

Inventory of Policy Responses to the Financial and Economic Crisis

International Labour Office

This feature article is an excerpt from the joint report published by the International Labour Organization (ILO) and the World Bank (WB):

[Inventory of Policy Responses to the Financial and Economic Crisis](#)

This report is released with a new [online data tool](#) which provides a detailed track record of policies enacted during the height of the financial crisis (2008-2010), and implications for the design of policies to address future economic downturns.

The 2008-09 global financial crisis had a significant impact on the world economy, after having spread from the sub-prime market in the United States to the worldwide financial system. Growth in gross domestic product (GDP) decelerated significantly in all regions and some countries had to weather deep recessions. One of the most visible consequences of the crisis was a marked rise in unemployment and a slowdown in the growth of earnings. In developing countries, substantial declines in employment were often accompanied by increased poverty, hunger, and malnutrition.

The crisis hit the advanced economies the hardest (see Tables 1 and 2), contracting GDP by 3.9 percent over 2009, along with Central and Eastern Europe whose GDP contracted by 5.9 percent over 2009, followed by Latin America and the Caribbean whose GDP contracted by -1.7 percent over 2009. The economies of Asia, Africa, and the Middle East did not contract, but their trend growth rates of GDP were brought down significantly over 2009. GDP growth in East Asia came down from double digits in 2007 to 7 percent in 2009; South-East Asia and the Pacific GDP growth decreased from 7 percent to 2 percent over this period; South Asian growth rates declined from 9 percent to 6.2 percent; GDP growth in Sub-Saharan Africa came down from 7 percent in 2007 to 3 percent in 2009; in North Africa GDP growth rates fell from 6 percent to 3.5 percent over this period; and in the Middle East, GDP growth came down from 7 percent in 2007 to 2 percent in 2009.

The impact of the crisis on employment has been deep, and with no appreciable recovery, particularly in the developed countries. Table 2 shows that between 2007 and 2009—at the height of the crisis—an estimated 27 million jobs were lost globally. Half of these jobs were lost in the advanced economies, five million in East Asia, three million in Latin America and the Caribbean, and one million in South Asia. The global unemployment rate rose from 5.5 percent in 2007 to 6.2 percent in 2009. The hardest hit were the advanced economies, where the unemployment rate rose from 5.8 percent to 8.3 percent over this period, but other regions suffered as well. In Central and Eastern Europe, the unemployment rate rose from 8.4 percent to 10.2 percent; in East Asia the unemployment rate increased from 3.8 percent to 4.3 percent; and in Latin America and the Caribbean, the unemployment rate rose from 7 percent to 7.7 percent. (Note 1)

Two other indicators of labour market distress, among others, have been particularly telling. The rate of youth unemployment rose globally from 11.7 percent in 2007 to 12.8 percent in 2009, the advanced economies being hit particularly hard, where this rate jumped from 12.5 percent to 17.3 percent over this period. There was also a significant discouraged-worker effect, where the employment-to-population ratio went down globally from 61.2 percent to 60.3 percent between 2007 and 2009 (from 73.6 percent to 72.6 percent for men; from 48.9 percent to 48.1 percent for women). The decrease was more dramatic for the advanced economies, where it dropped from 57.1 percent to 55.5 percent (from 65.2 percent to 62.5 percent for men; from 49.5 percent to 48.9 percent for women).

Policy responses led to a recovery in GDP growth but not a significant increase in jobs. The world saw an unprecedented widespread policy response to the crisis. While there has been recovery, albeit faltering, in GDP growth, the jobs gap of 27 million created by the crisis has persisted. The reason for the persistence of the jobs gap is seen in Figure 1. Demographic labour force growth, shown by the upper black line in the figure, annually adds approximately 40 million new entrants into the global labour market. Pre-crisis GDP growth, with an approximate range of 4 percent to 5 percent per annum over the last decade, gave an employment growth rate of 1.6 percent per annum, shown by the lower orange line up to 2008 in the figure. This rate of employment growth met the demographic challenge imperfectly in terms of job quality and with an unemployment gap of about 177 million, which is the increase in employment that would be needed to reach full employment at the global level. It is clear that the long-run unemployment gap of 177 million could not be eliminated through pre-crisis GDP growth rates of approximately 4 percent to 5 percent per annum.

