

Prakash Loungani, International Monetary Fund | August 25, 2010  
GEORGIA STATE UNIVERSITY ECONOMIC FORECASTING CONFERENCE

# ARE WE HEADED FOR A GLOBAL, JOBLESS RECOVERY?

**VIEWS EXPRESSED ARE THOSE OF THE PRESENTER AND SHOULD NOT BE ASCRIBED TO THE IMF.**

I thank Jair Rodriguez for excellent research assistance.

Some of this material draws on work with Philippe Bracke, Mai Dao, Deniz Igan, Joao Jalles and Iskander Karibzhanov.

I'm grateful to Max Bonici for helping put together the presentation.

# Outline

## State of Global Labor Markets

- Impact of the Great Recession on unemployment worldwide
- Forecasts for unemployment, 2011-12



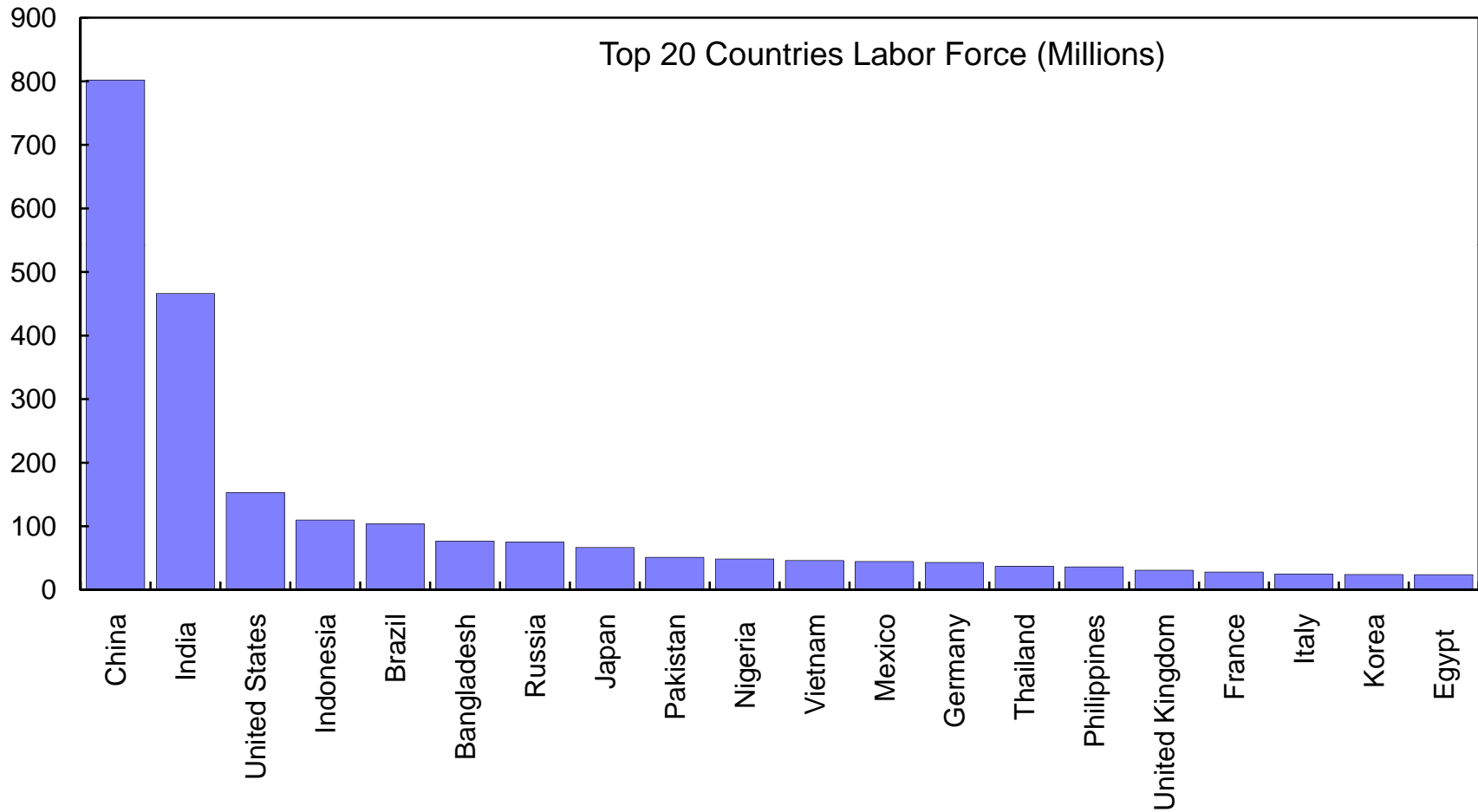
## Policy Actions

- Monetary and Fiscal Policy
- Housing Policies
- Active Labor Market Policies

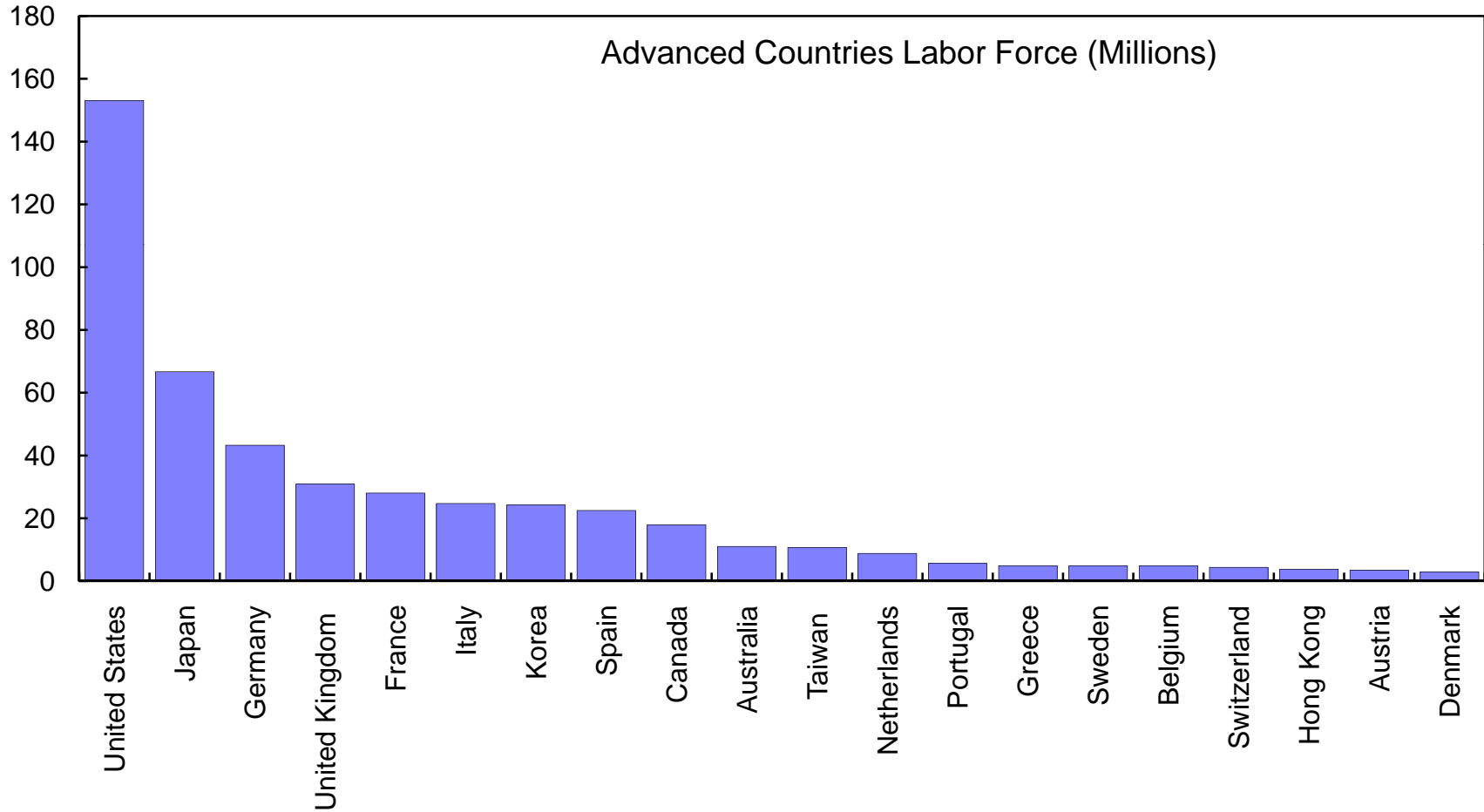
# State of Global Labor Markets

Dire.

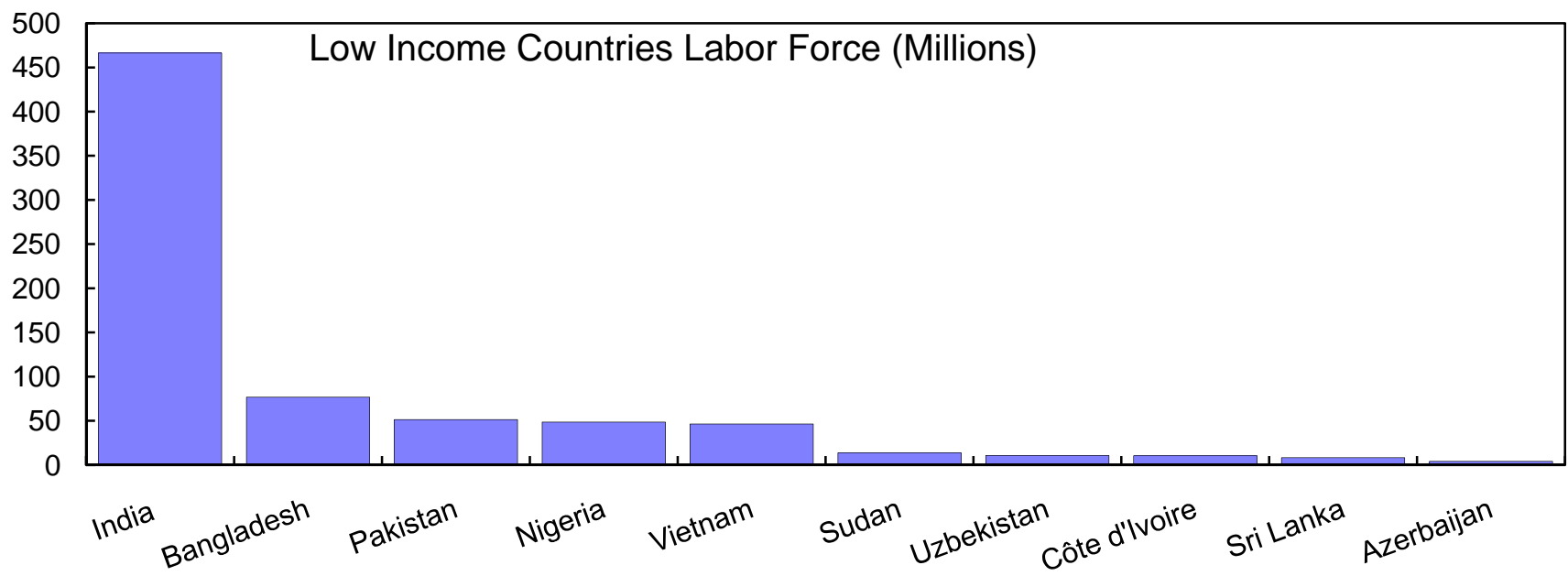
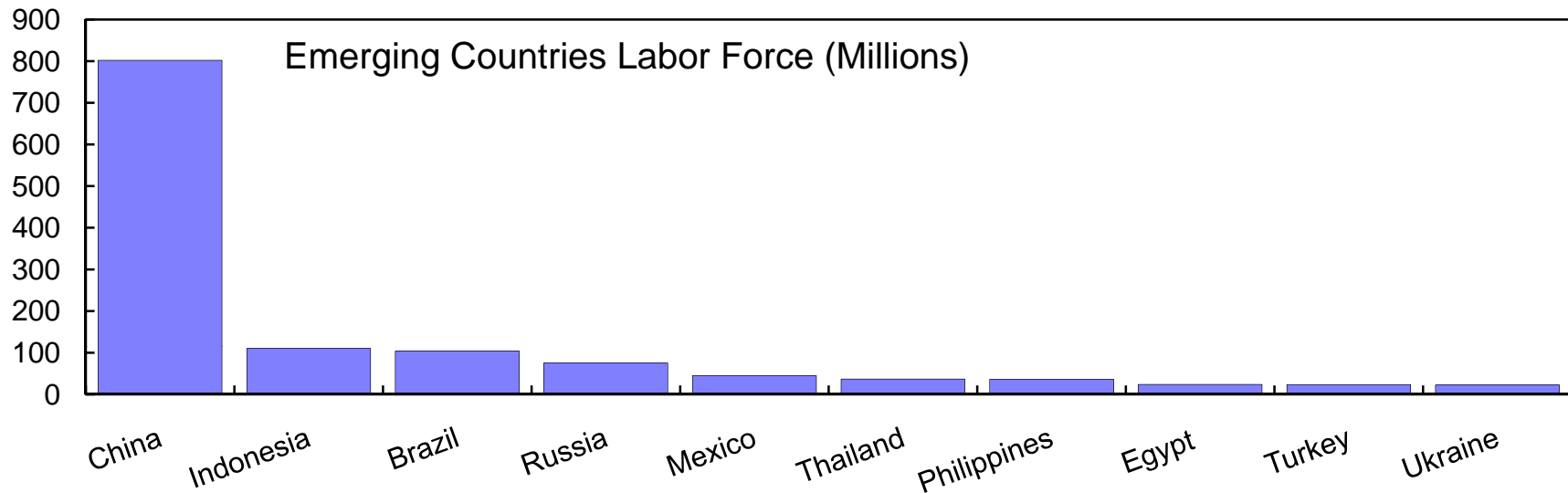
# Background: Global Labor Force



