments to iceberg-type trade costs for exporting firms, representing higher inventory and logistics costs due to increased risks of import value loss. In addition, the model accounts for firms' shifts in preferences towards more domestically sourced intermediates to mitigate the risk of supply disruptions.[2]

ILO estimates show that a moderate rise in TPU could lower returns to labour and, consequently, real wages for both skilled and unskilled workers across all sectors (see figure B3.1.1). In this scenario, losses are most pronounced in regions deeply integrated into global supply chains, notably South-Eastern Asia and Southern Asia, where wages are projected to decline by more than 0.45 and 0.3 per cent annually, respectively. In Europe, returns to labour are expected to fall by about 0.3 per cent annually, affecting skilled and unskilled workers almost equally, while Northern America and Latin America and the Caribbean are to experience comparatively smaller contractions.

1 EU data covering the period from 2001 to 2024. Average economic policy uncertainty shock is equivalent to one standard-deviation (around 50-unit) increase in the uncertainty index.
2 In the moderate TPU scenario, trade costs are assumed to increase by an average of 0.5 per cent annually by 2029, while home bias in goods rises by 1 per cent in the first year and 0.5 per cent in each of the following four years, relative to the baseline scenario. Appendix B details the estimation methodology used to derive the results with the help of the GTAP CGE model.

▶ **Box 3.1.** *(continued)*

▶ **Figure B3.1.1. Average annual change in return to labour, relative to baseline, between 2025 and 2035** (percentage)



Source: ILO estimates based on GTAP Resource Display simulations. The details on the methodology are shown in Appendix B.

States–China bilateral trade from the second quarter of 2025 (OECD 2025a), and a simultaneous diversion of trade flows towards the Association of Southeast Asian Nations (ASEAN) and other third countries (IMF 2025). Global trade, which stood at 57.3 per cent of GDP in 2025, was projected to grow by around 3 to 3.6 per cent in 2025 (IMF 2025; World Bank 2025; WTO 2025b), while trade growth in 2026 is projected to remain subdued at 2.3 per cent (see figure 3.1).[1] Although global trade growth and its share in GDP have remained close to their 2010 levels, these recent developments underscore the uncertainty and ongoing shifting patterns in global trade.

Dwindling foreign direct investment

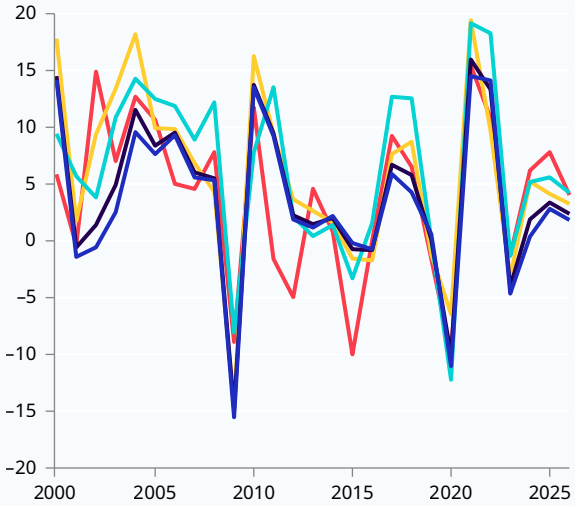
FDI flows face significant downside risks in 2025 to 2026, given their heightened sensitivity to rising trade uncertainty. In such conditions, firms typically adopt more cautious investment strategies, particularly delaying or scaling back new projects, such as greenfield FDI (Boeckelmann et al. 2024; IMF 2025). Preliminary data confirm this trend, showing that FDI flows in the first half of 2025 fell by 3 per cent relative to the 2024 half-year average, reflecting cautious investor sentiment (UNCTAD 2025b). Both new FDI project announcements and deal volumes have declined (UNCTAD 2025c).

The current decrease in investment has contributed to a downward trend – with global FDI inflows falling from 5.0 per cent of global GDP in 2007 to 1.3 per cent in 2024 (see figure 3.2). Upper-middle- and high-income countries saw a major drop in FDI inflows as a share of GDP, whereas the decline was more muted in low- and lower-middle-income countries. This shift coincides with Asia's growing prominence, which accounted for over 40 per cent of global FDI inflows in 2023 and 2024 (*Financial Times* 2025). While FDI flows into low-income countries stood at 3.3 per cent of their GDP, they amounted to only 1.2 per cent of global FDI flows. This lack of flows relative to available funds severely hinders their development potential.

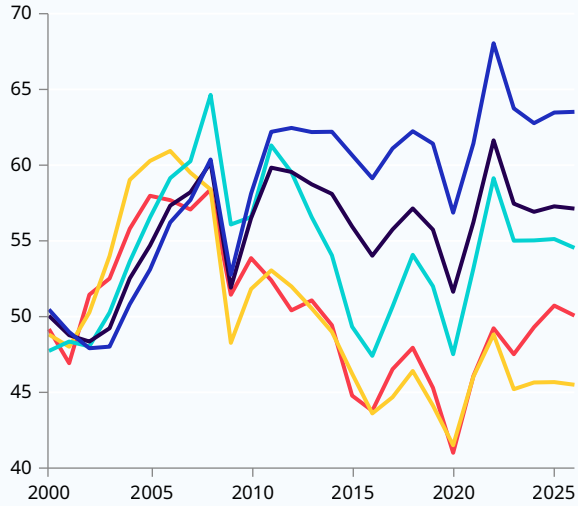
1 After several revisions in 2025, the October edition of the International Monetary Fund's *World Economic Outlook* restored its estimate for global trade growth in 2025 to levels close to those made in January (3.6 and 3.2 per cent, respectively), while downgrading the 2026 projection by 1 percentage point, from 3.3 per cent in the January outlook to 2.3 per cent in the October 2025 release (IMF 2025). WTO economists initially projected goods trade growth of 2.7 per cent in 2025 and 2.9 per cent in 2026. However, after several revisions, the October 2025 update to *Global Trade Outlook and Statistics* estimated lower growth rates of 2.4 per cent for 2025 and 0.5 per cent for 2026 (WTO 2025b).

Figure 3.1. Trade in goods and services by country income group, 2000–26

A. Real annual growth (percentage)



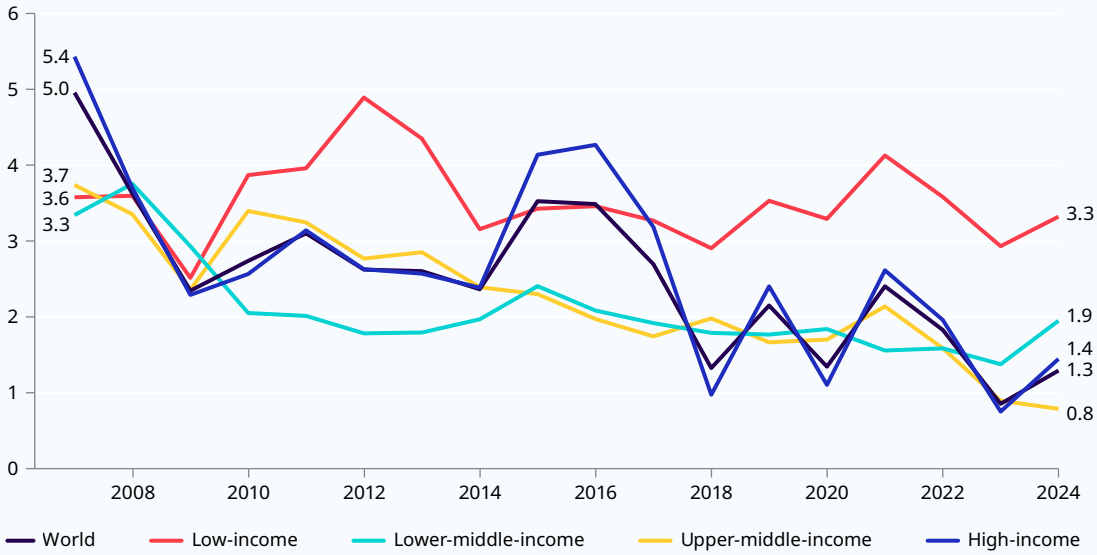
B. Share of GDP (percentage)



Note: Real trade growth is derived using the GDP deflator. Income groups are aggregated using market exchange rates.

Source: ILO calculations based on World Bank World Development Indicators, with projections for 2025 and 2026 from the IMF World Economic Outlook Database, October 2025.

Figure 3.2. Foreign direct investment inflows as a share of GDP by country income group, 2007–24 (percentage)



Source: Calculations based on World Bank World Development Indicators.

A key driver of these FDI trends is the influence of strategic considerations on investment decisions. In this context, similar to trade flows, **FDI is increasingly shaped by geopolitical alignment: between 2013 and 2023, the share of newly announced FDI projects between countries which are not politically aligned declined from 23 to 15 per cent** (UNCTAD 2024b). The development of trade and industrial policies has introduced new practices into cross-border investment, including onshoring and friendshoring – that is, relocating certain production stages to domestic and politically aligned countries (UNCTAD 2025d). Recent data show that in 2024, growth in newly announced FDI projects, both in value and number, occurred only in developed economies, while developing economies experienced declines (UNCTAD 2025c). At the sectoral level, the most pronounced increase in 2024 was observed in the semiconductor industry, where greenfield investments more than doubled compared with 2023. Nearly two thirds of these projects were announced in Northern America, with a total value of US$76.6 billion out of US$120.3 billion worldwide (*Financial Times* 2025).

