

GLOBAL EMPLOYMENT — 3Q 2019

Deploying a global workforce and ensuring access to the best talent is a crucial component of success for all multi-national enterprises. Global labor market intelligence is an invaluable tool for these HR departments and can be used to inform critical decisions around the best countries and regions in which to grow. Orion Novotus, an Orion Talent company, is the mid-market leader in recruitment process outsourcing (RPO) and an organization committed to delivering recruiting solutions that are fundamentally different and outcomes that are fundamentally better.

To truly understand unemployment rates, it is necessary to collect several categories of market information about the overall economic environment from which they derive. For that reason, this report also analyzes measures that include GDP, economic forecasts, and other factors that offer insight into a given country's economic circumstances.

KEY TAKEAWAYS

- The global economy is projected to expand 2.6 percent in 2019, lower than in recent years due to global trade concerns between the U.S. and China, Brexit, and recessions in various European countries.
- However, the global labor market remains tight with around half of the countries analyzed in this report (25 of 49) showing levels of 5.0 percent or less, which is considered by many economists as at or near full employment, about the same as Q2 2019 findings.
- In the third quarter, 17 of the 49 countries analyzed in this report announced decreases in national unemployment rates since Q2 2019, while 20 reported increases. The remaining 12 were unchanged.
- In the United States, stocks finished a volatile quarter up, marking the third straight positive quarter. Both the S&P 500 and the Dow Jones Industrials increased by 1.2 percent within the quarter.

ANALYSIS

The International Monetary Fund (IMF) stated that “the global economy is in a synchronized slowdown” with about 90 percent of the world economies slowing. Not only is trade dragging on growth, but Brexit and recessions in some European countries are to blame, as well.¹

The global labor market is witnessing major imbalances with tighter labor markets, trade policies forcing shifts away from normally globally reliant industries, and automation. Countries are scrambling to appropriately reskill their workforce. Manufacturing has been affected by nearly all those shifts. Countries including Denmark and France spend 0.60 and 0.37 percent, respectively, of their GDP on workforce training but some are entering the reskilling race late, such as the United States who spends only 0.03 percent of its GDP on it. According the WEF, over half of the global workforce will need to be reskilled by 2022.²

Countries with English as a Second Language Proficiency

This edition of the Global Unemployment Report also provides statistics on countries with the greatest English proficiency. English is unusual in the fact that most of the speakers are not ‘native’ - of the approximately 1.5 billion people who speak it, less than 400 million are native speakers. That means more than 1 billion speak English as a second language.³ It's widely considered to be the language of business.

The English Proficiency Index has published its latest research scoring countries around the world where English is a second language. High English proficiency correlates with key economic and social indicators. Countries with higher levels of English proficiency tend to have more service exports, better internet access, higher incomes, and more investment in research and development than other countries with lower English proficiency. More national economies and companies are becoming increasingly dependent on international trade causing a boom in employee education. However, English is not well-spoken throughout all industries. More globally connected industries such as Pharmaceuticals, Banking and Finance, and IT, have high English proficiency scores. Ironically, the government and education sectors have the lowest English proficiency scores.⁴

UNITED STATES AND CANADA



In the United States, job creation remained robust. The average monthly employment was 156,000 new jobs in the third quarter as employers continued to seek new talent in an ever-tightening labor force. Consumer optimism remained

relatively high, as reflected in the quarterly average of the Consumer Confidence Index. Overall, wages increased by 2.1 percent year-over-year in September.⁵ As consumers have more money in their pockets, they, generally, are more inclined to spend it, which helps drive economic growth.

According to the Bureau of Economic Analysis, GDP grew by 1.9 percent in the third quarter of the year, down slightly from 2.0 percent in the second quarter.⁶ The growth of personal consumption expenditures (PCE) and government spending helped boost growth despite the slowdown in domestic investment.

