

Job Trends

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The Slow and Steady Recovery Continues, with Encouraging Signs in Developing Countries in Eastern Europe

Labor markets in a selected sample of 10 middle-income countries continued their prolonged and gradual recovery in the third quarter of 2011. Figure 1 shows median growth rates of output, employment and wages, and the median unemployment rate through the third quarter of 2011. The most recent quarter saw gross domestic product (GDP) growth of 4.8 percent, which was a slight improvement over the third quarter in the previous year. The gradual improvement in growth has been most apparent in the steady reduction in unemployment. Median unemployment fell from 6.3 percent in the second quarter of 2011 to 6.0 percent in the third quarter of 2011, down significantly from 6.9 percent in the third quarter of 2010.

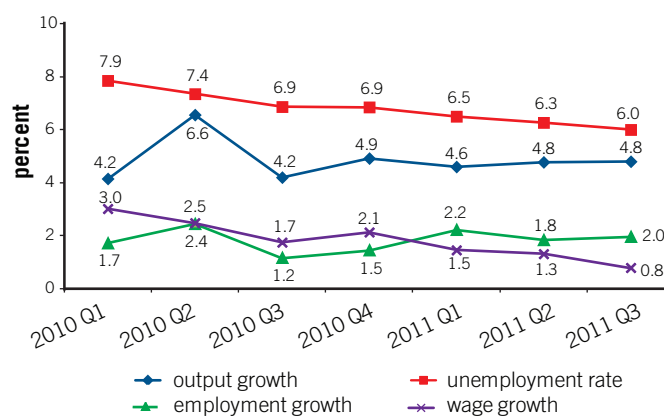
These encouraging signs have yet to translate into improvements in median employment and wage growth, which remain sluggish. Employment growth remained essentially unchanged, rising only slightly to 2.0 percent. The decline in unemployment may therefore result partly from discouraged workers exiting the labor force rather than obtaining employment. The wage recovery also sputtered, as median wage growth fell about 1 percentage point over its rate one year ago.

Most of the Eastern Europe and Central Asia countries in the sample showed signs of a strong recovery in the third quarter of 2011 (table 1). Kyrgyzstan, in particular, demonstrated remarkable growth, which is reflected in the dramatic increase in wages; wages also increased substantially in Tajikistan. Employment in Lithuania and Moldova is also improving after 2009's devastating shock, leading to significant reductions in unemployment, although wages changed little. The Turkish labor market also continued to perform well; employment growth increased to 7 percent, while wage growth remained high at

14 percent. Finally, Romania also started to show strong signs of labor market recovery, with a substantial fall in unemployment and accelerating wage growth. These positive signs have yet to spread to the Russian Federation, where wage growth fell precipitously with no increase in employment growth.

In Latin America, the rapid recovery from the crisis has begun to moderate. Employment growth fell sharply in Chile, from 9.5 to 4.5 percent, and moderately in Colombia and Peru. Brazil also experienced a dramatic slowdown in wage growth, from close to 10 percent to 4.3 percent. Despite these slowdowns, unemployment in most of the region fell slightly (table 1).

Figure 1. GDP and Labor Market Indicators in Selected Developing Countries



Source: CEIC Data Company, National Statistical Offices, and the International Monetary Fund.
Note: The series are median values for a subsample of 10 countries with complete series up to Q3 2011. The countries included in this figure are Armenia, Belarus, Brazil, China, Chile, Colombia, Lithuania, Mexico, Romania, and the Russian Federation.