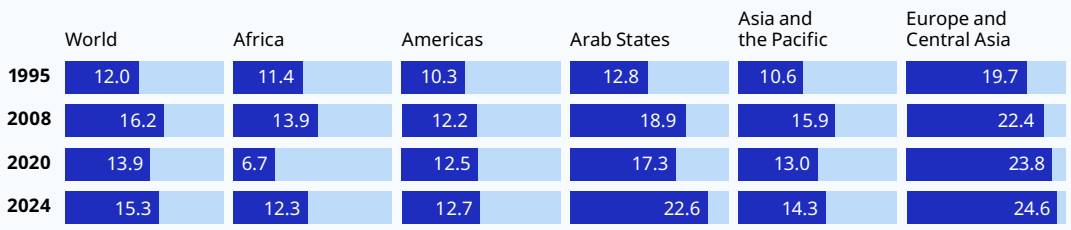
Employment linked to foreign demand through global supply chains

This evolving trade and investment landscape – marked by rising uncertainty and increasingly uneven FDI flows – poses risks to employment gains. Both trade and investment have been key drivers of global employment growth, particularly through the expansion of export-oriented sectors and, in some cases, deeper integration into global supply chains. Empirical evidence supports this, showing that trade is broadly associated with rising employment, with notable gains for youth and women (Doan and Trinh 2019; European Commission 2015; ILO 2021; Kpognon, Ondoa and Bah 2020; Nicita 2008; Winkler et al. 2023; World Bank 2025; WTO 2024a; WTO et al. 2019). FDI has reinforced these effects, contributing to the creation of over 2 million jobs annually before the pandemic (Crescenzi, Ganau and Storper 2022; OECD 2020). It also strengthens trade linkages (Saurav, Liu and Sinha 2020) and integrates domestic firms into global supply chains, particularly in low- and middle-income countries (Hoekman and Sanfilippo 2023; Sgrignoli et al. 2017).

In the 80 countries and territories with available data, 465 million jobs were linked to the global trade in goods and services in 2024, representing 15.3 per cent of total employment (see figure 3.3).[2] Employment linked to trade includes all activities that directly or indirectly, through supply chains, meet foreign demand. Its regional distribution largely reflects the size of the labour force. Asia and the Pacific accounts for more than half of these jobs (278 million), followed by Europe and Central Asia with 96 million. The share of employment linked to trade within regions varies from 12.3 per cent in Africa to 24.6 per cent in Europe and Central Asia. Within Asia and the Pacific, the subregion of South-Eastern Asia stands out with 24.1 per cent of its employment linked to trade.

In 2024, the share of global employment linked to trade remained close to its 2012 level across the 80 countries and territories with available data (see figure 3.4), reflecting the prolonged stagnation in global trade. After falling by 2 percentage points in the wake of the global financial crisis in 2008, and then again by 0.8 percentage points during the COVID-19 crisis in 2020, the share rebounded by 1.4 percentage points to reach 15.3 per cent in 2024. This suggests that trade was an important driver in the post-COVID employment recovery in all regions, apart from the Americas (see figures 3.3 and 3.4).

▶ **Figure 3.3. Share of employment linked to trade by region, 1995–2024** (percentage)

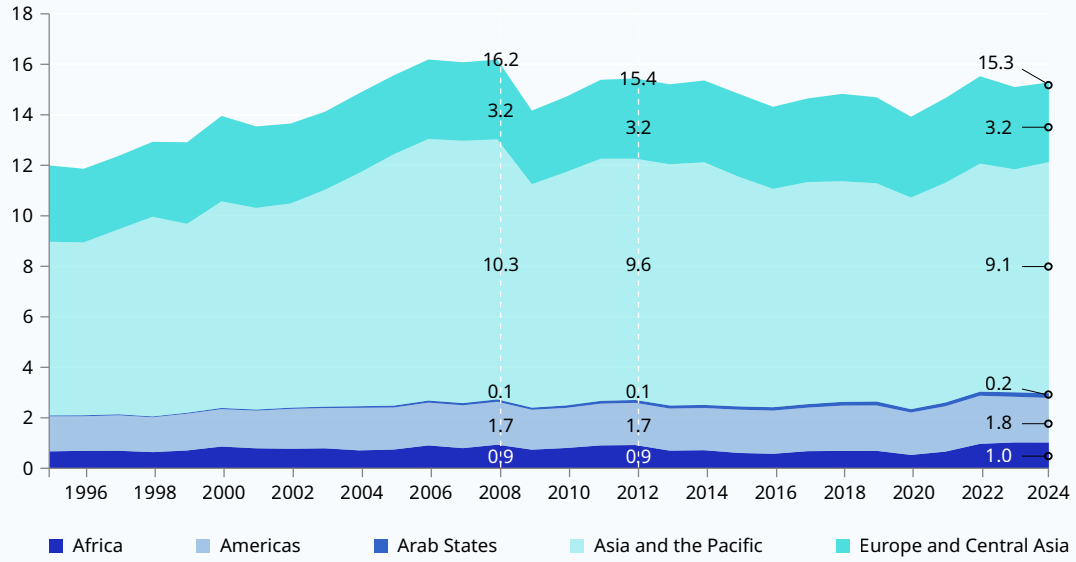


Note: Estimates based on data available for 80 countries and territories covering 85 per cent of global employment.

Source: ILO estimates based on ADB (2025) and OECD (2025b). See box 3.2 for the methodology.

2 The 80 countries and territories encompass 85 per cent of global employment.

Figure 3.4. Employment linked to trade per region as a share of total employment across all regions, 1995–2024 (percentage)



Note: Data shows employment linked to trade in each region as a share of total employment across all regions. Estimates include 80 countries and territories encompassing 85 per cent of global employment.

Source: ILO estimates based on ADB (2025) and OECD (2025b). See box 3.2 for the methodology.

Box 3.2. Estimating employment linked to foreign demand

The estimate of employment related to foreign demand is based on input–output modelling. Multi-country, multi-sector input–output tables permit the estimation of the value added required throughout the domestic and foreign supply chain to satisfy a certain final demand. The methodology involves multiplying the technical requirement matrix, also called Leontief inverse, with an appropriate demand vector (Timmer et al. 2015). For each country and sector, the method yields the share of value added required to satisfy total private and public consumption and investment in foreign countries.

The analysis in this report uses the 2025 version of the inter-country input–output tables of the Organization for Economic Co-operation and Development (OECD 2025b). This database covers 50 economic activities in 80 countries and territories from 1995 to 2022. To derive estimates for 2023 and 2024, the analysis is supplemented with the multi-region input–output tables of the Asian Development Bank (ADB) in its 74 economies version, which covers 35 economic activities for the years 2022 to 2024. The two databases have 61 economies in common, with 19 economies being exclusive to the OECD database and 13 mostly Asian economies exclusive to the ADB database. Employment per sector is derived from the ILO Harmonized Microdata repository, with missing values estimated using an equivalent methodology as is used for the ILO modelled estimates (ILO 2025a). The share of employment linked through trade to foreign demand within each economic activity included in the databases is assumed to be the same as the share of value added that has been established to be linked through trade. It is noteworthy that implied trade-related employment shares for 2022 can differ by a few percentage points at the sector level between both databases, despite the use of identical methodology and employment figures.

Time-series estimates from 1995 to 2024 are generated for the 80 countries and territories included in the OECD database, where the estimates up to 2022 stem directly from the input–output methodology. For the 61 economies covered also by the ADB database, the annual changes between the years 2022 and 2024 in the share of employment linked to trade within six aggregate sectors are carried forward as of 2022. For the 19 economies unique to the OECD database, the trade-related employment shares within the detailed breakdown of economic activities from 2022 are also used for 2023 and 2024. For those economies, changes in the aggregate change in trade-related employment stem only from sectoral employment shifts – which is an important part of overall changes.

The 80 countries and territories cover 85 per cent of global employment. Data availability by region: Africa (11 countries, 45 per cent of employment), Americas (9, 85 per cent), Arab States (3, 42 per cent), Asia and the Pacific (20, 96 per cent) and Europe and Central Asia (37, 91 per cent).

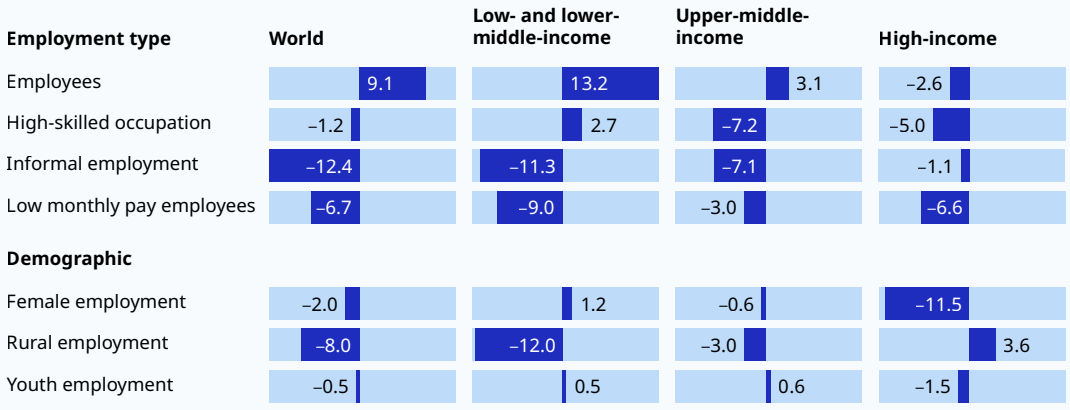
Decent work in global supply chains

Decent work is essential to ensuring that trade can deliver benefits that extend beyond economic gains to social progress. Trade can drive growth and create employment, but these gains risk being undermined if the jobs created are not secure and fail to provide a fair income or uphold fundamental rights. While existing research has often focused on employment and wages, the ILO has advanced analysis on the links between trade and decent work.[3] This section examines a range of indicators reflecting decent work deficits and demographic factors to assess the quality and inclusiveness of trade-related employment.

Sectors with a higher share of employment linked to trade tend to have lower informality rates, a higher share of employees and a lower incidence of low pay among employees than sectors depending less on foreign demand. Therefore, **jobs linked to trade are less likely to be informal or of low pay than jobs not linked to trade** (see figure 3.5). These patterns reinforce evidence suggesting that jobs in trade and global supply chains tend to be more productive, with better remuneration and working conditions than those in the domestic economy (OECD 2018; World Bank 2025). This is particularly the case in low- and middle-income countries, where informal activities remain widespread. In lower-middle-income countries, activities linked to foreign demand tend to have a higher share of high-skilled occupations. In contrast, there is a lower share in upper-middle- and high-income countries, where high-skilled occupations are more likely to be in public and private sector services, which are less linked to foreign demand.