In September, the U.S. unemployment rate dropped to 3.5 percent, which marks the lowest unemployment rate since December of 1969. Historically, unemployment rates at 5.0 percent, or just below, are considered by many economists to be at or near full employment. Full

employment means that unemployment has fallen to the lowest possible level that will not cause inflation.⁷

In the third quarter of the year, the S&P 500 and the Dow Jones Industrials both rose by 1.2 percent, while the Nasdaq Composite fell slightly, down 0.1 percent. The volatility in the markets has been largely attributed to concerns surrounding the trade negotiations between the U.S. and China.⁸

The Canadian unemployment rate remained the same as the second quarter of 2019 at a notable 5.5 percent. In the first eight months of the year, Canada created the most net new jobs since 2002 as 304 thousand new jobs were created, or an average of 38 thousand per month. Despite the robust job numbers, real consumer spending remains on track to grow at the slowest pace in a decade as the consumer debt burden is to blame with debt servicing as a percent of disposable income jumping to a record of 14.9 percent.⁹

ASIA-PACIFIC (APAC)



According to *Focus Economics*, the ESA region (East and South Asia) continues to face headwinds from export driven economies as the China-U.S. trade tensions weigh on global economic activity. However, a more accommodative monetary

policy from regional central banks and more supportive fiscal policies are expected to help economic growth to pick up over the next year.¹⁰

China has by far the largest economy in the region with a GDP of \$13.4 trillion and is nearly three times larger than the second biggest economy in the region, Japan. In the third quarter, industrial production grew at its lowest rate in over 15 years while investment also softened. Despite the weak production and investment numbers, service activities remained strong as consumer spending increased, in part, due to the Chinese holiday season that begins in the beginning of October.¹¹ Unemployment in China remained at 3.61 percent in 3Q 2019, the same as in 2Q 2019, but down 0.21 from one year ago.

In South Korea, in the third quarter of 2019, domestic demand was robust likely benefiting from monetary and fiscal stimulus which helped support business confidence and activity in recent months. Retail sales also remained strong which helped push the unemployment rate to the lowest level since 2013, which stands at a robust 3.4 percent. Over the next year, the economy is expected to gain momentum as government spending is targeted at job creation, welfare, and research and development, will likely boost domestic demand.¹²

India has the third largest economy in the region with a GDP of \$2.7 trillion, and the second largest population, nearly 1.3 billion. The unemployment rate in India decreased by about 0.75 percent from the second quarter to 7.16 percent in the third quarter. However, consumer confidence dropped to a multi-year low in September.¹³

Regional English Proficiency APAC

The average English proficiency in Asia is the second highest after Europe, with an average English proficiency score of 53.00. However, despite the region having a high level of English proficiency, there is a large disparity in proficiency between the countries that make up the region.

Despite major investments in English education, the average English proficiency score in Asia has remained flat for the past five years. Even the wealthiest countries in Asia lag Europe in funding for adult education outside the workplace. With an aging workforce and limited tolerance for immigrations, countries like Japan and South Korea need to encourage those already working to upskill.

The top five countries with the best English proficiency in the region include Singapore, Philippines, Malaysia, Hong Kong, and India. Interestingly, all five countries noticed a decrease in their English Proficiency from 2018 and all but Singapore had lower scores than in 2017. China ranked 40th globally, marked an increase of seven spots from its 2018 ranking.

EUROPE, THE MIDDLE EAST, AND AFRICA (EMEA)



The EMEA region covers three continents and includes 116 different countries, which vary greatly in GDP and population. Twenty-seven countries in EMEA are tracked in this quarterly analysis. There were mixed results in the quarter with unemployment rates in the overall EMEA region declining, year-over-year, in 19 of the 27 countries examined here. The biggest decline in the unemployment rate, both on a year-over-year and quarter-over-quarter basis, was in Egypt, where the unemployment rate declined by 2.5 and 0.6 percentage points, respectively. Conversely, Turkey's unemployment rate increased the most, also, both on a year-over-year and quarter-over-quarter basis, up 2.8 and 0.9 percentage points, respectively.