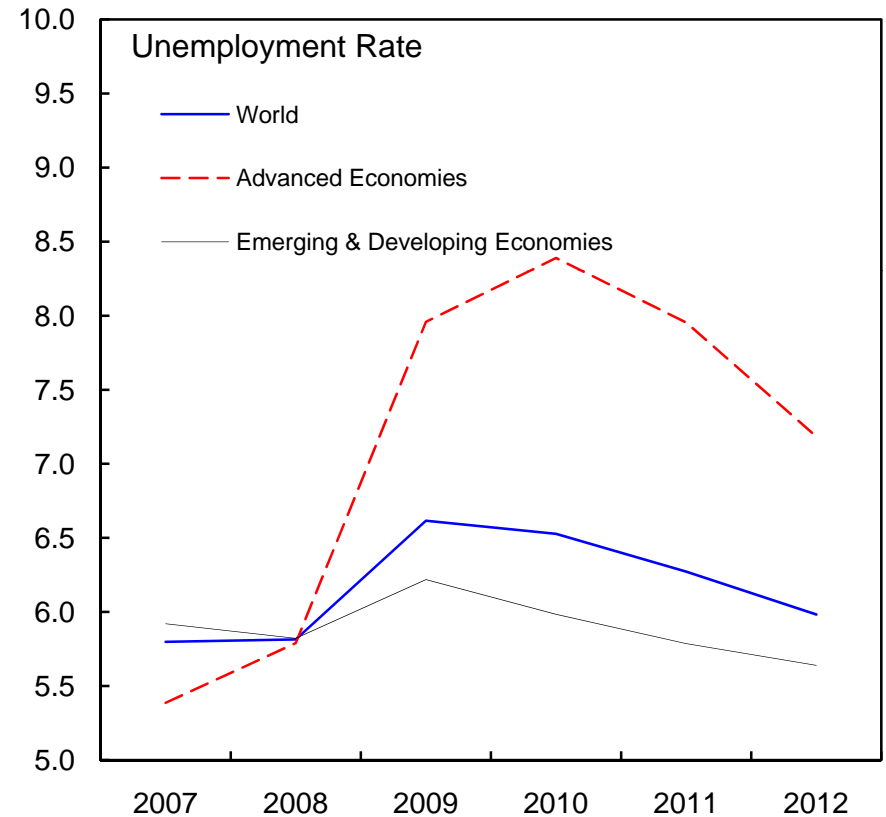
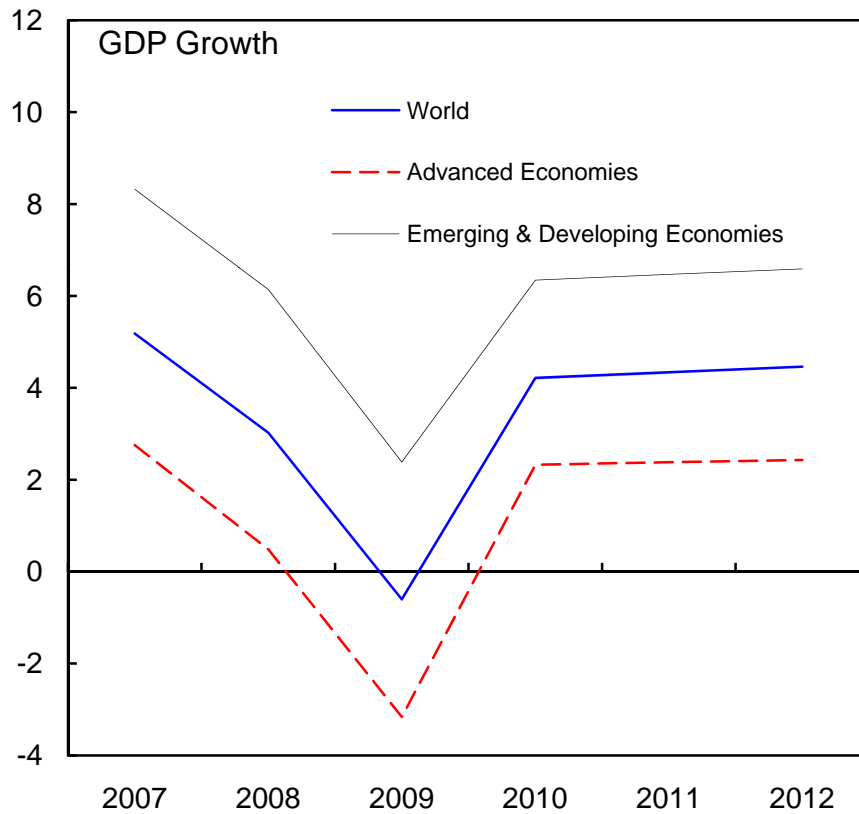
# Background: Advanced Countries Labor Force



# Background: Emerging Markets and Low-Income Countries Labor Force

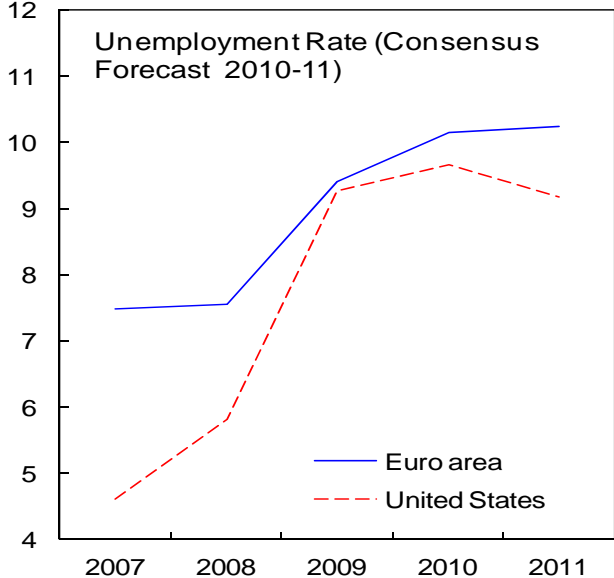
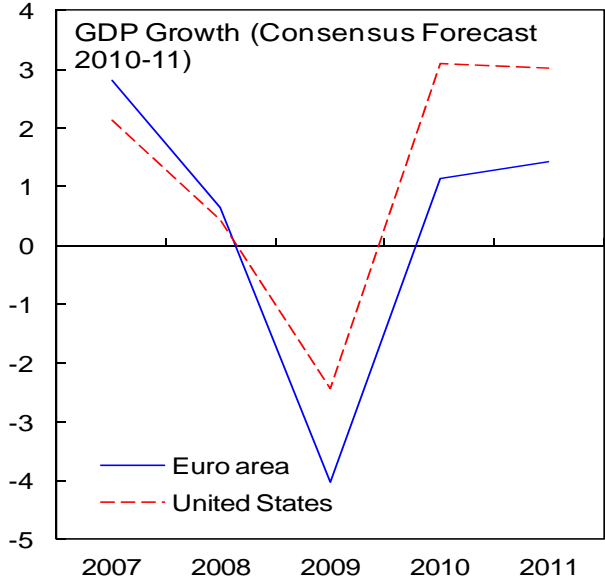
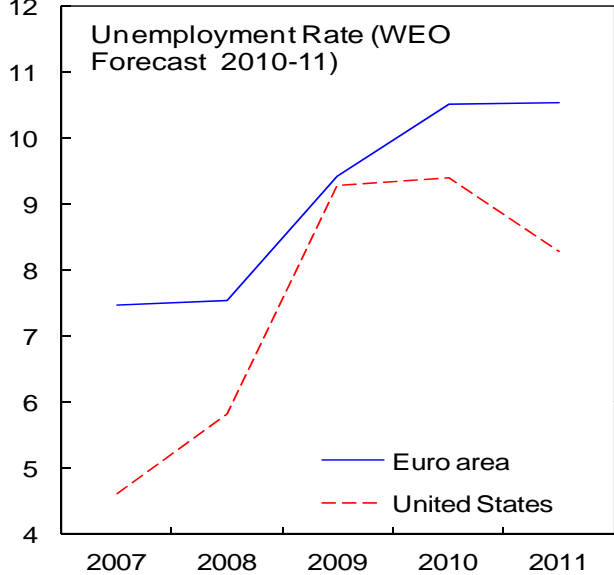
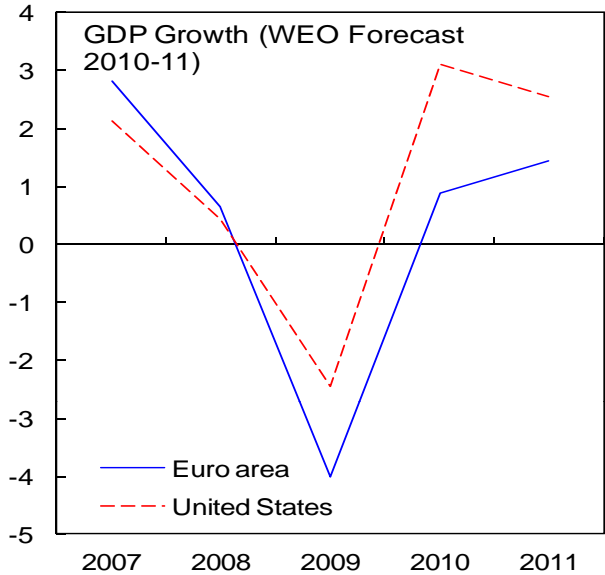