In low- and middle-income countries, youth and urban workers are more likely to work in sectors with higher linkage to foreign demand than adults and rural workers, suggesting that these groups can benefit more from deeper integration into global supply chains. High-income countries demonstrate a significant gap in the opposite direction. Women are relatively over-represented in sectors less linked to trade, such as education and care, explaining why women are under-represented in trade-linked employment in upper-middle- and high-income countries, where such sectors are more important. Such government-financed employment opportunities are often limited in low- and middle-income countries, making trade-related employment an important stepping stone for women into the formal labour market.

Figure 3.5. Average incidence of employment characteristics in trade compared to non-trade-related employment by country income group, 2024 (percentage point)



Note: The figure compares the incidence of employment types or demographic groups in employment linked to trade to employment not linked to trade. The average incidence is derived as the weighted average of sectoral incidences, where the sectoral weights are given by the sector's employment share in total employment times the share of employment linked to trade within that sector, or alternatively, one minus the share of employment linked to trade. A positive number means a relative over-representation of the group in trade-related activities, and hence under-representation of the opposite group, for example women and men, Low monthly pay employees are those earning less than two thirds of the median monthly labour income of employees in a country. Youth refers to those aged 15 to 24. Estimates include 80 countries and territories encompassing 85 per cent of global employment.

Source: ILO estimates based on ADB (2025) and OECD (2025b). See box 3.2 for the methodology.

3 For example, see research on trade and decent work: ILO 2023a, 2023b; and "ILO Decent Work in Supply Chain Evidence Hub" (accessed 13 November 2025).

However, the sectoral composition of trade has a significant impact on gender-differentiated employment outcomes. In many low- and middle-income countries, women remain concentrated in low-productivity, export-oriented manufacturing jobs, particularly in labour-intensive and price-competitive sectors (Tejani and Kucera 2021; Tejani and Milberg 2016). Yet, the female employment share tends to decline as technological upgrading raises labour productivity in these same export-driven industries, including textiles, garments, footwear, food and tobacco, and machinery and equipment (Tejani and Kucera 2021).

These gender-based patterns reflect a broader trend in which the benefits of trade have not been distributed evenly. Evidence shows disparities across sectors and countries (UNCTAD 2019; World Bank and WTO 2018), as resources often shift towards more competitive activities, favouring more productive firms and skilled workers (WTO 2017). Although this reallocation can improve efficiency, it can also widen disparities in employment and income, particularly if there are limited spillover effects between trade-related activities and the rest of the economy (ADB et al. 2021; RIGVC–UIBE et al. 2023). For example, if export-oriented industries integrate globally, but remain weakly connected to domestic suppliers and labour markets, productivity gains may not diffuse widely, constraining growth (Moreno-Brid et al. 2021) and contributing to within country inequalities.

Moreover, these uneven outcomes are not only evident across sectors and countries but also across different nodes of global supply chains. Workers in lower-tier suppliers and export processing zones can face poor working conditions, including low wages, limited labour protections and exposure to occupational hazards (ILO 2020; RIGVC–UIBE et al. 2023). In sectors such as textiles and apparel, where supply chains are long and fragmented, decent work deficits remain evident despite the sector's global integration (ILO 2025b).

Within this context, alternative approaches to inclusive trade have gained ground. **Social and solidarity economy entities and networks – such as fair-trade organizations, producer cooperatives and social enterprises, among others – increasingly contribute to sustainable and inclusive forms of trade** (Dragusanu, Montero and Nunn 2018; Pérez, Hunt and Binat Sarwar 2022). Developed through cooperatives and other social entities, they are often underpinned by voluntary sustainability standards and social procurement schemes. There is significant heterogeneity, but some initiatives have shown signs of stability and adaptability in the face of recent global supply chain disruptions (Billiet et al. 2021; Ciliberti, Frascarelli and Martino 2020).

Regional trade agreements also increasingly incorporate references to labour commitments that promote, protect and enforce labour standards and workers' rights, including for women and youth. Of the 378 trade agreements in force and reported to the WTO, about one third (128) include such labour provisions.[4] Roughly 20 per cent of trade agreements with labour provisions are between South–South trading partners. In some cases, these labour provisions have supported key labour law reforms even before trade agreements were ratified (ILO 2023b). They have also helped address systemic labour market challenges such as gender discrimination, restrictions on freedom of association and child labour (Corley-Coulibaly, Grasselli and Postolachi 2023). Nonetheless, implementation and enforcement continue to pose substantial difficulties.

▸ Shifting composition and regional patterns of trade and employment

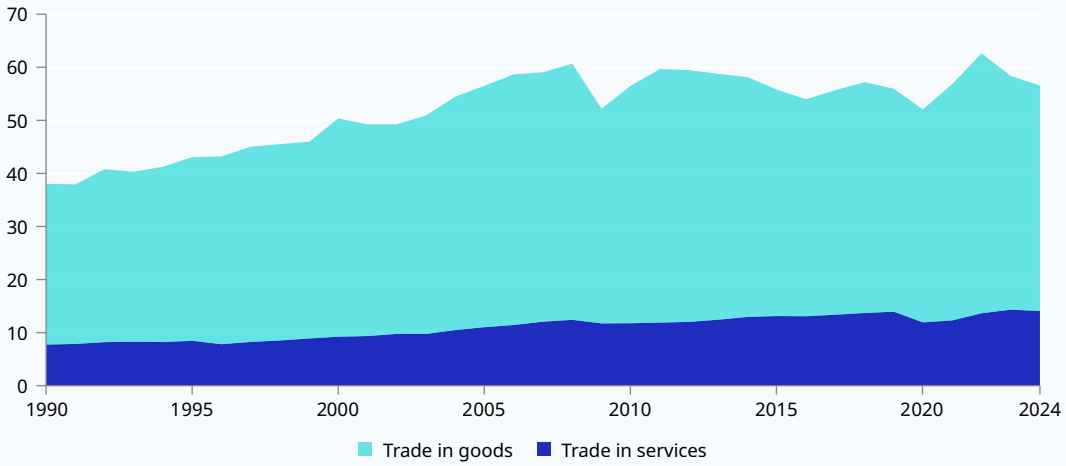
Employment linked to trade has been undergoing a significant transformation in the past decade shaped by a combination of factors, including productivity gains, shifts in demand and changing patterns of trade and investment. Building on the trends outlined above, this section examines these transformations. It focuses on changes in the composition, such as the rising share of services trade relative to goods, and regional patterns of trade. For both dimensions, the analysis considers their implications for employment. It also examines productivity gains linked to these shifts.

4 See ILO, "Labour Provisions in Trade Agreements Hub" (accessed 22 December 2025).

The rise of services in international trade

While goods trade as a share of global GDP has declined since 2008, services trade has steadily expanded, reaching 14.1 per cent of GDP and 24.9 per cent of all trade in 2024 (see figure 3.6). This growth reflects the increasing role of services in global supply chains and the rising demand for knowledge-intensive activities. Between 2023 and 2024 alone, services trade increased by 9 per cent, supported by a recovery in tourism following pandemic-related disruptions and higher transport prices linked to supply chain adjustments, along with rising demand for digitally delivered services such as IT, business process outsourcing and cloud-based solutions (WTO 2025a) (see box 3.3).

▶ **Figure 3.6. Trade in goods and services as a share of global GDP, 1990–2024** (percentage)



Note: Countries are weighted using real US dollars.

Source: World Bank World Development Indicators.

▶ Box 3.3. Digitally delivered services trade

Trade in digitally delivered services (DDS)[1] has been rising steadily over the past two decades, outpacing the growth of both total trade and services trade. In 2024, DDS accounted for 14.5 per cent of global exports (WTO 2025a). The composition of DDS is shifting toward higher-value segments, such as computer, information and other business services, as well as intellectual property. Services value chains are networks of activities that create and deliver services across borders, adding value at each stage – from design and development to delivery and support. They rely on knowledge and technology rather than physical goods and often operate through digital platforms.

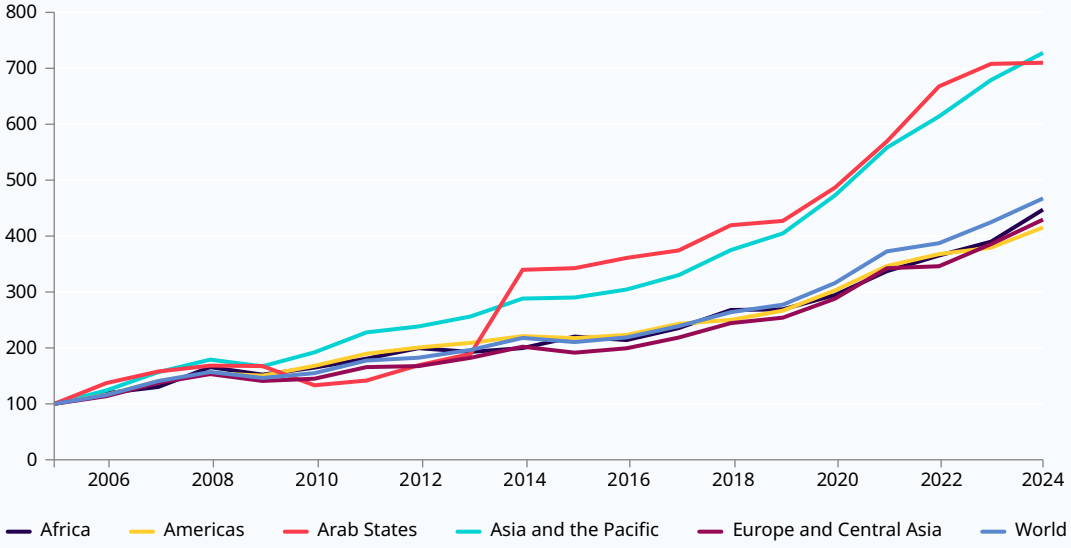
DDS play a critical role in services value chains by providing the infrastructure and capabilities that allow services activities to be coordinated and executed across borders through, for example, cloud computing, software development and digital platforms. For example, in an IT services value chain, DDS allow software design in India, testing in Eastern Europe and customer support from the Philippines – all coordinated digitally for clients in Europe or Northern America.