Table 1. Labor Market Indicators for Selected Developing Countries

Region	Countries	Real GDP growth		Employment growth		Unemployment rate		Wage growth	
		Q3/10	Q3/11	Q3/10	Q3/11	Q3/10	Q3/11	Q3/10	Q3/11
EAP	China ‡	9.6	9.1	4.9	4.3	4.1	4.1	13.1	14.7
EAP	Indonesia	5.8	6.5	3.2	1.4	7.1	6.6	0.3	3.9
EAP	Thailand†	6.6	3.5	1.2	1.9	0.9	0.6	2.7	1.7
ECA	Armenia†¥	5.5	5.5	1.0	1.9	6.9	6.0	-1.8	0.5
ECA	Azerbaijan¥	4.1	0.3	5.1	0.5	na	na	1.1	6.1
ECA	Belarus¥	6.8	7.0	0.8	-0.8	0.8	0.7	15.8	-3.5
ECA	Kazakhstan†¥	8.5	8.5	2.8	1.1	5.8	5.4	8.3	7.0
ECA	Kyrgyzstan¥	-1.7	9.0	-1.0	2.1	2.7	2.6	4.5	14.5
ECA	Moldova†¥	5.6	5.6	-1.8	3.9	6.5	5.3	1.4	-2.9
ECA	Tajikistan¥	6.2	7.5	na	na	2.2	2.6	5.7	19.0
ECA	Lithuania	0.8	6.6	-5.1	2.1	17.8	14.8	0.4	0.8
ECA	Romania	-2.2	2.6	-0.5	-2.6	7.4	4.8	-8.6	5.1
ECA	Russian Federation	3.1	4.8	1.0	1.1	6.8	6.2	10.9	-1.2
ECA	Turkey†	5.3	8.2	5.2	7.0	11.1	9.2	16.0	14.4
ECA	Ukraine†	5.5	3.8	0.2	0.0	7.1	6.9	9.8	8.0
LAC	Brazil‡	6.7	2.1	3.3	2.0	6.6	6.0	9.9	4.3
LAC	Chile	6.9	4.8	9.6	4.5	8.2	7.4	1.6	2.8
LAC	Colombia‡	3.3	7.7	5.6	3.5	11.8	10.1	1.8	-0.1
LAC	Ecuador†	4.5	9.0	-2.2	0.5	7.7	6.4	6.2	4.9
LAC	Mexico	5.1	4.5	1.3	1.9	5.6	5.7	-0.9	0.8
LAC	Peru†‡	9.6	6.6	4.2	2.3	7.4	7.2	-2.1	12.2
LAC	Venezuela†	-0.3	4.2	0.0	1.3	8.2	8.4	-6.3	8.5
SSA	South Africa†‡	2.7	3.1	-1.2	2.6	25.3	25.0	13.8	0.4
EAP	Region average	7.3	6.4	3.1	2.5	4.0	3.8	7.9	8.2
ECA	Region average	4.0	5.8	0.7	1.5	6.8	5.9	5.3	5.6
LAC	Region average	5.1	5.6	3.1	2.3	7.9	7.3	1.5	4.8

Source: CEIC database, National Statistical Offices, International Monetary Fund.

Note: Region averages refer to the countries in this table. For South Africa, wages come from a firm survey and only represent the formal sector.

† For some variables the period of reference is Q2-2011 and Q2-2010; República Bolivariana de Venezuela, Ecuador, and Peru: employment and unemployment rate; South Africa, Thailand, and Turkey: wages; Kazakhstan: employment and GDP growth; Moldova and Armenia: GDP growth.

¥ For these countries, the period of comparison is between January–September 2010 and January–September 2011.

‡ Employment, unemployment, and wages data are representative of urban areas only. For South Africa, earnings come from a firm survey and are only representative of the formal sector.

Trends in three East Asian countries changed little, and unemployment remains high in South Africa. The three countries in East Asia reporting data generally reported few changes. Urban China continues to combine impressive growth in earnings with substantial growth in employment, showing no long-term effects of either the 2008 financial crisis or of the new labor law.

Indonesia and Thailand fared less well, with higher wage growth in Indonesia balanced by declining employment growth, although unemployment fell slightly in both countries. Employment growth picked up substantially in South Africa, in part because of a huge drop in wage growth, but unemployment remains remarkably high.

JobTrends is a regular series monitoring labor markets in developing countries. It is a collaborative effort between the Human Development Network (HDN) and the Poverty Reduction and Economic Management (PREM) Network of the World Bank. This note was prepared by Javier Arias-Vazquez (PRMPR), Gladys Lopez-Acevedo (PRMPR), and David Newhouse (HDNSP). For more information on this series, contact David A. Robalino, Lead Economist in the Social Protection Unit of the Human Development Network, or Gladys Lopez-Acevedo, Senior Economist on the Poverty Reduction and Equity Group of the Poverty Reduction and Economic Management Network. The team gratefully acknowledges partial financial support from the governments of Austria, Germany, the Republic of Korea, Norway, and Switzerland through the Multi-Donor Trust Fund on Labor Markets, Job Creation, and Economic Growth.