# Do you want jobs with that recovery?

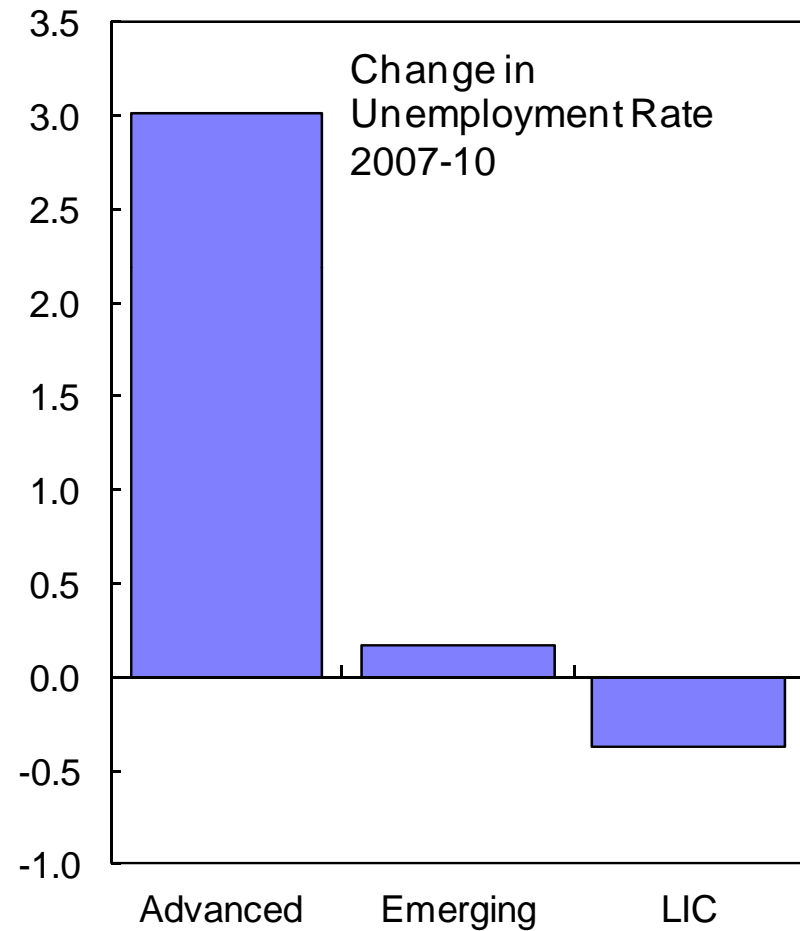
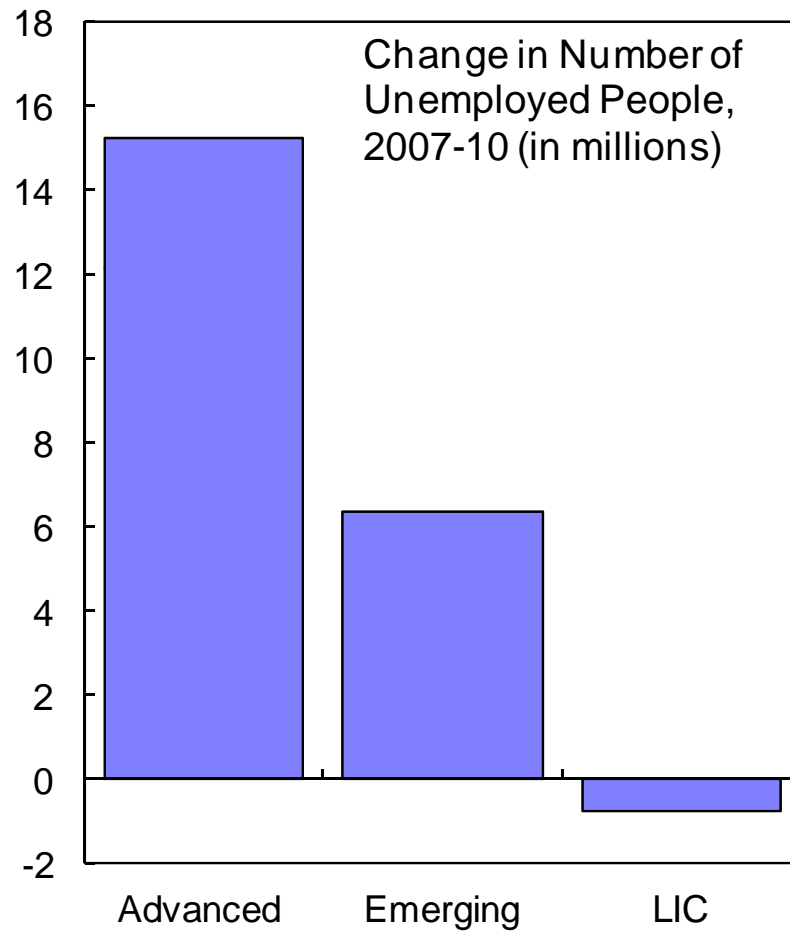


# Do you want jobs with that recovery?

## US and Euro Area

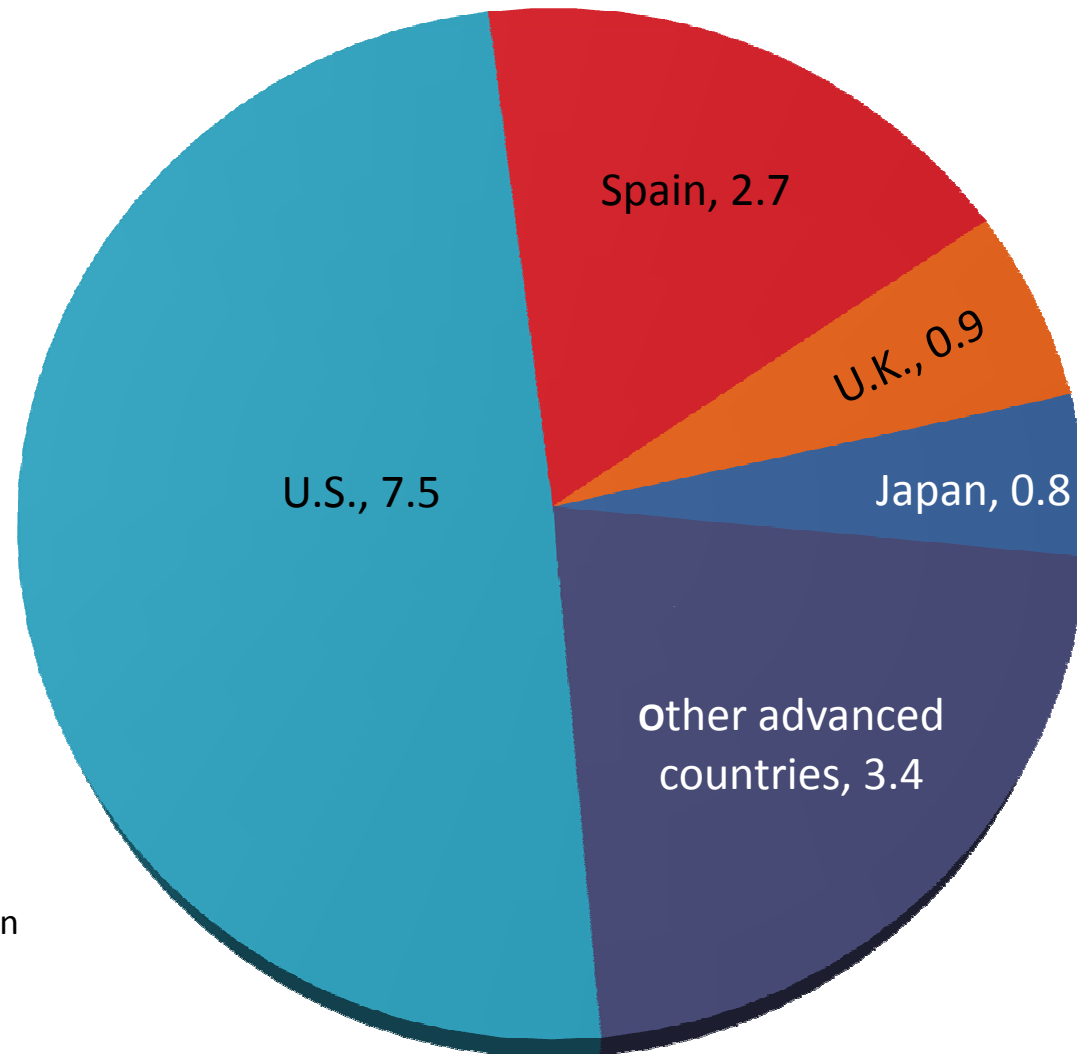


# Brother, can you spare a job?



# U.S. – a large share of the pie

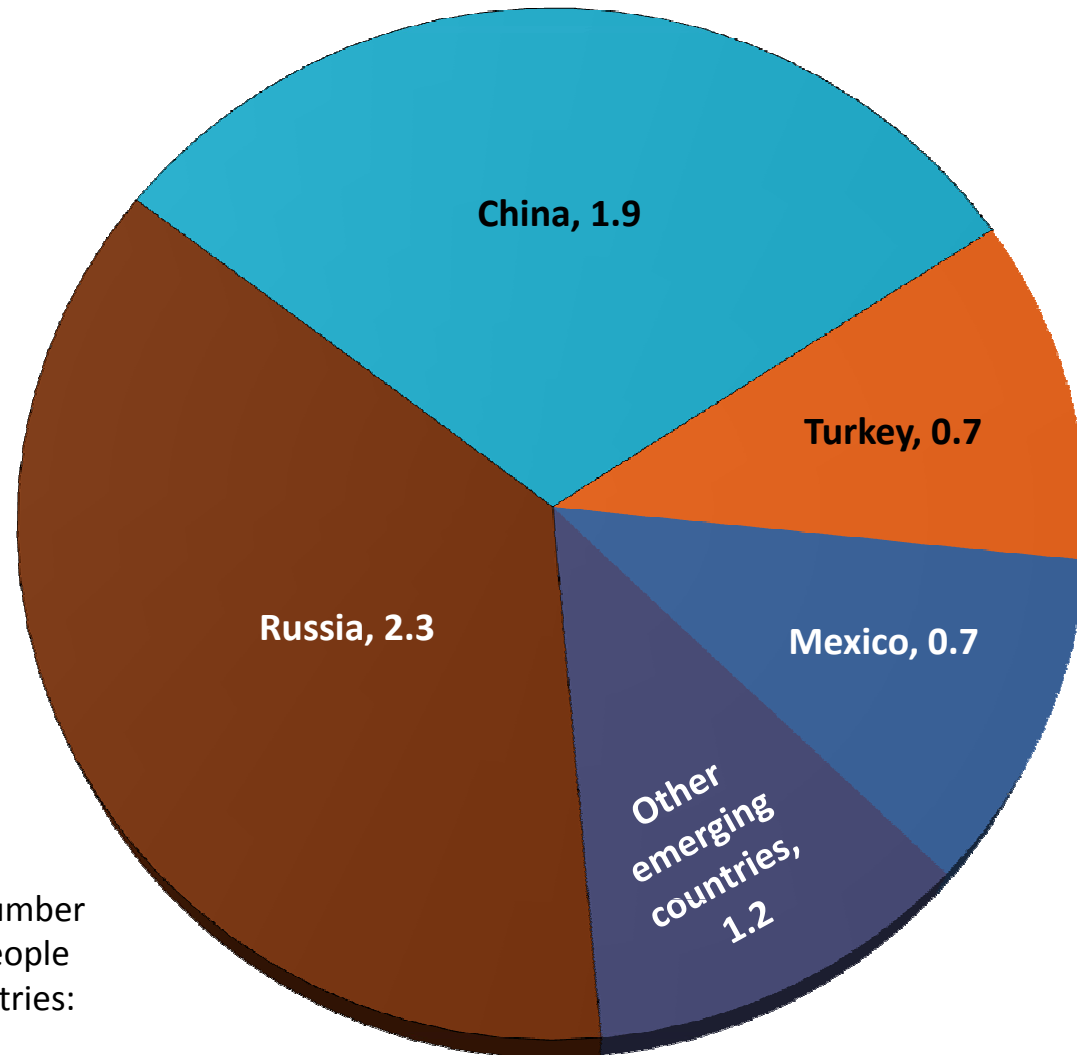
Advanced Countries: Change in Number of Unemployed People, 2007-10 (in millions)