At the regional level, there has been sharp growth in DDS exports (ILO, forthcoming). This reflects growing maturity and integration of digital ecosystems. Since 2014, Asia and the Pacific, along with the Arab States, have shown particularly impressive growth, with Africa's growth doubling over the past decade (see figure B3.3.1).

1 DDS are defined as "all international trade transactions that are delivered remotely over computer networks" (IMF et al. 2023).

Box 3.3. *(continued)*

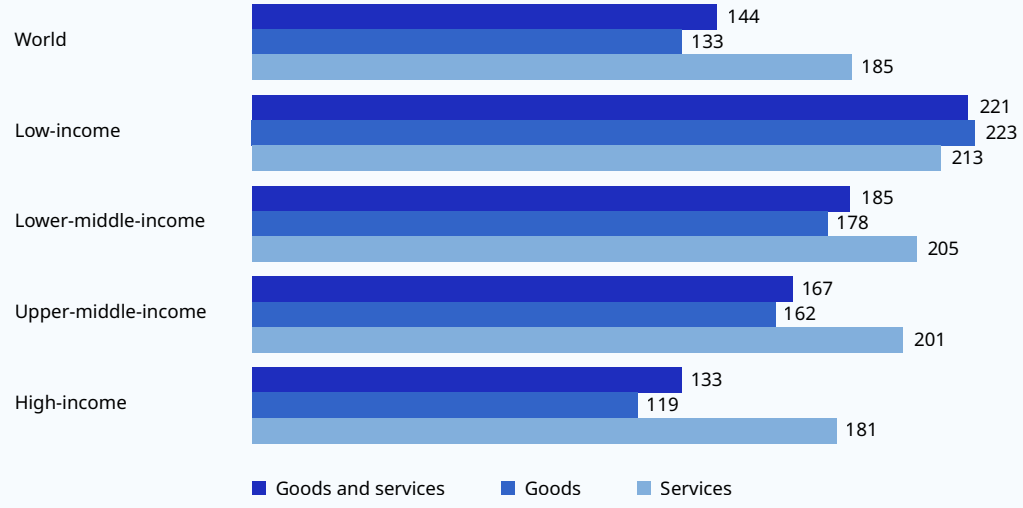
Figure B3.3.1. Total digitally delivered services exports by region, 2005–24 (2005 = 100)



Source: IMF et al. (2023).

Globally, real services trade increased by 85 per cent between 2008 and 2024, compared to 33 per cent for goods (see figure 3.7). The faster expansion of services occurred across all income groups, except low-income countries, which nonetheless reached the highest relative trade growth. Aggregate trade data likely underestimate the value of services for global trade, since manufacturers rely on local services providers to supply part of the value added of the exported good (Cernat 2024; UNCTAD 2025e). A closer look at the sectoral composition of employment linked to trade reveals the major importance of services sector jobs for international trade, and vice-versa.

Figure 3.7. Exports of goods and services at constant prices by country income group, 2024 (2008 = 100)



Note: Exports at constant prices are derived using the GDP deflator.

Source: Calculations based on World Bank World Development Indicators.

Rising number of services jobs depending on foreign demand

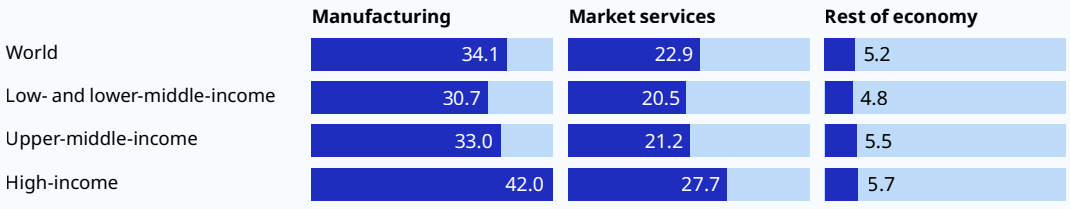
Manufacturing and market services have the largest employment exposure to international trade. In 2024, 34.1 and 22.9 per cent of the global workers in these respective sectors were linked to foreign demand (see figure 3.8).[5] The share of manufacturing workers linked to foreign demand varies between 30.7 per cent in low- and lower-middle-income countries to 42.0 per cent in high-income countries. At 27.7 per cent, high-income countries also host the largest share of market services workers linked to foreign demand.

The rest of the economy category includes agriculture, construction, utilities and non-market services, among other sectors. Employment in these sectors has an average trade exposure of 5.2 per cent, largely due to the low tradability of domestically oriented activities such as construction and utilities. In agriculture, labour intensity is relatively low in high-income countries, while in low- and lower-middle-income countries, much of agricultural employment is in informal subsistence farming, which is not traded by definition.[6] Nevertheless, the sheer size of the rest of the economy means that a significant share of trade-linked employment is found in these sectors (see the analysis below and figure 3.9). Figure 3.9 further illustrates how employment linked to foreign demand is distributed across manufacturing, market services and other sectors over time, revealing the rising importance of services relative to the decline of manufacturing, and the large share of the rest of the economy, globally and across most income groups.

Almost half of global employment linked to trade was in the market services sector in 2022, having risen significantly from 35.9 per cent in 1995 (see figure 3.9). High-income countries saw the largest shift towards trade-related employment in market services from 45.4 per cent in 2008 to 58.8 per cent in 2022. In low- and middle-income countries, the transformation towards services accelerated between 2008 and 2022. Increasing foreign demand for market services contributed 2.8 percentage points to the global rise in the share of market services in total trade-linked employment between 2008 and 2022. Furthermore, demand for manufactured goods also contributed 1.6 percentage points to that increase, highlighting the continued rise of services content in manufacturing, including both services used as intermediate inputs and services embedded in goods exports. This "servicification" was especially strong in upper-middle-income countries.[7] In high-income countries, the importance of market services jobs linked to foreign demand of manufacturing declined between 2008 and 2022, although by much less than the share of manufacturing jobs linked to trade.

The share of manufacturing employment in total employment linked to foreign demand declined from 39.7 per cent in 1995 to 32.9 per cent in 2022, in line with the global decline in

▶ **Figure 3.8. Share of employment linked to foreign demand within sectors by country income group, 2024** (percentage)



Note: Estimates refer to 80 countries and territories covering 85 per cent of global employment. The aggregate sector of market services is defined at ILOSTAT, "Labour Force Statistics (LFS, STLFS, RURBAN databases)".

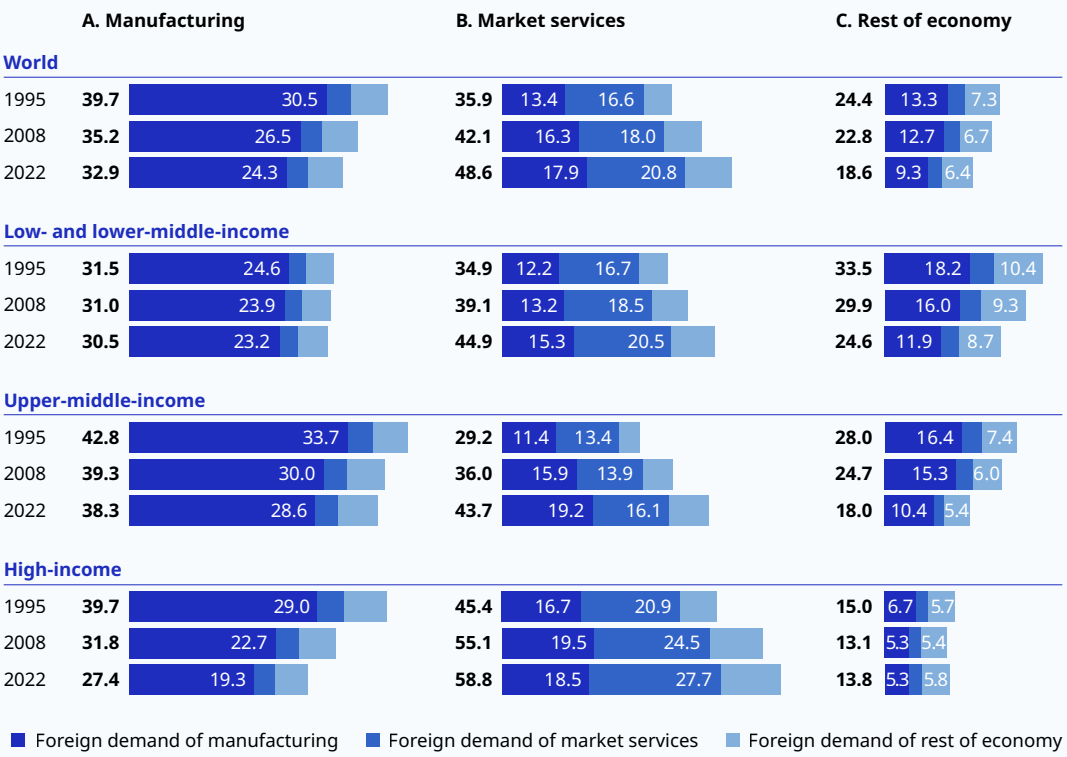
Source: ILO estimates based on ADB (2025) and OECD (2025b). See box 3.2 for the methodology.

5 Aggregate sectors used in this report are defined at ILOSTAT, "Labour Force Statistics (LFS, STLFS, RURBAN databases)".

6 Subsistence farming is for own use and not for market. In 48 countries with available data and where more than 20 per cent of all occupations are agricultural workers, the share of subsistence agricultural workers among all agricultural workers is on average 49 per cent in the latest year available. In the case of mining and quarrying, although these sectors can have a high export share, they typically account for a very small share of total employment in the economy.

7 The rising share of services in manufactured goods has been described as "servicification" (Kizu, Kühn and Viegelahn 2019).