The drop in GDP growth and employment growth below pre-crisis trends created an additional jobs gap of 27 million, shown as the gap between current projections of post-crisis employment growth (orange line) and precrisis projections of employment growth (middle purple line). Recovery in GDP growth towards the pre-crisis trends has been facilitated by policy. This has also enabled recovery in employment growth to about 1.8 percent per annum, to approximate pre-crisis levels, which meets the annual demographic challenge of creating 40 million new jobs. But, as before, this rate of employment growth will not succeed in filling the large unemployment gaps, neither the 177 million long-run gap nor the 27 million new jobs crisis gap. Hence, there is a clear need for designing policies to raise the rate of employment growth above pre-crisis levels, initially to fill in the jobs crisis gap of 27 million, and later to tackle the longer-run challenge of filling in the larger gap of 177 million.

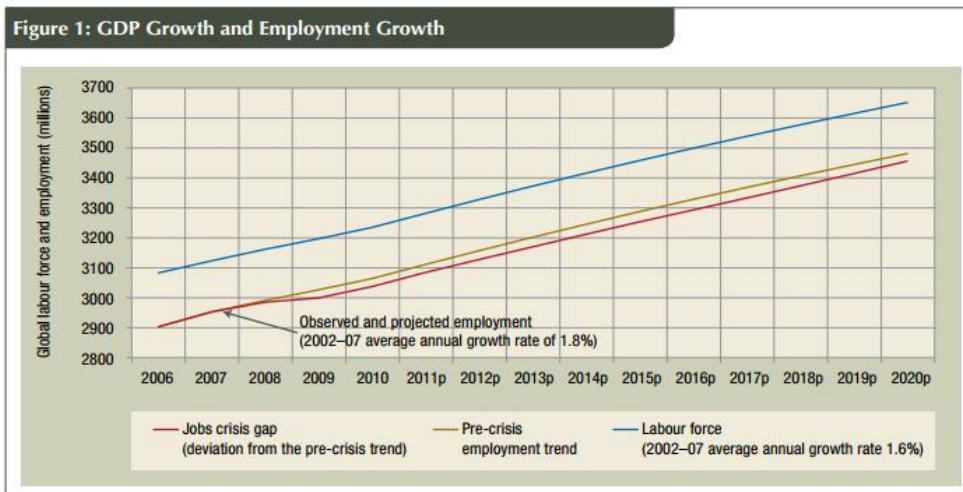
Table 1: Annual Real GDP Growth Rates (%)

Region	2007	2008	2009	2010	2011p	2012p	2013p	2014p	2015p	2016p
WORLD	5.4	2.8	-0.7	5.1	4.0	3.5	4.4	4.6	4.8	4.9
Developed Economies and European Union	2.7	0.1	-3.9	2.6	1.4	1.1	2.0	2.4	2.5	2.5
Central and South-Eastern Europe (non-EU) and CIS	7.8	4.3	-5.9	5.3	4.9	3.7	4.0	4.1	4.0	4.0
East Asia	12.1	7.8	7.1	9.8	8.7	7.7	8.8	8.4	8.6	8.8
South-East Asia and the Pacific	6.7	4.5	1.6	7.6	5.1	5.2	5.8	6.0	6.0	6.0
South Asia	9.4	5.9	6.2	9.2	7.0	6.6	7.6	7.9	7.7	7.9
Latin America and the Caribbean	5.8	4.3	-1.7	6.1	4.4	3.7	4.0	4.0	4.0	4.2
Middle East	7.1	4.4	2.2	4.4	5.0	3.7	4.1	4.4	4.5	4.5
North Africa	5.8	5.1	3.5	4.4	2.1	3.1	4.3	5.0	6.0	6.3
Sub-Saharan Africa	7.1	5.6	2.8	5.4	5.1	5.6	5.5	5.4	5.2	5.3

Source: 2012 ILO Calculations based on ILO – Trends Econometric Models, October 2011, and on IMF, World Economic Outlook, September 2011.

Region	2007	2008	2009	2010	2011p	2012p	2013p	2014p	2015p	2016p
WORLD	170.7	176.4	197.7	197.3	197.3	201.2	204.3	205.7	206.6	207.8
Developed Economies and European Union	29.1	30.8	42.5	44.7	43.5	44.3	44.4	43.5	42.2	41.2
European Union (27)										
USA										
Central and South-Eastern Europe (non-EU) and CIS	14.5	14.7	18.1	17.0	15.5	15.6	15.7	15.6	15.6	15.7
East Asia	31.6	35.8	36.7	35.6	35.5	36.0	36.3	36.4	36.6	36.7
South-East Asia and the Pacific	16.1	15.7	15.5	14.7	14.6	14.9	15.2	15.4	15.6	15.8
South Asia	23.6	23.3	24.5	25.0	25.0	25.5	26.2	26.7	27.2	27.7
Latin America and the Caribbean	18.4	17.9	21.2	20.2	20.5	21.0	21.5	22.0	22.4	22.7
Middle East	6.4	6.6	6.6	6.7	7.1	7.4	7.7	7.9	8.1	8.2
North Africa	6.6	6.4	6.5	6.7	7.9	8.1	8.3	8.4	8.4	8.4
Sub-Saharan Africa	24.5	25.2	26.0	26.7	27.6	28.3	29.0	29.8	30.6	31.4

Source: ILO-Trends econometrics Models, October 2011.