Change in number of unemployed people in advanced countries: 15.3 million

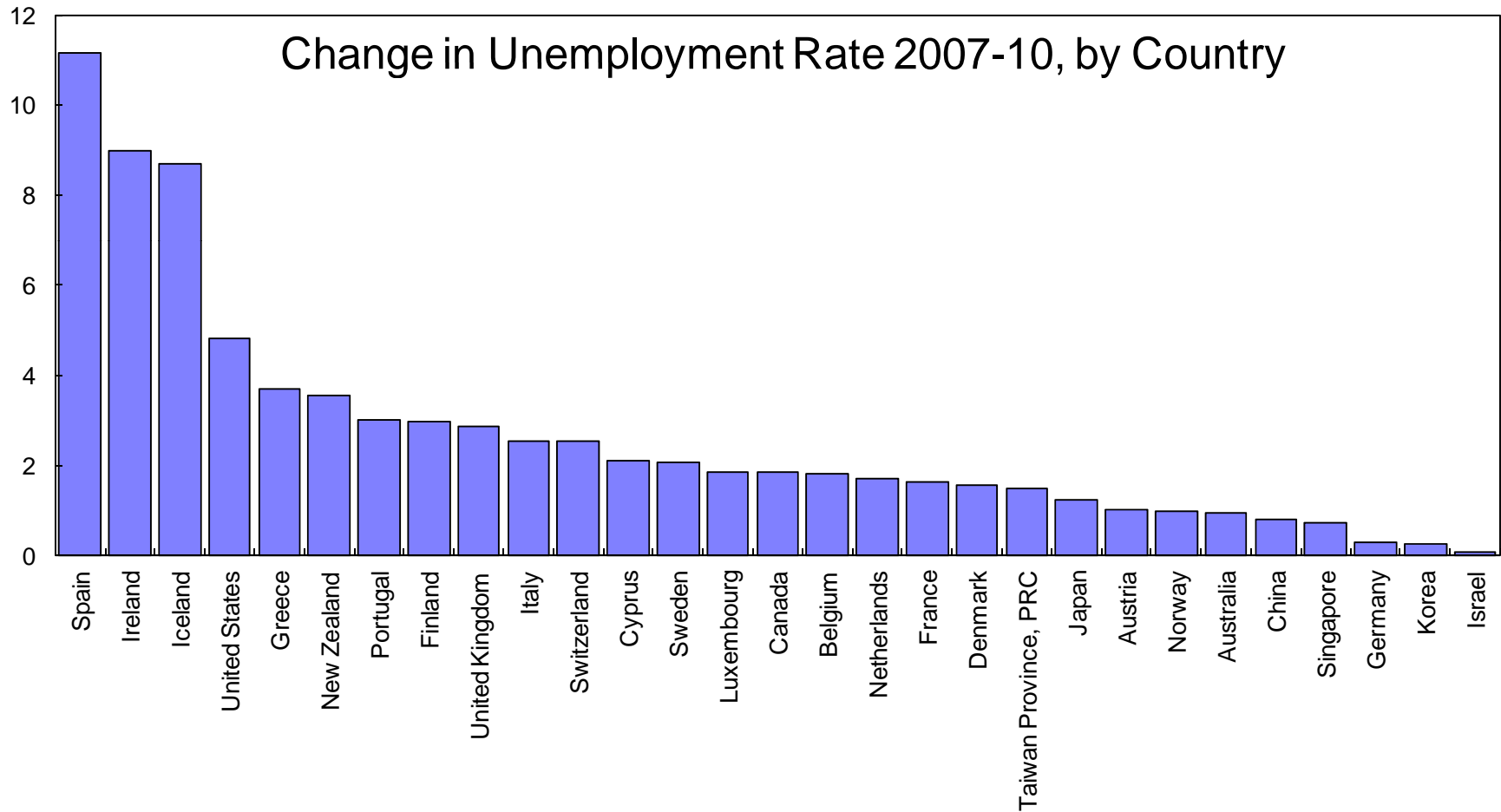
# Unemployment: Emerging Markets

Emerging Countries: Change in Number of Unemployed People, 2007-10 (in millions)



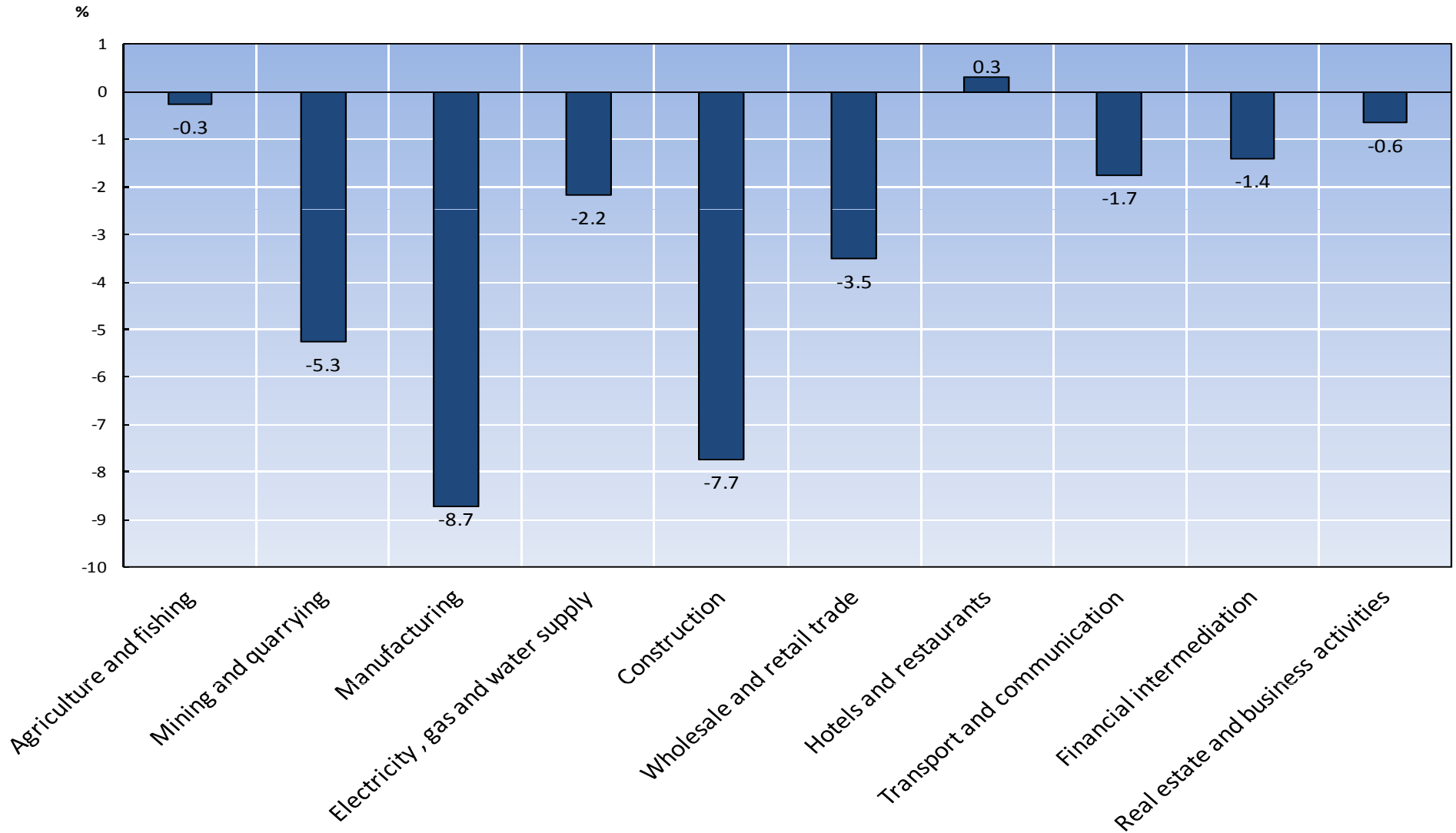
Change in total number of unemployed people in emerging countries: 6.4 million