Figure 3.9. Employment linked to foreign demand of output from manufacturing, market services and rest of economy as a share of total employment linked to foreign demand by sector and country income group, 1995, 2008 and 2022 (percentage)



Note: Each row shows the distribution of employment linked to trade for a given year and country income group, with all columns adding up to 100 per cent. Each column shows the share of employment within that sector in total employment linked to trade. Within each sector, trade-linked employment is further disaggregated by the type of final demand in foreign countries. Estimates include 80 countries and territories encompassing 85 per cent of global employment.

Source: ILO estimates based on OECD (2025b). See box 3.2 for the methodology.

overall manufacturing employment. The shift away from manufacturing is most prominent in high-income countries, declining from 39.7 per cent in 1995 to 27.4 per cent in 2022. The share of manufacturing employment in all trade-related employment remained virtually unchanged between 2008 and 2022 in low- and middle-income countries, indicating that manufacturing export-led development remained important. In contrast, the share of trade-related employment in the rest of the economy declined heavily over this period, in line with falling share of agriculture in employment and value added. While shifting demand has been the main driver of the observed sectoral employment shifts related to trade, part of the change also reflects reduced labour intensity in trade-related production. In particular, higher productivity growth in manufacturing compared to market services has lowered relative manufacturing's employment intensity.[8] This trend is closely linked to skills-biased technological change, which raises productivity in certain sectors while reducing demand for low- and medium-skilled workers (Pahl et al. 2022; Rodrik 2018).

8 Between 1995 and 2022 across the 80 countries and territories with available data, average annual productivity growth in manufacturing was 2.8 per cent, versus 0.0 per cent in market services and 1.6 per cent in non-market services. Agriculture saw the highest annual productivity gains at 5.7 per cent, mainly due to a major reduction of subsistence employment in the sector.

▶ Shifting regional patterns of trade

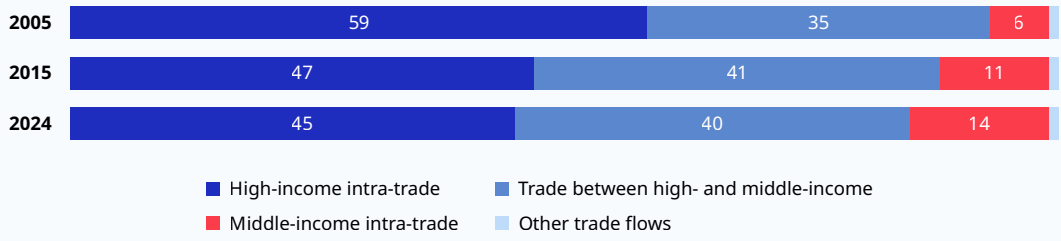
Rising trade among middle-income countries

Over the past two decades, trade among middle-income countries has accelerated, with their trade flows accounting for around 14 per cent of global trade in 2024, compared with around 6 per cent in 2005 (see figure 3.10). Meanwhile, the share of trade between high-income countries has steadily declined; and by 2024, more than a half of global trade involved middle- and low-income countries.

Since 2008, global supply chains have become more inward-oriented, relying on intraregional inputs (Lund et al. 2019). This is partly driven by rising incomes and a growing middle class in emerging economies, which have boosted demand for final goods, spurring regional supply chains and trade between these countries (UNCTAD 2018). However, for most low- and middle-income countries, the share of final demand from outside their region is much greater than within. In 2023, the share of intraregional value added in final demand was 14.5 per cent in developing countries in Asia compared to over 20 per cent for extra-regional value added. Latin America and Africa have long faced challenges in developing strong regional supply chains, owing to limited economic diversification and weak domestic linkages (Delautre 2019; Gallagher and Zarsky 2007; Moreno-Brid, Santamaría and Riva Valdivia 2005; Songwe 2019). Thus, for Latin America, intraregional value added stood at 2.7 per cent, while extra-regional value added reached about 40 per cent (Ehlers et al. 2025). Similarly, Africa has yet to fully realize the potential benefits of the common market within the African Continental Free Trade Area, as the share of intra-African trade remains relatively low (16 per cent in 2023) (UNCTAD 2025f).

Despite these challenges, the Asia-Pacific Regional Cooperation and Integration Index (ARCII), which measures the interconnectedness of economies in the region across various dimensions (trade and FDI, finance, social integration, infrastructure, institutional arrangements, digital connectivity and environmental cooperation), shows Africa and the Middle East recorded the fastest regionalization gains over the past two decades, although from a low base.[9] The European Union, the United Kingdom and Northern America saw slower growth due to already high integration levels (see figure 3.11). These regional trends must be viewed alongside recent evidence of shifting dynamics in global trade[10] (Gopinath et al. 2024; UNCTAD 2025c; WTO 2024b). For example, WTO data from 2024 show that trade within blocs grew faster than trade between them – by up to 4 percentage points between 2022 and 2023 (WTO 2024a). However, in 2025, the WTO reported a slowdown in intra-bloc

▶ Figure 3.10. Global trade flows by value by country income group, 2005, 2015 and 2024
(percentage)



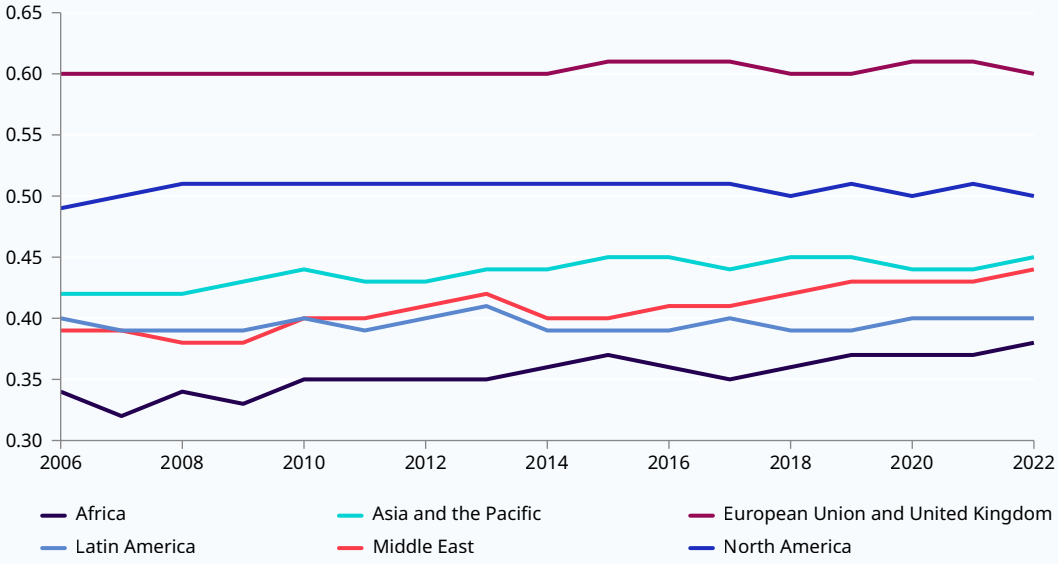
Note: Other trade flows include trade flows with low-income countries, including low-income intra-trade.

Source: ILO calculations based on UN COMTRADE and ITC statistics (available at https://www.trademap.org/Index.aspx).

9 The ARCII index ranges from 0 to 1, where 0 indicates no regional cooperation and 1 represents full regional integration. Countries are classified according to the Asian Development Bank categorization: see ADB, "Methodology".

10 Pre-2025 models did not consider realignments of traditional geopolitical blocs. In general, they treated the "Western" bloc with the European Union and the United States at its centre at one pole of the global economy and the "Eastern" bloc led by China at the other pole.

Figure 3.11. Regional Cooperation and Integration Index by region, 2006–22



Source: ADB, "Asia-Pacific Regional Cooperation and Integration Index".

trade intensification and noted increasing uncertainty around its future composition (WTO 2025a). These patterns of trade integration have direct implications for employment, as shown in the following analysis of intraregional trade-related jobs.

Employment related to intraregional supply chains

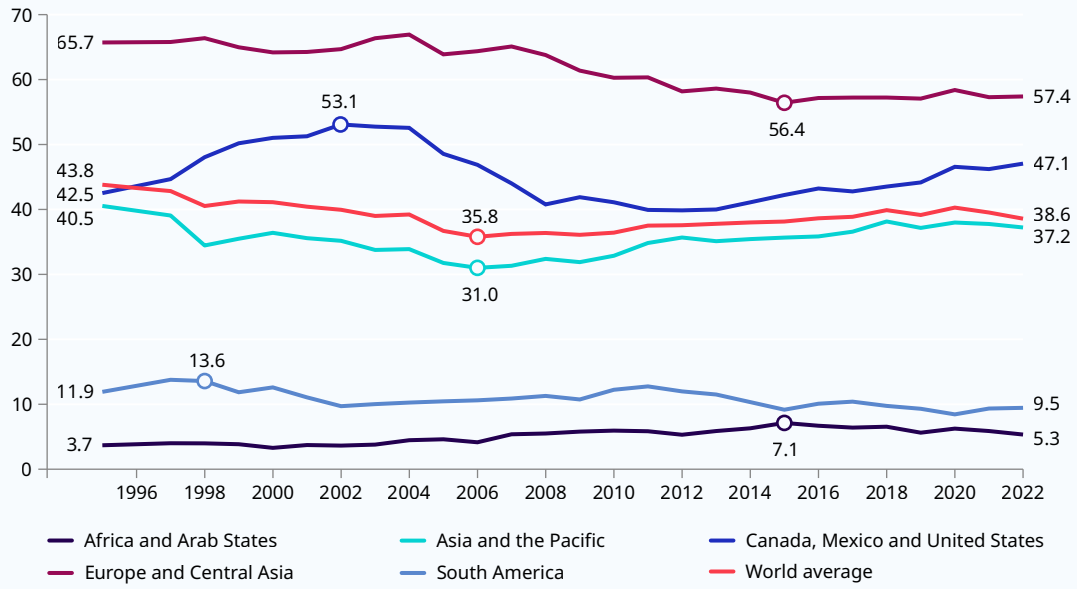
Intraregional trade relations accounted for an average 38.6 per cent of all trade-related employment in 2022 (see figure 3.12).[11] There is significant regional variation both in levels and trends in the employment share due to intraregional trade of intermediate and final goods and services. In terms of levels, the share is highest in Europe and Central Asia, at 57.4 per cent, and in the region formed by the Canada–Mexico–United States trade agreement, at 47.1 per cent. At the other end of the spectrum, the shares are lowest in South America, at 9.5 per cent, and in Africa and the Arab States, at 5.3 per cent.