Source: 2012 ILO Calculations based on ILO, *Trends Econometric Models*, October 2011, and on IMF, *World Economic Outlook*, September 2011, January 2012.

Governments everywhere have been searching for viable responses to limit the economic and social costs of the crisis. Two questions have taken centre stage. First, what are the likely labour market policies and instruments that can limit the adverse implications for employment and household income, and that can contribute to reignite growth and poverty alleviation in developing countries? Second, what are the lessons learned from previous crisis episodes and the policy responses to provide a guide to policy makers? The Policy Inventory and the accompanying database of policy responses can offer clarity and direction to those searching for answers to these two questions.

The objectives of the survey of policy responses to the crisis were threefold:

- (i) to establish a broad-based inventory of policy measures for a large and more representative sample of countries, which resulted in a final sample of 77 countries being surveyed;
- (ii) to give a quantitative dimension to the inventory; and
- (iii) to store the information in a searchable and user-friendly database to be released publicly for the use of policy practitioners, researchers, governments, and the public in general.

The 23 countries added to the initial ILO inventory were chosen on the basis of joint priorities among the donors' priorities, the ILO, and the WB. Information for the database was collected over the period mid-2008 to mid-2010.

The web-based ILO/WB policy inventory has been built as a user-focused platform to facilitate interaction between interested stakeholders, including ministries, social partners, the private sector, implementing agencies, private corporate partnerships, individuals, and NGOs. It can be accessed at www.ilo.org/crisis-inventory as well as through the Jobs Knowledge Platform at www.jobsknowledge.org.


Further resources

ILO Publications

- ILO/World Bank. 2012. *Inventory of Policy Responses to the Financial and Economic Crisis* ([pdf 4.68 MB](#)) (Geneva).
- ILO. 2012. *The youth employment crisis: Time for action, , Report V, International Labour Conference, 101st Session, 2012* ([pdf 1225 KB](#)) (Geneva).
- ILO. 2012. *Breaking new ground: Partnerships for decent work for youth* ([pdf 336.55 KB](#)) (Geneva).
- ILO. 2012. *Global employment trends 2012: Preventing a deeper jobs crisis* ([pdf 1.87 MB](#)) (Geneva).
 - [Français](#) ([pdf 3599 KB](#)) • [Español](#) ([pdf 3610 KB](#))
- ILO. 2011. *The global crisis: causes, responses and challenges* ([pdf 3.33 MB](#)) (Geneva).
- ILO. 2011. *Global employment trends 2011: the challenge of a jobs recovery* ([pdf 2.27 MB](#)) (Geneva).
- ILO. 2010. *Employment and social protection policies from crisis to recovery and beyond: a review of experience, an ILO report to the G20 Labour and Employment Ministers Meeting, Washington, DC, 20–21 April 2010* ([pdf 819 KB](#)) (Geneva)
- ILO. 2010. *Global employment trends for youth : August 2010* ([pdf 3.22 MB](#)) (Geneva).
- ILO. 2010. *Global employment trends : January 2010* ([pdf 11.33 MB](#)) (Geneva).
- ILO. 2009. *Labour market policies in times of crisis* ([pdf 699 KB](#)) (Geneva).
- ILO. 2009. *Recovering from the crisis : a global jobs pact* ([pdf 93.22 KB](#)) (Geneva)
 - [Français](#) ([pdf 105.47 KB](#)) • [Español](#) ([pdf 107.50 KB](#))
- ILO. 2009. *Tackling the global jobs crisis : recovery through decent work policies : report of the Director-General* ([pdf 500 KB](#)) (Geneva)
 - [Français](#) ([pdf 557.17 KB](#)) • [Español](#) ([pdf 371.85 KB](#))

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ILO Videos

- [Global Employment Trends 2012](#) - 
- [Facts and Figures on Global Employment - An Interview with ILO's Steven Kapsos](#) - 
- [The Employment Challenge in 2012 - An Interview with ILO's Ekkehard Ernst](#) - 
- [Employment trends in North Africa - An Interview with Dorothea Schmidt](#) - 

ILO Websites

- [Global Employment Trends](#)
- [Global Jobs Pact](#)
- [Global Job Crisis Observatory: Youth employment](#)
- [Global Job Crisis Observatory: Employment Promotion](#)
- [Youth employment](#)
- [Employment promotion](#)