# Impact of the Great Recession on unemployment rates

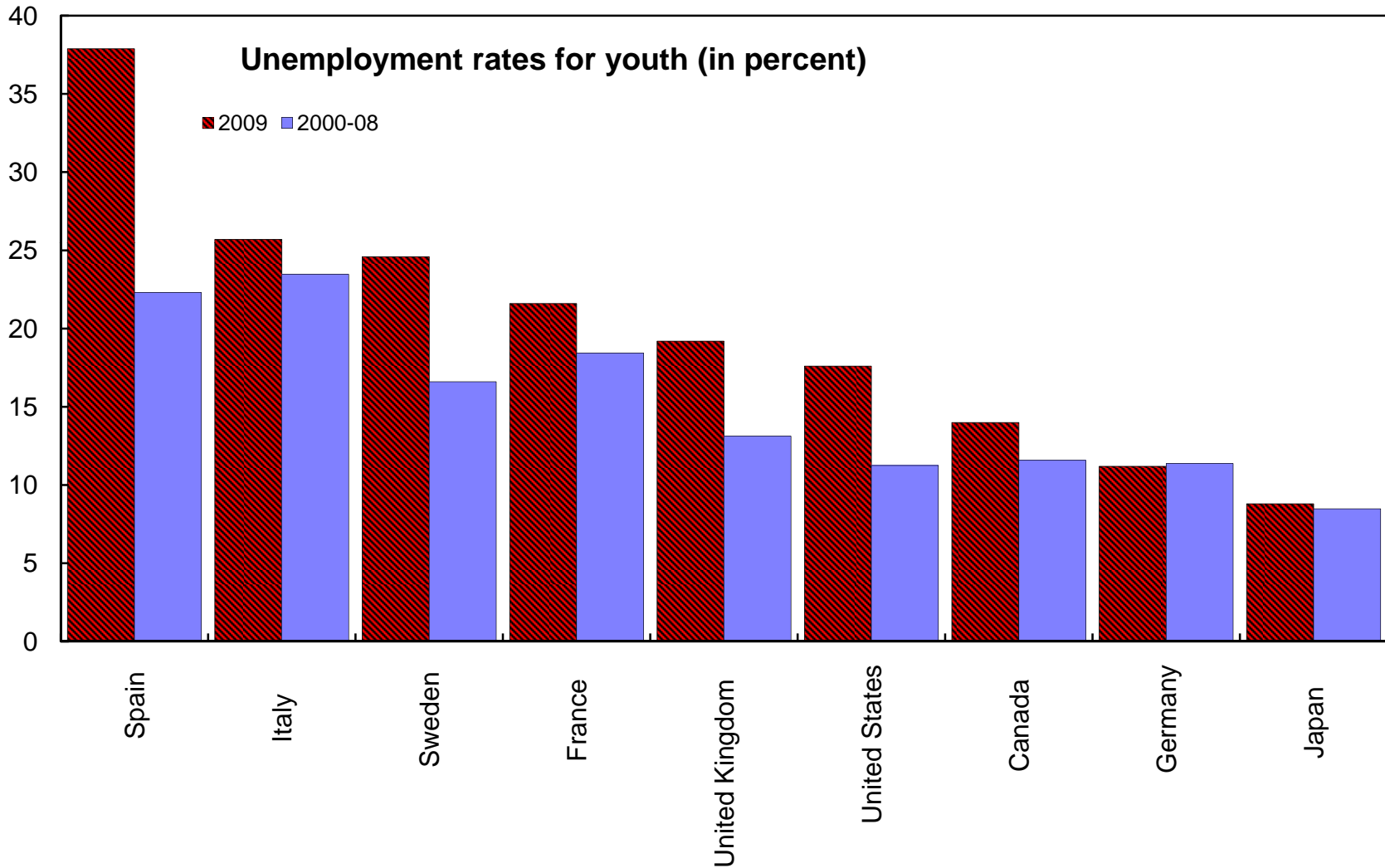


# Who's taking the hit?

Change in Employment by Industry,  
OECD Countries, 2008 Q4 to 2009 Q4

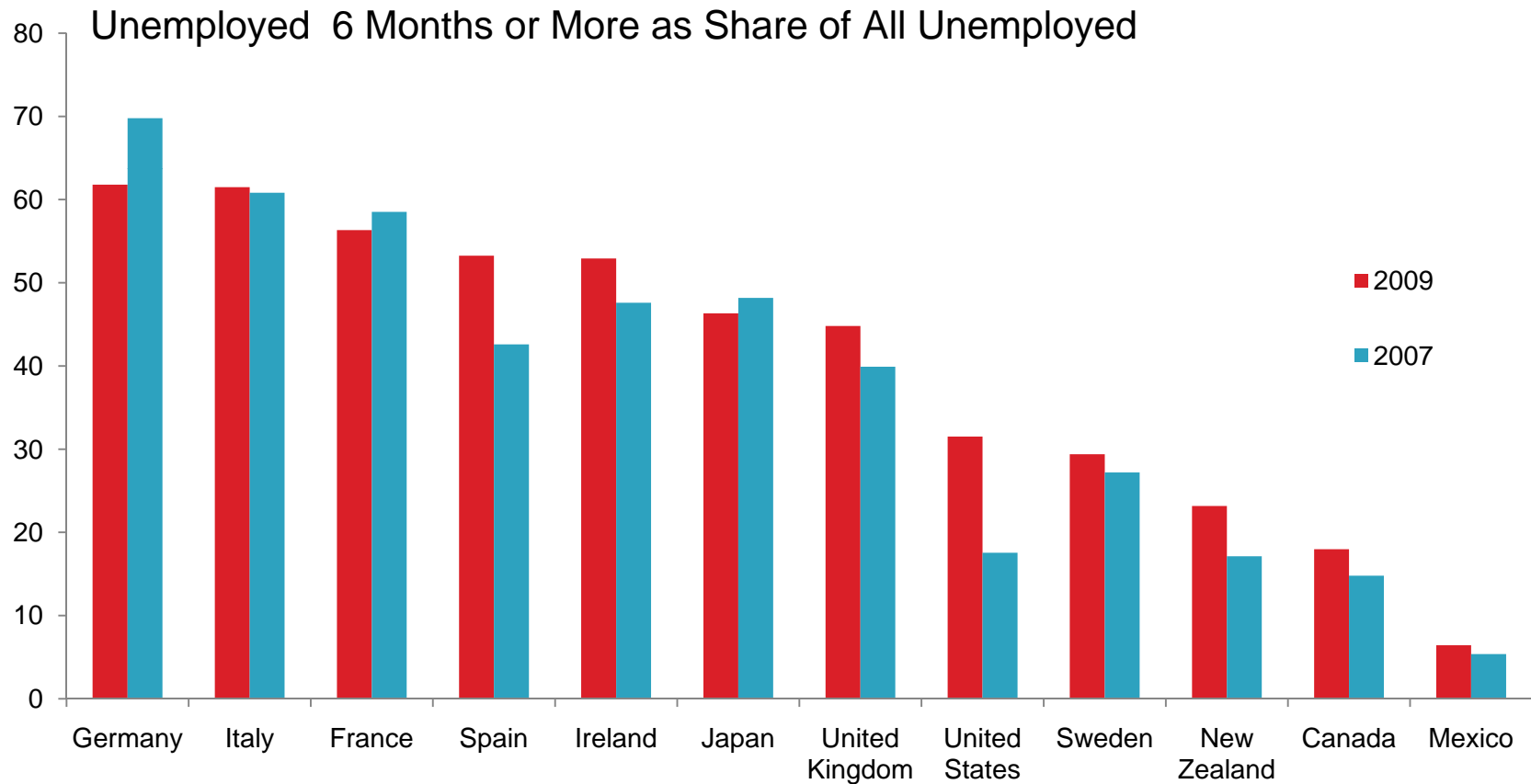


# A Lost Generation? Youth Unemployment

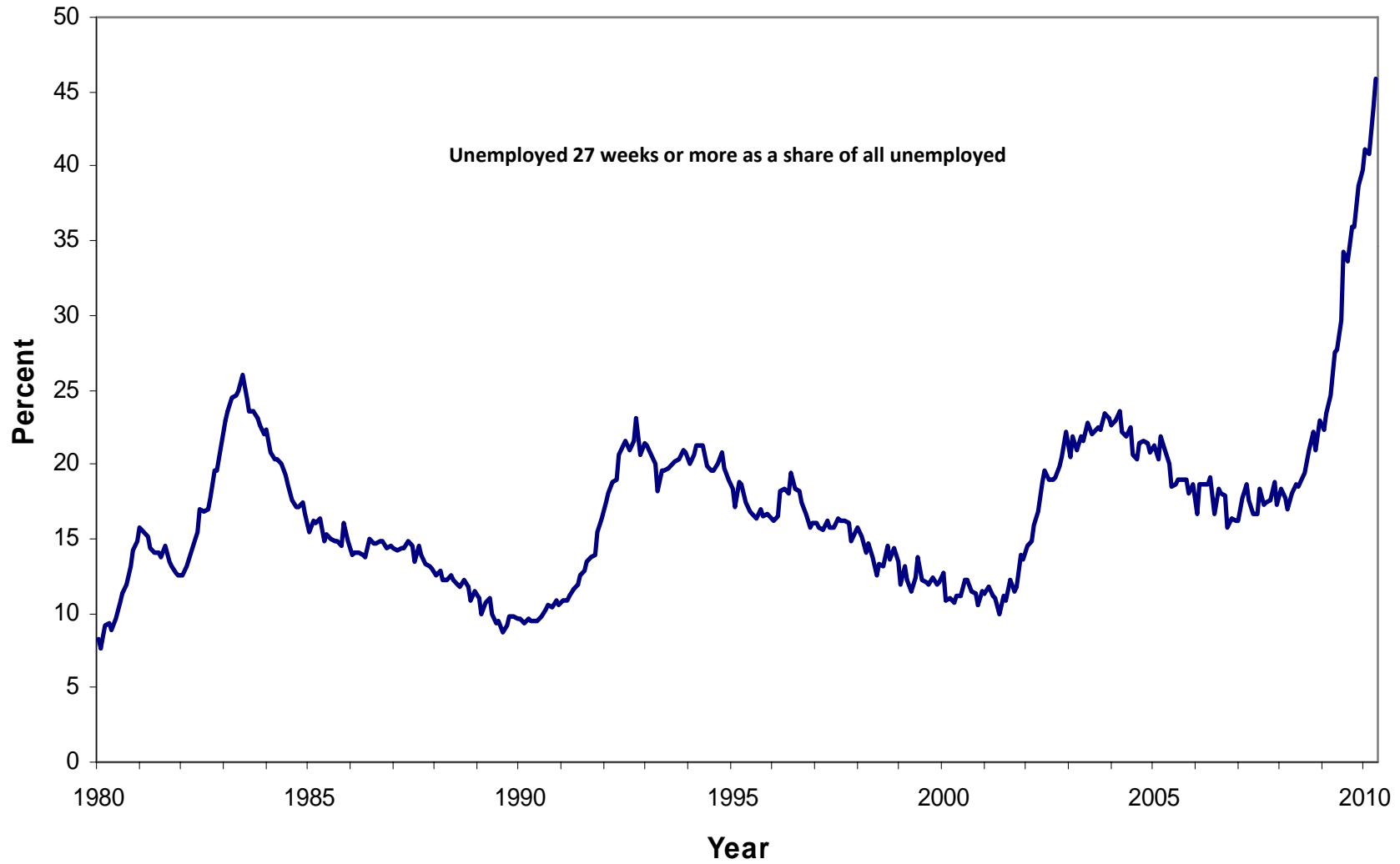