On average, the share of trade-related employment linked to intraregional trade declined by 7.5 percentage points between 1995 and 2008, to recover somewhat by 2.2 percentage points by 2022 (see figure 3.12). The share declined most significantly in Asia and the Pacific between 1995 and 2006 as the region greatly increased its global supply chain integration with Europe and Northern America, but it has since increased again by 6 percentage points. Europe and Central Asia saw a consistent decline between 2004 and 2015, only to stabilize since. In Canada, Mexico and the United States, the share saw major up- and downswings between 1995 and 2022. Intraregional trade gained in importance for trade-related employment in Africa and the Arab States between 1995 and 2015 but has been on a declining trend again since.

The findings reveal a persistent gap between trade integration and employment outcomes. Regions with strong intraregional trade, such as Europe and Canada, Mexico and the United States, also exhibit higher shares of trade-related employment linked to regional supply chains. Conversely, Africa and South America, where intraregional trade remains limited, show low employment shares and continued dependence on extra-regional demand. While regional economic communities offer pathways to greater integration, their success has been limited owing to structural constraints, institutional rigidities and asymmetries (UNCTAD 2022). Without deeper regional integration and investment, efforts to leverage trade for job creation will remain constrained, particularly in low-income countries.

11 For the world as a whole, all trade is intraregional. The global average is derived by weighing the region's shares by their respective trade-related employment.

Figure 3.12. Share of trade-related employment dependent on intraregional trade relations by region, 1995–2022 (percentage)



Note: Intraregional trade relations encompass exports of final goods or services and exports of intermediate goods and services to partner countries within the same region. World average is the weighted average of the regional shares, where weights are given by total employment related to trade.

Source: ILO estimates based on OECD (2025b).

Conclusion

Trade uncertainty is likely to remain a persistent feature of the global economic landscape, at least in the short term. These dynamics are unfolding alongside broader processes of structural transformation and digitalization, which are reshaping trade, supply chains and production systems. The increasing share of services trade is altering skill demands and redefining employment patterns, while regionalization offers opportunities to strengthen intraregional employment linkages through deeper integration, investment in regional value chains, and coordinated frameworks to enhance infrastructure and institutional capacity. The intersection of trade uncertainty with these long-term shifts will be central to understanding how to anticipate and prepare for labour markets challenges in the coming years.

At the same time, trade and investment remain a powerful engine for quality job creation. Jobs linked to trade tend to be more productive, formalized and better paid. However, these benefits may not be shared widely across the economy, limiting broader economic and social gains. This underscores the importance of ensuring that trade contributes to decent work outcomes from the outset, so that the advantages reach a wider share of workers and enterprises. Regional trade agreements increasingly serve as entry points for strengthening institutional capacity to address decent work deficits, through labour provisions aimed at promoting core labour standards, improving working conditions and fostering social dialogue. These developments highlight the potential of trade not only to generate employment but also to support more inclusive and sustainable labour market outcomes.

References

- ADB (Asian Development Bank). 2025. "ADB Multiregional Input–Output Tables at Current Prices". ADB database. Accessed 30 September 2025. https://kidb.adb.org/globalization/current.
- ADB, RIGVC–UIBE (Research Institute for Global Value Chains at the University of International Business and Economics), WTO (World Trade Organization), IDE–JETRO (Institute of Developing Economies–Japan External Trade Organization) and CDRF (China Development Research Foundation). 2021. *Global Value Chain Development Report 2021: Beyond Production*. http://dx.doi.org/10.22617/TCS210400-2.
- Amiti, Mary, Matthieu Gomez, Sang Hoon Kong and David Weinstein. 2021. "Trade Protection, Stock-Market Returns, and Welfare". NBER Working Paper No. 28758. National Bureau of Economic Research. http://www.nber.org/papers/w28758.
- Billiet Adrien, Frédéric Dufays, Stefanie Friedel and Matthias Staessens. 2021. "The Resilience of the Cooperative Model: How Do Cooperatives Deal with the COVID-19 Crisis?". *Strategic Change* 30 (2): 99–108. https://doi.org/10.1002/jsc.2393.
- Boeckelmann, Lukas, Lorenz Emter, Isabella Moder, Giacomo Pongetti and Tajda Spital. 2024. "Geopolitical Fragmentation in Global and Euro Area Greenfield Foreign Direct Investment". *ECB Economic Bulletin* 7. https://www.ecb.europa.eu/press/economic-bulletin/focus/2024/html/ecb.ebbox202407_01~f5d9608296.en.html.
- Brenton, Paul, Michael J. Ferrantino and Maryla Maliszewska. 2022. *Reshaping Global Value Chains in Light of COVID-19: Implications for Trade and Poverty Reduction in Developing Countries*. World Bank. http://hdl.handle.net/10986/37032.
- Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino and Andrea Raffo. 2019. "The Economic Effects of Trade Policy Uncertainty". International Finance Discussion Papers No. 1256. Federal Reserve System. https://doi.org/10.17016/IFDP.2019.1256.
- Cernat, Lucian. 2024. "The 'Hidden Giant': How Official Statistics Underestimate the True Scale of Global Services Trade". 10 October 2024. https://cepr.org/voxeu/columns/hidden-giant-how-official-statistics-underestimate-true-scale-global-services-trade.
- Ciliberti, Stefano, Angelo Frascarelli and Gaetano Martino. 2020. "Drivers of Participation in Collective Arrangements in the Agri-Food Supply Chain. Evidence from Italy Using a Transaction Costs Economics Perspective". *Annals of Public and Cooperative Economics* 91 (3): 387–409. https://doi.org/10.1111/apce.12263.
- Corley-Coulibaly, Marva, Gaia Grasselli and Ira Postolachi. 2023. *Promoting and Enforcing Compliance with Labour Provisions in Trade Agreements: Comparative Analysis of Canada, European Union and United States Approaches and Practices*. ILO. https://researchrepository.ilo.org/esploro/outputs/995326512902676.
- Crescenzi, Riccardo, Roberto Ganau and Michael Storper. 2022. "Does Foreign Investment Hurt Job Creation at Home? The Geography of Outward FDI and Employment in the USA". *Journal of Economic Geography* 22 (1): 53–79. https://doi.org/10.1093/jeg/lbab016.
- Delautre, Guillaume. 2019. "Decent Work in Global Supply Chains: An Internal Research Review". ILO Research Department Working Paper No. 47. https://researchrepository.ilo.org/esploro/outputs/995218617402676.
- Doan, Ha Thi Thanh, and Quang Long Trinh. 2019. "Technical Change, Exports, and Employment Growth in China: A Structural Decomposition Analysis". ERIA Discussion Paper Series. Economic Research Institute for ASEAN and East Asia. https://www.eria.org/publications/technical-change-exports-and-employment-growth-in-china-a-structural-decomposition-analysis.

▶ Dragusanu, Raluca, Eduardo Montero and Nathan Nunn. 2018. "The Effects of Fair Trade Certification: Evidence from Coffee Producers in Costa Rica". NBER Working Paper No. 24260. National Bureau of Economic Research. https://doi.org/10.3386/w24260.

▶ Ehlers, Torsten, Fredy Gamboa, Han Qiu and Ilhyock Shim. 2025. "Regional Integration Amid Global Fragmentation". BIS Bulletin No. 102. Bank for International Settlements. https://www.bis.org/publ/bisbull102.htm.

▶ European Commission. 2015. *EU Exports to the World: Effects on Employment and Income – Key Findings*. http://www.mo.org.tr/_docs/Ex.pdf.

▶ ———. 2024. "The Cost of Uncertainty: New Estimates". 15 November 2024. https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/autumn-2024-economic-forecast-gradual-rebound-adverse-environment/cost-uncertainty-new-estimates_en.

▶ *The Financial Times*. 2025. "The fDi Report 2025". https://www.ftlocations.com/knowledge-hub/report/fdi-report-2025.

▶ Freund, Caroline, Aaditya Mattoo, Alen Mulabdic and Michele Ruta. 2021. "Natural Disasters and the Reshaping of Global Value Chains". Policy Research Working Paper No. 9719. World Bank. https://doi.org/10.1596/1813-9450-9719.

▶ Gallagher, Kevin P., and Lyuba Zarsky. 2007. *The Enclave Economy: Foreign Investment and Sustainable Development in Mexico's Silicon Valley*. Cambridge, MA: MIT Press.

▶ Gopinath, Gita, Pierre-Olivier Gourinchas, Andrea F. Presbitero and Petia Topalova. 2024. "Changing Global Linkages: A New Cold War?". IMF Working Paper No. 76. International Monetary Fund. https://doi.org/10.5089/9798400272745.001.

▶ Hoekman, Bernard, and Marco Sanfilippo. 2023. "Trade and Value Chain Participation: Domestic Firms and FDI Spillovers in Africa". *The World Economy* 46 (11): 3367–3391. https://doi.org/10.1111/twec.13505.

▶ ILO. 2020. *Achieving Decent Work in Global Supply Chains: Report for Discussion at the Technical Meeting on Achieving Decent Work in Global Supply Chains*. TMDWSC/2020. https://www.ilo.org/meetings-and-events/technical-meeting-achieving-decent-work-global-supply-chains.

▶ ———. 2021. *Trade and Decent Work: Indicator Guide*. https://researchrepository.ilo.org/esploro/outputs/995271455002676.