# Cast Away?

## Long-Term Unemployment

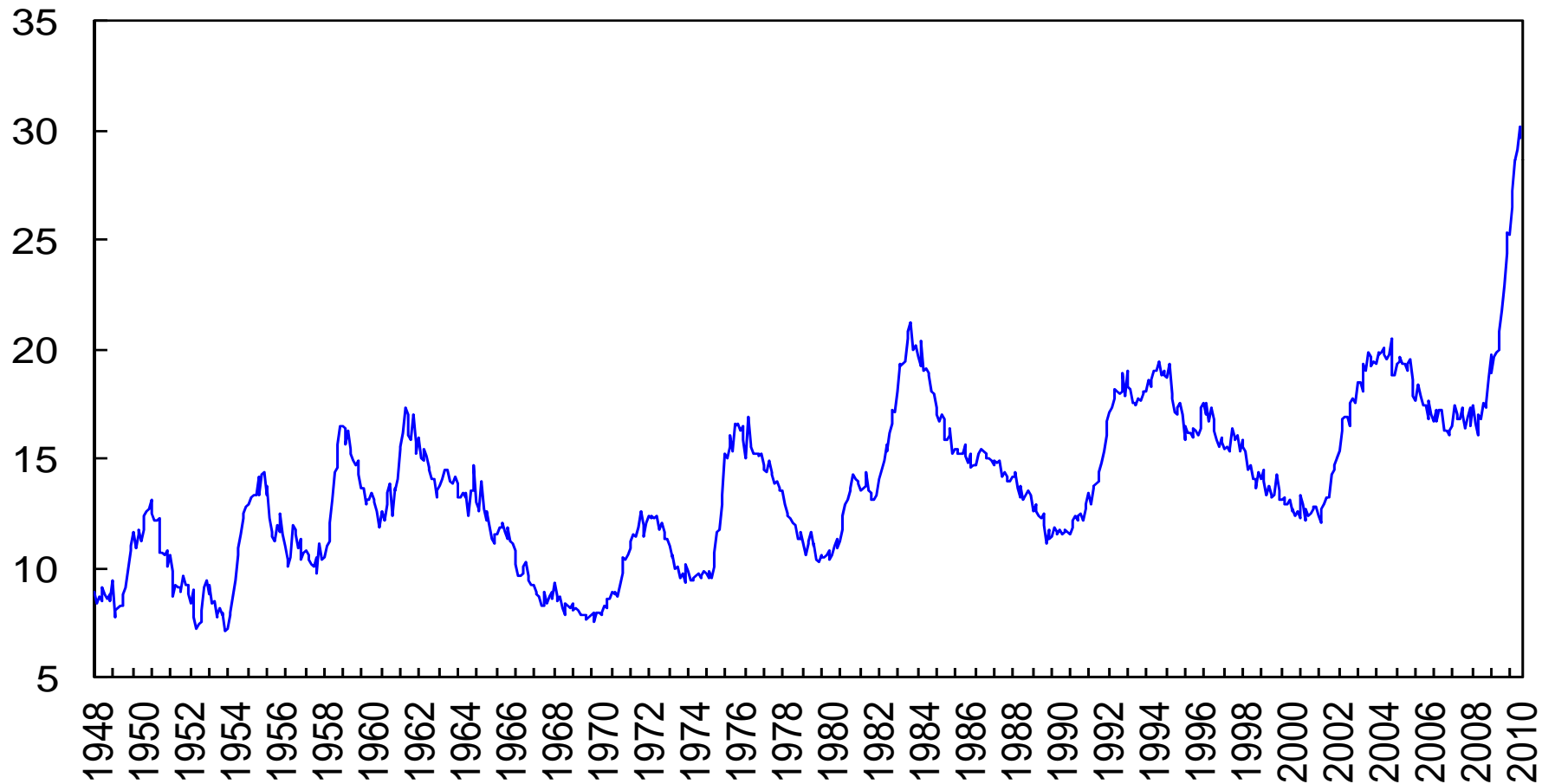


# Long-term U.S. unemployment

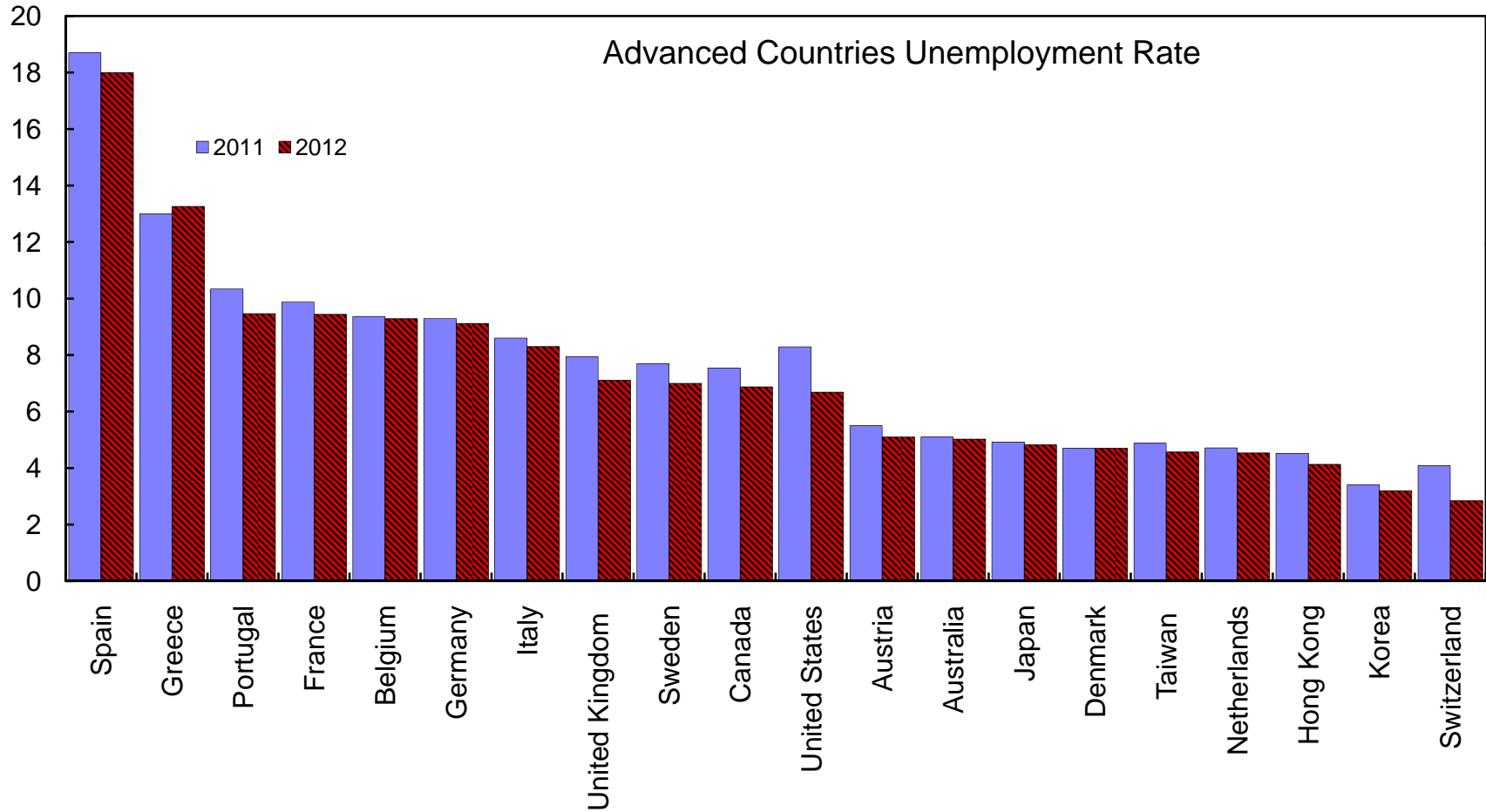


# Average duration of U.S. unemployment has inched up

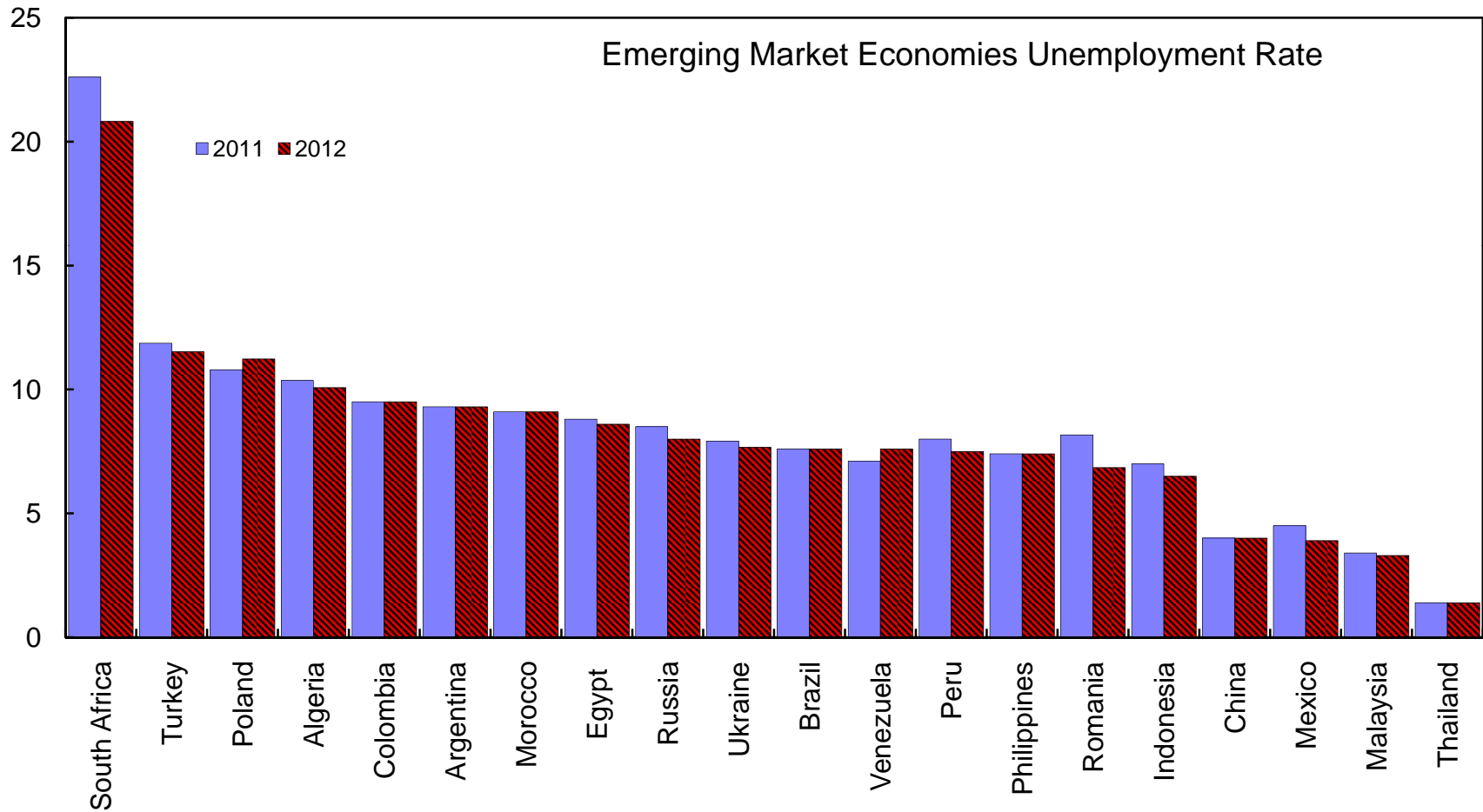
Figure1. Average Duration of Unemployment (In weeks)



# Forecasts for 2011-12: Advanced countries

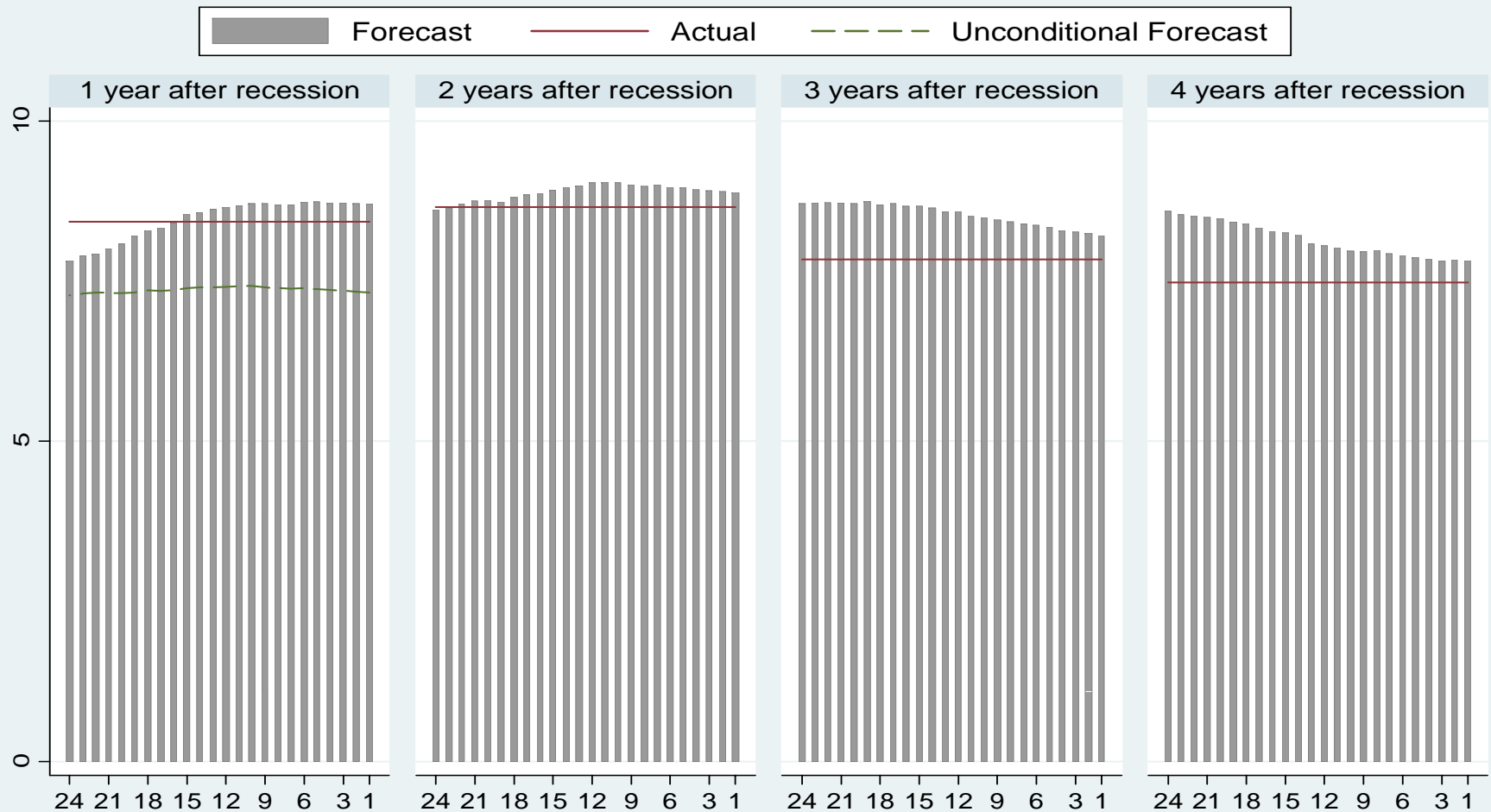


# Forecasts for 2011-12: Emerging Markets

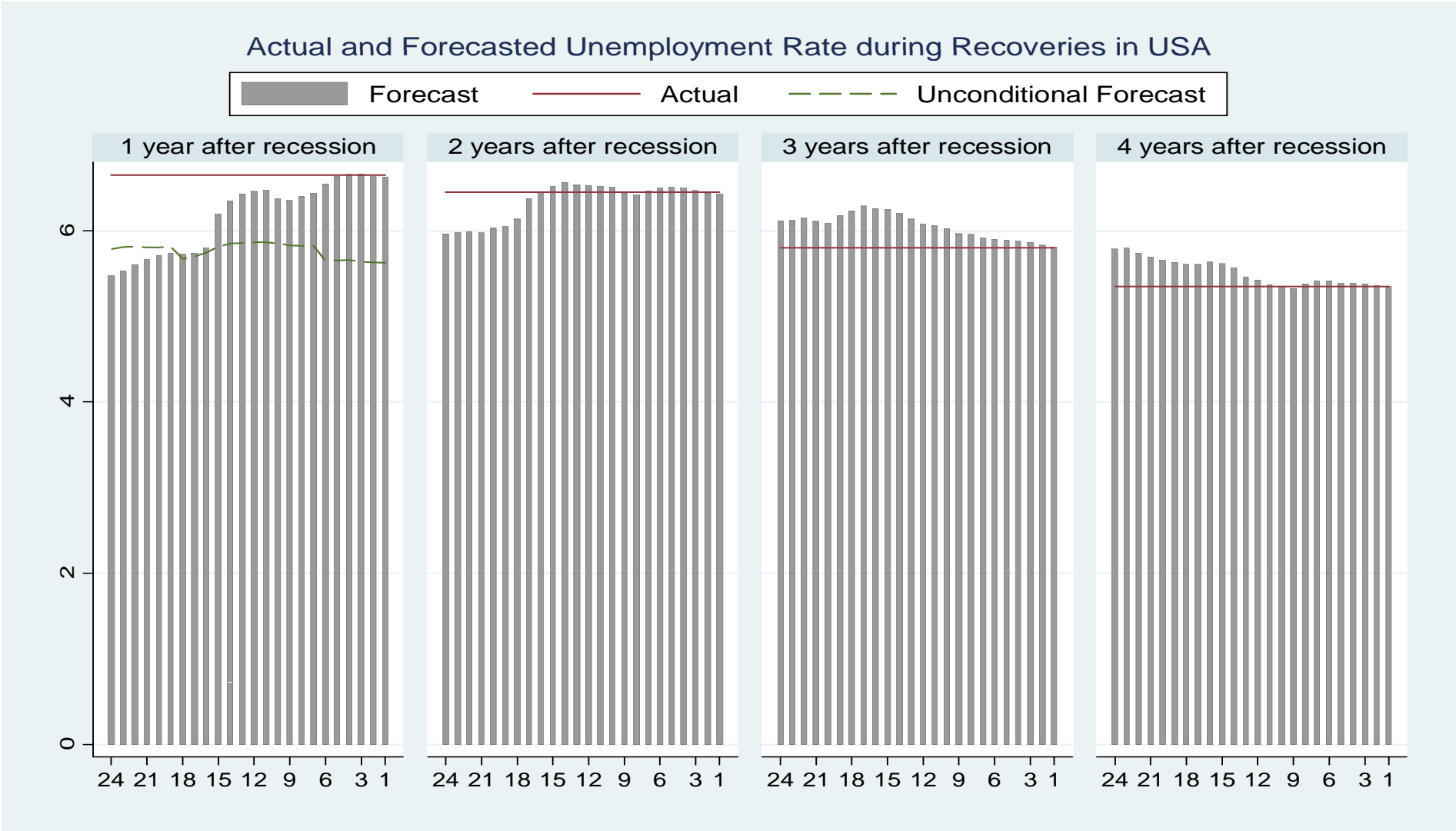


# Actual and forecasted unemployment: advanced countries

Actual and Forecasted Unemployment Rate during Recoveries in Advanced Countries



# Actual & forecasted unemployment: US

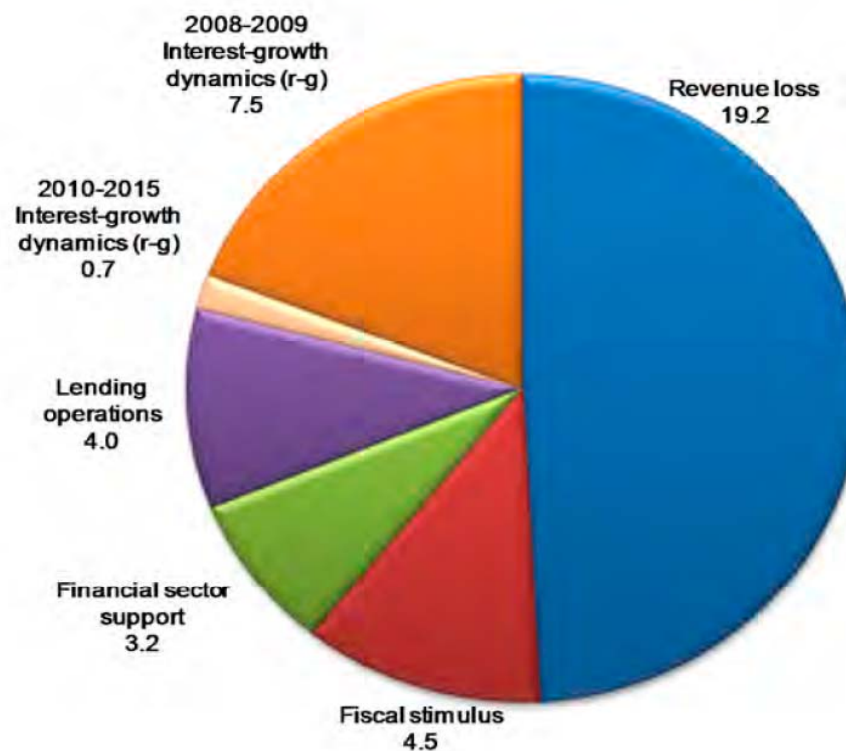


# **Policy Actions**

Don't just stand there...

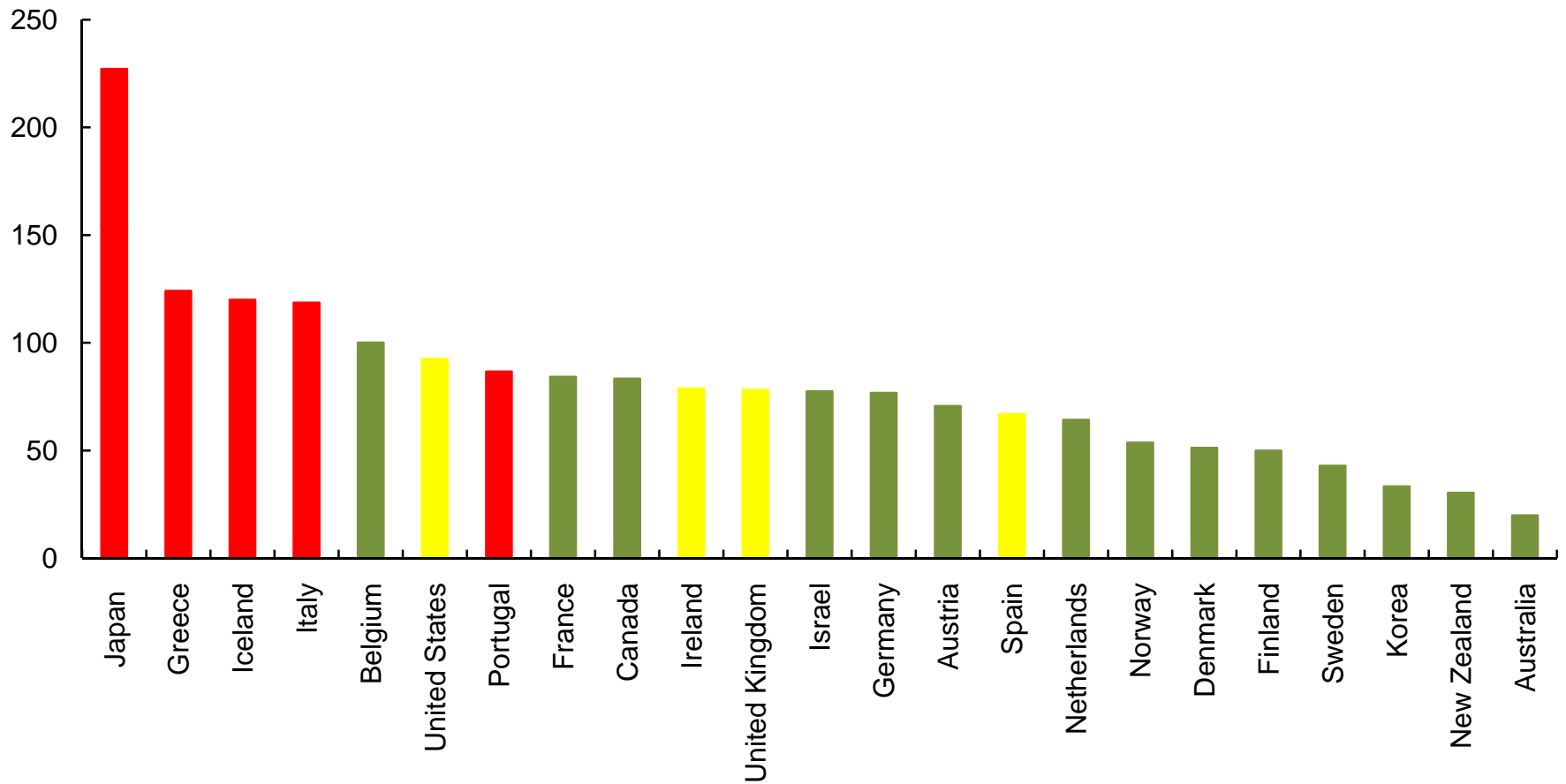
# Revenue losses are bulk of projected increase in public debt

**G-20 Advanced Economies: Increase in Public Debt, 2008-15**  
(Total increase: 39.1 percentage points of GDP; 2009 PPP weighted GDP)



Source: IMF staff estimates based on the April 2010 *WEO*.

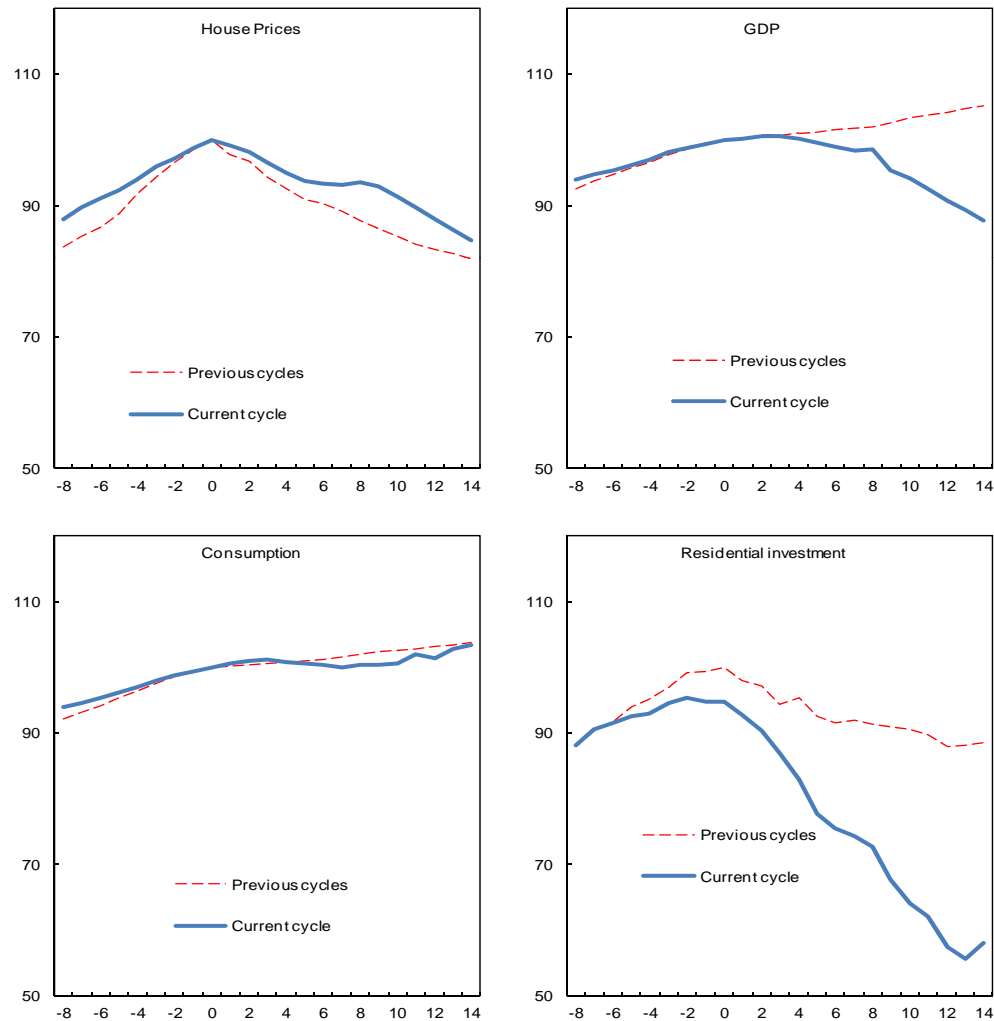
# Public Debt, 2010 (% of GDP)