▶ ———. 2023a. *Integrating Trade and Decent Work: Has Trade Led to Better Jobs? Findings Based on the ILO's Decent Work Indicators*, Volume 1. https://doi.org/10.54394/NVUM2638.

▶ ———. 2023b. *Integrating Trade and Decent Work: The Potential of Trade and Investment Policies to Address Labour Market Issues in Supply Chains*, Volume 2. https://doi.org/10.54394/YGJD7616.

▶ ———. 2025a. *ILO Modelled Estimates: Methodological Overview*. https://ilostat.ilo.org/methods/concepts-and-definitions/ilo-modelled-estimates.

▶ ———. 2025b. "Advancing Decent Work in Supply Chains: Decent Work Challenges and Opportunities in the Textiles and Clothing Sector". ILO Brief. March 2025. https://doi.org/10.54394/PKJM3600.

▶ ———. Forthcoming. "Digital Services, Trade and Youth Employment". ILO Brief.

▶ IMF (International Monetary Fund). 2025. *World Economic Outlook: Global Economy in Flux, Prospects Remain Dim*. https://www.imf.org/en/publications/weo/issues/2025/10/14/world-economic-outlook-october-2025.

▶ IMF, OECD (Organisation for Economic Co-operation and Development), UNCTAD (United Nations Conference on Trade and Development) and WTO (World Trade Organization). 2023. *Handbook on Measuring Digital Trade*. Second edition. https://doi.org/10.5089/9789287073600.071.

- Kizu, Takaaki, Stefan Kühn and Christian Viegelahn. 2019. "Linking Jobs in Global Supply Chains to Demand". *International Labour Review* 158 (2): 213–244. https://doi.org/10.1111/ilr.12142.
- Kpognon, Koffi, Henri Atangana Ondoa and Mamadou Bah. 2020. "Trade Openness and Youth Employment in Sub-Saharan Africa: Should We Regulate the Labor Market?". *Journal of Economic Integration* 35 (4): 751–777. https://doi.org/10.11130/jei.2020.35.4.751.
- Lund, Susan, James Manyika, Jonathan Woetzel, Jacques Bughin, Mekala Krishnan, Jeongmin Seong and Mac Muir. 2019. *Globalization in Transition: The Future of Trade and Value Chains*. McKinsey Global Institute. https://www.mckinsey.com/featured-insights/innovation-and-growth/globalization-in-transition-the-future-of-trade-and-value-chains.
- Moreno-Brid, Juan Carlos, Rosa Gómez Tovar, Joaquín Sánchez Gómez and Lizzeth Gómez Rodríguez. 2021. "Trade Agreements and Decent Work in Mexico: The Case of the Automotive and Textile Industries". ILO Working Paper No. 36. https://researchrepository.ilo.org/esploro/outputs/995219131202676.
- Moreno-Brid, Juan Carlos, Jesús Santamaría and Juan Carlos Rivas Valdivia. 2005. "Industrialization and Economic Growth in Mexico after NAFTA: The Road Travelled". *Development and Change* 36 (6): 1095–1119. https://doi.org/10.1111/j.0012-155X.2005.00451.x.
- Nicita, Alessandro. 2008. "Who Benefits from Export-Led Growth? Evidence from Madagascar's Textile and Apparel Industry". *Journal of African Economies* 17 (3): 465–489. https://doi.org/10.1093/jae/ejm030.
- OECD (Organisation for Economic Co-operation and Development). 2018. *OECD Employment Outlook 2018.* http://dx.doi.org/10.1787/empl_outlook-2018-en.
- ———. 2020. "Foreign Direct Investment Flows in the Time of COVID-19". OECD Policy Paper. 4 May 2020. https://doi.org/10.1787/a2fa20c4-en.
- ———. 2024. *OECD Economic Outlook: May 2024*. https://doi.org/10.1787/69a0c310-en.
- ———. 2025a. *OECD Economic Outlook, Interim Report: Finding the Right Balance in Uncertain Times*. https://doi.org/10.1787/67b10c01-en.
- ———. 2025b. "Inter-Country Input–Output Tables". https://www.oecd.org/en/data/datasets/inter-country-input-output-tables.html.
- Pahl, Stefan, Marcel P. Timmer, Reitze Gouma and Pieter J. Woltjer. 2022. "Jobs and Productivity Growth in Global Value Chains: New Evidence for Twenty-Five Low- and Middle-Income Countries". *The World Bank Economic Review* 36 (3): 670–686. https://doi.org/10.1093/wber/lhac003.
- Pérez, Colombia, Abigail Hunt and Moizza Binat Sarwar. 2022. "Organizing Workers in the Informal Economy in Selected African and Latin American Countries: The Potential of Trade Union and Social and Solidarity Economy (SSE) Partnerships". *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa* 105: 93–114. https://doi.org/10.7203/CIRIEC-E.105.24261.
- RIGVC–UIBE (Research Institute for Global Value Chains at the University of International Business and Economics), ADB (Asian Development Bank), IDE–JETRO (Institute of Developing Economies–Japan External Trade Organization) and WTO (World Trade Organization). 2023. *Global Value Chain Development Report 2023: Resilient and Sustainable GVCs in Turbulent Times*. https://www.wto.org/english/res_e/publications_e/gvc_dev_rep23_e.htm.
- Rodrik, Dani. 2018. "New Technologies, Global Value Chains, and Developing Economies". NBER Working Paper No. 25164. National Bureau of Economic Research. https://doi.org/10.3386/w25164.
- Saurav, Abhishek, Yan Liu and Aarushi Sinha. 2020. *Foreign Direct Investment and Employment Outcomes in Developing Countries: A Literature Review of the Effects of FDI on Job Creation and Wages.* World Bank. http://documents.worldbank.org/curated/en/956231593150550672.

▶ Sgrignoli, Paolo, Rodolfo Metulini, Zhen Zhu and Massimo Riccaboni. 2017. "The Indirect Effects of FDI on Trade: A Network Perspective". *arXiv*. https://doi.org/10.48550/arXiv.1705.02187.

▶ Songwe, Vera. 2019. "Intra-African Trade: A Path to Economic Diversification and Inclusion". In *Foresight Africa: Top Priorities for the Continent in 2019*, edited by Brahima S. Coulibaly, 97–104. Washington, DC: Brookings Institution.

▶ Tejani, Sheba, and David Kucera. 2021. "Defeminization, Structural Transformation and Technological Upgrading in Manufacturing". *Development and Change* 52 (3): 533–573. https://doi.org/10.1111/dech.12650.

▶ Tejani, Sheba, and William Milberg. 2016. "Global Defeminization? Industrial Upgrading and Manufacturing Employment in Developing Countries". *Feminist Economics* 22 (2): 24–54. http://dx.doi.org/10.1080/13545701.2015.1120880.

▶ Timmer, Marcel P., Erik Dietzenbacher, Bart Los, Robert Stehrer and Gaaitzen J. de Vries. 2015. "An Illustrated User Guide to the World Input–Output Database: The Case of Global Automotive Production". *Review of International Economics* 23 (3): 575–605. http://dx.doi.org/10.1111/roie.12178.

▶ UNCTAD (United Nations Conference on Trade and Development). 2018. *Trade and Development Report 2018: Power, Platforms and the Free Trade Delusion*. https://unctad.org/publication/trade-and-development-report-2018.

▶ ———. 2019. *Trade Policies and Their Impact on Inequalities: Note by the UNCTAD Secretariat*. TD/B/66/4. https://unctad.org/system/files/official-document/tdb66_d4_en.pdf.

▶ ———. 2022. *Trade and Development Report 2022: Development Prospects in a Fractured World – Global Disorder and Regional Responses*. https://unctad.org/publication/trade-and-development-report-2022.

▶ ———. 2024a. *Review of Maritime Transport 2024: Navigating Maritime Chokepoints*. https://unctad.org/publication/review-maritime-transport-2024.

▶ ———. 2024b. *Global Economic Fracturing and Shifting Investment Patterns*. https://unctad.org/publication/global-economic-fracturing-and-shifting-investment-patterns.

▶ ———. 2025a. "Global Trade Grew $300 Billion in the First Half of 2025, Led by US Imports and EU Exports". 8 July 2025. https://unctad.org/news/global-trade-grew-300-billion-first-half-2025-led-us-imports-and-eu-exports.

▶ ———. 2025b. "Downturn in Global Investment Persists in Early 2025". Global Investment Trends Monitor No. 49. https://unctad.org/publication/global-investment-trends-monitor-no-49.

▶ ———. 2025c. *World Investment Report 2025: International Investment in the Digital Economy*. https://unctad.org/publication/world-investment-report-2025.

▶ ———. 2025d. "Glossary". Accessed 13 November 2025. https://sdgpulse.unctad.org/glossary.

▶ ———. 2025e. *Primer on Data for Trade in Services and Development Policies: Technical Cooperation Outcome*. https://unctad.org/publication/primer-data-trade-services-and-development-policies.

▶ ———. 2025f. *Economic Development in Africa Report 2024: Unlocking Africa's Trade Potential – Boosting Regional Markets and Reducing Risks*. https://unctad.org/publication/economic-development-africa-report-2024.

▶ Winkler, Deborah, Hagen Kruse, Luis Aguilar Luna and Maryla Maliszewska. 2023. "Linking Trade to Jobs, Incomes, and Activities: New Stylized Facts for Low- and Middle-Income Countries". Policy Research Working Paper No. 10635. World Bank. https://doi.org/10.1596/1813-9450-10635.