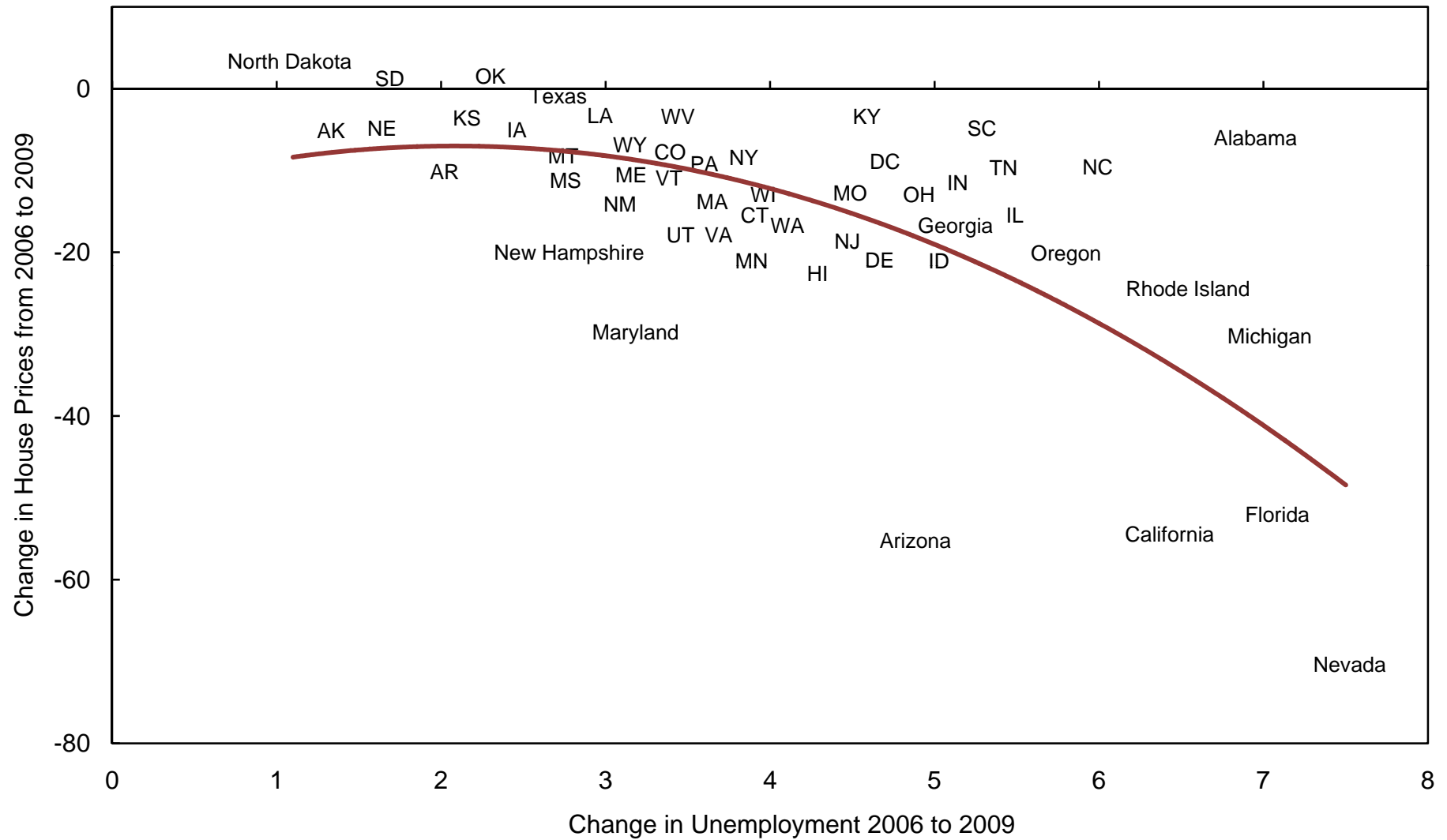


# Collapse of residential investment: Advanced countries

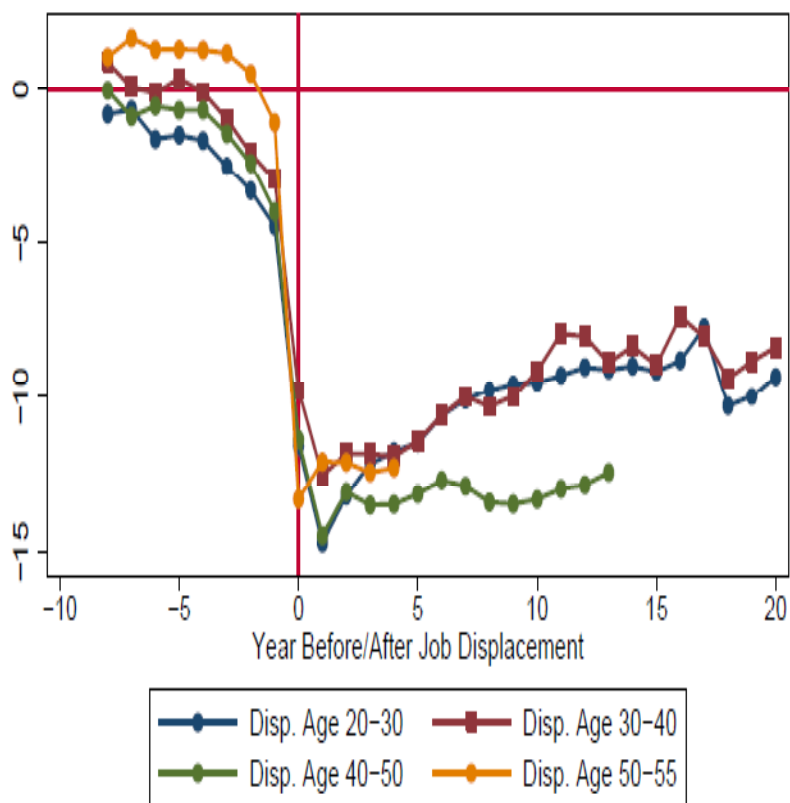
Advanced Economies: Previous versus Current Housing Cycles



# Double Whammy: No Equity, No Jobs

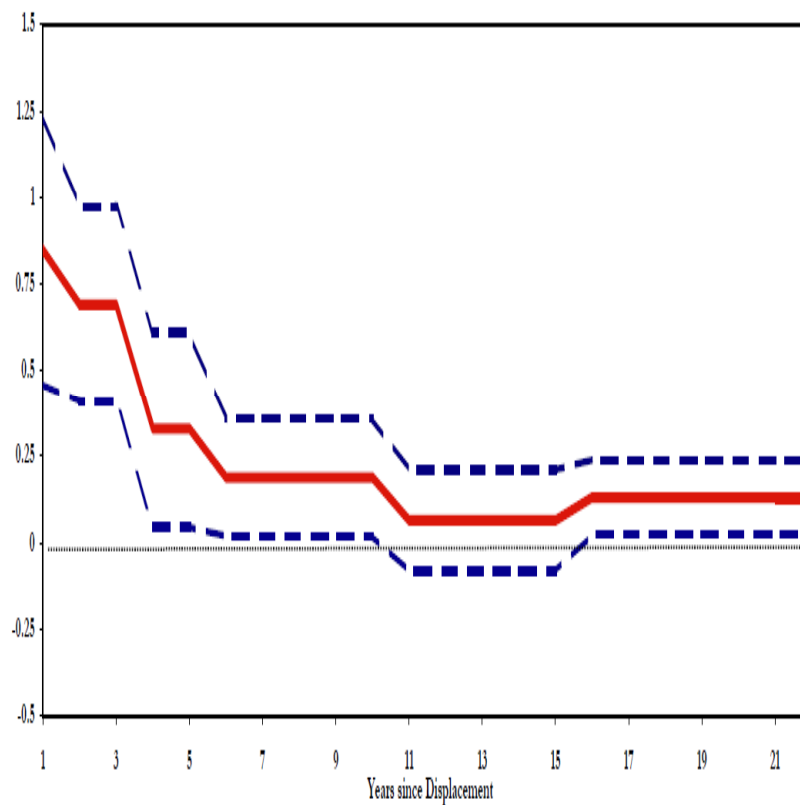


# Why we should care



Source. 1% Files of Social Security administrative data (see text). Earnings in 2000 Dollars.

**Earnings Losses of Men in stable jobs at and around job separation (t=0)**



**Marginal effect of displacement on odds of mortality**

See Dao and Loungani, "The Human Cost of Recessions" for a survey

# Why we should care

Impact of  
unemployment  
on attitudes

Impact of parents  
unemployment  
on children

Less belief in  
personal  
effort

Loss of faith  
in public  
institutions

Lower future  
earnings

Lower  
academic  
achievement

# Summary of Findings

## State of labor markets in aftermath of Great Recession

**Dire straits**

**Unemployment  
forecasted to  
remain high**

**Severe  
employment  
losses in some  
industries**

**Long-term  
unemployment**

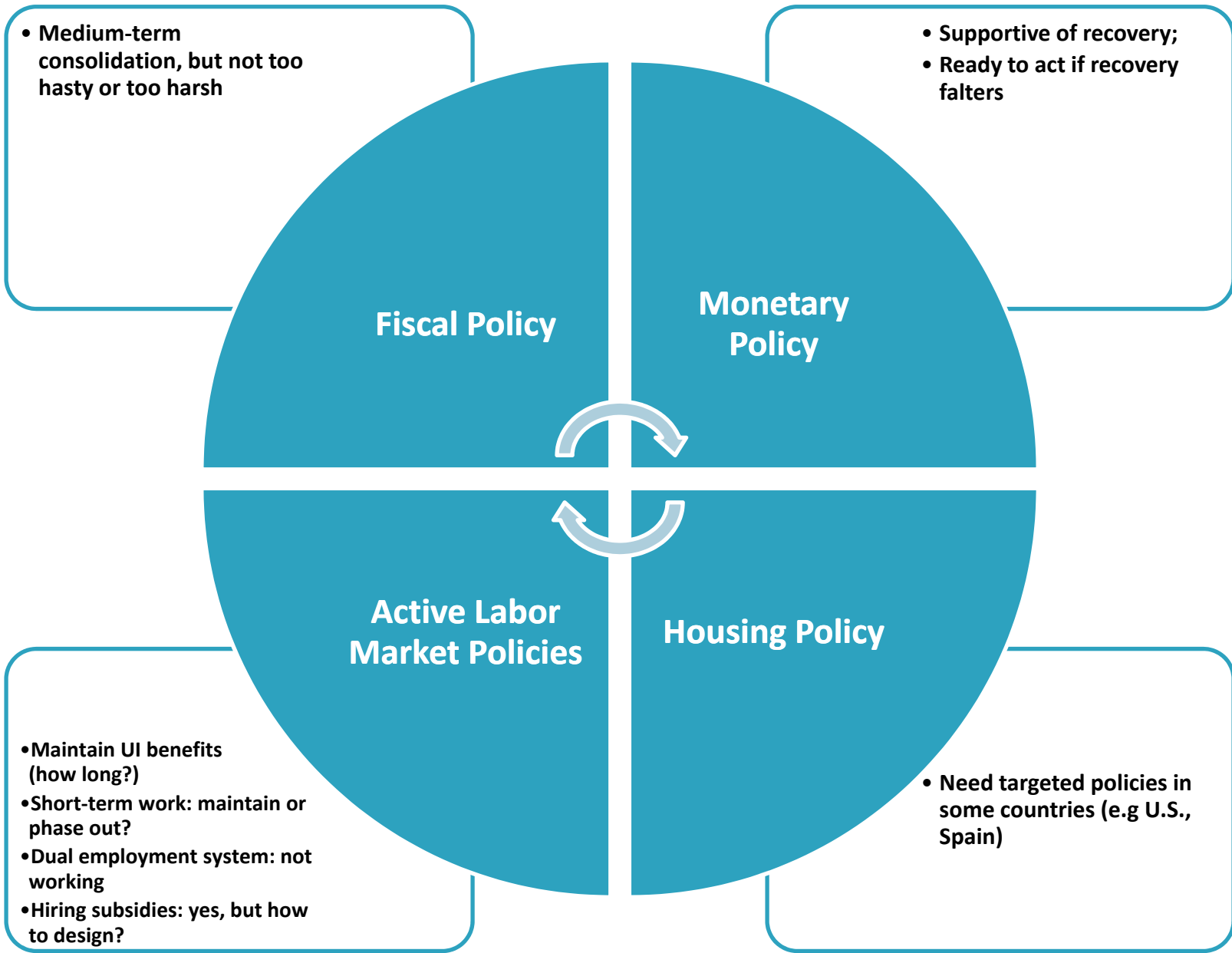
# Summary of Findings

## Human cost of unemployment

**Recessions and crises  
exact a heavy human  
toll**

**Persistent adverse  
impacts on**

- earnings
- health
- mortality
- children
- social cohesion



# Shameless promotion: upcoming ILO-IMF conference in Oslo

- <http://www.osloconference2010.org/>
- **The Challenges of Growth, Employment and Social Cohesion**
  - The global financial crisis and the ensuing recession have had devastating consequences for labor markets.
  - The **September 13 IMF-ILO conference in Oslo**, hosted by the Norwegian Prime Minister, is designed to tackle the difficult—but critical—***policy questions posed by the steep rise in joblessness*** and the setback to growth and poverty reduction.