- World Bank. 2025. "Global Economy Set for Weakest Run Since 2008 Outside of Recessions". Press Release. 10 June 2025. https://www.worldbank.org/en/news/press-release/2025/06/10/global-economic-prospects-june-2025-press-release.
- World Bank and WTO (World Trade Organization). 2018. *Trade and Poverty Reduction: New Evidence of Impacts in Developing Countries*. http://documents.worldbank.org/curated/en/968461544478747599.
- WTO (World Trade Organization). 2017. *World Trade Report 2017: Trade, Technology and Jobs*. https://www.wto.org/english/res_e/publications_e/wtr17_e.htm.
- ———. 2024a. *World Trade Report 2024: Trade and Inclusiveness – How to Make Trade Work for All*. https://www.wto.org/english/res_e/publications_e/wtr24_e.htm.
- ———. 2024b. *Global Trade Outlook and Statistics: Update – October 2024*. https://www.wto.org/english/res_e/reser_e/gtos_e.htm.
- ———. 2025a. *Global Trade Outlook and Statistics: April 2025*. https://www.wto.org/english/res_e/publications_e/trade_outlook25_e.htm.
- ———. 2025b. *Global Trade Outlook and Statistics: Update – October 2025*. https://www.wto.org/english/res_e/publications_e/gtos1025_e.htm.
- WTO, IDE–JETRO (Institute of Developing Economies–Japan External Trade Organization), OECD (Organisation for Economic Co-operation and Development), RIGVC–UIBE (Research Institute for Global Value Chains at the University of International Business and Economics) and World Bank. 2019. *Global Value Chain Development Report 2019: Technological Innovation, Supply Chain Trade, and Workers in a Globalized World*. https://www.wto.org/english/res_e/publications_e/gvcd_report_19_e.htm.

Appendix A. Geographical regions and income groups of ILO modelled estimates

Table A1. ILO geographical grouping of countries and territories

Major region and subregion	Number of countries and territories
Africa	
Northern Africa	7
Sub-Saharan Africa	47
Americas	
Latin America and the Caribbean	31
Northern America	2
Arab States	12
Asia and the Pacific	
Eastern Asia	8
Pacific Islands	10
South-Eastern Asia	12
Southern Asia	9
Europe and Central Asia	
Central and Western Asia	11
Eastern Europe	10
Northern, Southern and Western Europe	30
Total	189

▶ Table A2. Grouping of countries and territories by ILO subregion

Subregion	Countries and territories
Northern Africa (7)	Algeria, Egypt, Libya, Morocco, Sudan, Tunisia, Western Sahara
Sub-Saharan Africa (47)	Angola, Benin, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, South Africa, South Sudan, Togo, Uganda, United Republic of Tanzania, Zambia, Zimbabwe
Latin America and the Caribbean (31)	Argentina, Bahamas, Barbados, Belize, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, United States Virgin Islands, Uruguay, Venezuela (Bolivarian Republic of)
Northern America (2)	Canada, United States of America
Arab States (12)	Bahrain, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, State of Palestine, Syrian Arab Republic, United Arab Emirates, Yemen
Eastern Asia (8)	China, Democratic People's Republic of Korea, Hong Kong (China), Japan, Macao (China), Mongolia, Republic of Korea, Taiwan Province of China
Pacific Islands (10)	Australia, Fiji, French Polynesia, Guam, New Caledonia, New Zealand, Samoa, Solomon Islands, Tonga, Vanuatu
South-Eastern Asia (12)	Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Papua New Guinea, Philippines, Singapore, Thailand, Timor-Leste, Viet Nam
Southern Asia (9)	Afghanistan, Bangladesh, Bhutan, India, Iran (Islamic Republic of), Maldives, Nepal, Pakistan, Sri Lanka
Central and Western Asia (11)	Armenia, Azerbaijan, Cyprus, Georgia, Israel, Kazakhstan, Kyrgyzstan, Tajikistan, Türkiye, Turkmenistan, Uzbekistan
Eastern Europe (10)	Belarus, Bulgaria, Czechia, Hungary, Poland, Republic of Moldova, Romania, Russian Federation, Slovakia, Ukraine
Northern, Southern and Western Europe (30)	Albania, Austria, Belgium, Bosnia and Herzegovina, Channel Islands, Croatia, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Montenegro, Netherlands, North Macedonia, Norway, Portugal, Serbia, Slovenia, Spain, Sweden, Switzerland, United Kingdom

Table A3. Grouping of countries and territories by income level

Income level	Countries and territories
High-income (63)	Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Brunei Darussalam, Bulgaria, Canada, Channel Islands, Chile, Costa Rica, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, French Polynesia, Germany, Greece, Guam, Guyana, Hong Kong (China), Hungary, Iceland, Ireland, Israel, Italy, Japan, Kuwait, Latvia, Lithuania, Luxembourg, Macao (China), Malta, Netherlands, New Caledonia, New Zealand, Norway, Oman, Panama, Poland, Portugal, Puerto Rico, Qatar, Republic of Korea, Romania, Russian Federation, Saudi Arabia, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, Taiwan Province of China, Trinidad and Tobago, United Arab Emirates, United Kingdom, United States of America, United States Virgin Islands, Uruguay
Upper-middle-income (49)	Albania, Algeria, Argentina, Armenia, Azerbaijan, Belarus, Belize, Bosnia and Herzegovina, Botswana, Brazil, Cabo Verde, China, Colombia, Cuba, Dominican Republic, Ecuador, El Salvador, Equatorial Guinea, Fiji, Gabon, Georgia, Guatemala, Indonesia, Iran (Islamic Republic of), Iraq, Jamaica, Kazakhstan, Libya, Malaysia, Maldives, Mauritius, Mexico, Mongolia, Montenegro, North Macedonia, Paraguay, Peru, Republic of Moldova, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Serbia, South Africa, Suriname, Thailand, Tonga, Türkiye, Turkmenistan, Ukraine, Venezuela (Bolivarian Republic of)
Lower-middle-income (51)	Angola, Bangladesh, Benin, Bhutan, Bolivia (Plurinational State of), Cambodia, Cameroon, Comoros, Congo, Côte d'Ivoire, Djibouti, Egypt, Eswatini, Ghana, Guinea, Haiti, Honduras, India, Jordan, Kenya, Kyrgyzstan, Lao People's Democratic Republic, Lebanon, Lesotho, Mauritania, Morocco, Myanmar, Namibia, Nepal, Nicaragua, Nigeria, Pakistan, Papua New Guinea, Philippines, Sao Tome and Principe, Senegal, Solomon Islands, Sri Lanka, State of Palestine, Tajikistan, Timor-Leste, Tunisia, United Republic of Tanzania, Uzbekistan, Vanuatu, Viet Nam, Western Sahara, Zambia, Zimbabwe
Low-income (26)	Afghanistan, Burkina Faso, Burundi, Central African Republic, Chad, Democratic People's Republic of Korea, Democratic Republic of the Congo, Eritrea, Ethiopia, Gambia, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Somalia, South Sudan, Sudan, Syrian Arab Republic, Togo, Uganda, Yemen

Note: Based on the World Bank classification for 2025.

▶ Appendix B. Estimation of the change in return to skilled and unskilled labour due to rising trade uncertainty

The estimation uses a computable general equilibrium model from the Global Trade Analysis Project (GTAP). In particular, this report uses the recursive-dynamic, multi-region GTAP Resource Display model calibrated to the GTAP 11 Data Base (version 11C, base year 2017 and projected to 2024), aggregated to ten regions (East Asia, European Union and United Kingdom, Latin America, Middle East and North Africa, North America, Oceania, South Asia, Southeast Asia, sub-Saharan Africa and rest of world) and to nine broad sectors (agriculture, extraction, processed food, textiles and light manufacturing, heavy manufacturing, utilities and construction, transport and communications, and other services).

Trade policy uncertainty (TPU) is introduced in two complementary ways: (i) an increase in "home bias" in the sourcing of intermediate goods (inputs used to produce further intermediate or final goods or services), implemented by adjusting taste parameters to tilt demand towards domestic inputs; and (ii) an increase in iceberg-type trade costs (a percentage of imports is lost), representing higher inventory, logistics and compliance costs. The magnitude and timing of these two mechanisms are calibrated to tariff-water-based estimates and ad valorem equivalents reported by the World Trade Organization (WTO)[1] and other related work,[2] with effects front-loaded over the first five years so that agents incorporate the expected cost and behaviour changes into their decision-making. In the increasing TPU scenario, home-bias parameters for goods rise by 2 percentage points in the first year and 1 percentage point in each of the following four years (resulting in a cumulative 6-point increase). Iceberg-type trade costs on imports rise by 4.8 per cent over the same five-year horizon, relative to the baseline in which neither home bias nor trade costs change.

1 WTO, *Global Trade Outlook and Statistics: April 2025*, 2025.

2 The WTO defines tariff water as the difference between the maximum tariff which can be applied under WTO rules and the rate that is actually applied. For example, see: Jeronimo Carballo, Kyle Handley and Nuno Limão, "Economic and Policy Uncertainty: Aggregate Export Dynamics and the Value of Agreements", *Journal of International Economics* 139 (2022): 103661; and Kyle Handley and Nuno Limão, "Trade Policy Uncertainty", *Annual Review of Economics* 14 (2022): 363–395.

Advancing social justice, promoting decent work

The International Labour Organization is the United Nations agency for the world of work. We bring together governments, employers and workers to drive a human-centred approach to the future of work through employment creation, rights at work, social protection and social dialogue.

Labour markets have proven resilient in the face of heightened economic and trade uncertainty. Yet, widespread decent work deficits persist: the number of working poor and informal workers is rising in low-income countries, while gender gaps continue to prevail. Demographic transitions pose distinct challenges in different regions of the world. Whereas ageing populations in high-income countries is leading to a shrinking labour force, low-income countries are not generating sufficient quality jobs to capitalize on the large cohort of young people entering the labour market. At the same time, the positive effects of new technologies such as artificial intelligence have not yet materialized, and productivity growth remains stalled – underscoring that economic growth alone is insufficient to deliver meaningful advances in decent work. Governments, employers and workers need to develop and promote joint strategies to reduce decent work deficits and advance social justice.

Employment and Social Trends 2026 – part of the World of Work Series – examines these issues by analysing global patterns, regional differences and outcomes across groups of workers. The report also offers labour market projections for 2026 and 2027 and presents trends in key indicators – such as labour force participation, employment growth and informality – and analyses their contributions to observed decent work deficits. In addition, it explores the role played by economic transformation in driving productivity growth and improvements in employment quality.

ilo.org

International Labour Organization
Route des Morillons 4
1211 Geneva 22
Switzerland