In the third quarter of 2019, Europe noted a tough economic environment as household spending has stalled on more modest labor sector gains. Weak investment and export gains continue to weigh on the region as global growth tensions have led to slower growth within the region. However, the European Central Bank unveiled a round of stimulus in September as it lowered rates into negative territory and changes its long-term refinancing operation.¹⁴

The United Kingdom has the second largest economy in Europe at \$2.8 trillion dollars. Growth remained tepid in the quarter as the manufacturing and services industries pointed to worsening business conditions. Wage growth, however, continued to outpace inflation which should help boost private consumption in the coming future. On the political front, the UK and the European Union reached a Brexit deal which could help short-term growth, although there is still uncertainty whether parliament will approve it.¹⁵

Germany has the third largest population in the region at 82.9 million, but by far the largest GDP (\$4 trillion dollars). In the third quarter, a fall in exports and manufacturing

continued to be a drag on the German economy. Domestic demand held up within the quarter as retail sales increased on a quarter-over-quarter basis as the labor market remained tight and consumer confidence was resilient.¹⁶

The MENA (Middle East and North Africa) region is set to accelerate notably in 2020 as oil production is expected to increase if the OPEC+ deal ends in March as planned and more stable economic dynamics continue in Iran.¹⁷ Unemployment in Egypt, the largest country in MENA, declined to 7.5 percent, while the unemployment level in Turkey increased to a high 13.9 percent in 3Q 2019, up from 13.0 percent in the prior quarter and 11.1 percent one year ago.

Regional English Proficiency EMEA

Europe has the highest English proficiency, as eight of the top ten countries for English proficiency are located within the continent. This status reflects decades of effort by national education ministries and the EU itself to promote multiculturalism and multilingualism. Fast and easy communication strengthens ties between Europeans, as does student exchange, travel, and transnational work. Even as growing nationalism challenges the EU project, the opposing forces of European cohesion appear robust.

English proficiency in Africa remains difficult to gauge due to the lack of data for many countries. However, South Africa remains within the top ten countries with the highest English proficiency, ranking sixth. The Middle East remains the region with the lowest proficiency as all the countries in the region rank in the bottom half of the countries studied.

The top five countries in EMEA for English proficiency are the Netherlands, Sweden, Norway, Denmark, and South Africa. The country that holds the fourth largest economy, Germany, ranks tenth, the same as 2018. The Netherlands capital city, Amsterdam, is the city that has the highest English proficiency score followed by Sweden's capital city, Stockholm.

LATIN AMERICA



In the third quarter of 2019, Latin America's largest economy, Brazil, reported a drop in its unemployment rate from last quarter, down 0.2 percent to 11.8 percent. The manufacturing sector noted a robust quarter as the manufacturing PMI hit a seven-month high

in September, which helped lead consumer confidence to rise to its highest in six months at the end of the quarter. However, overall economic activity remained sluggish in Argentina. FocusEconomics analyst expect a GDP growth of 0.9 percent this year and 2.0 percent in 2020.¹⁸

Mexico is the second largest country in the region, both by Gross Domestic Product and population. GDP fell again on a year-over-year basis in the third quarter, though at a more moderate pace than in the second quarter of 2019. The drop in GDP growth was likely due to lower output in the industrial sector, merchandise exports falling, and weakness in domestic demand. The drop in GDP growth resulted in an increase in the unemployment rate from last quarter by 0.2 percent to a still relatively low, 3.8 percent.¹⁹

Regional English Proficiency Latin America

Latin America, as a region, had about the same English Proficiency Score as in 2018. The region has a higher score than the Middle East and Africa but remains about 3 points behind Asia. Countries within this region have the smallest disparity between the highest and lowest ranked countries as a 12-point gap posts between the most English proficient country, Argentina, and the least proficient country, Ecuador.

In the past two decades, Latin American countries have made enormous progress to ensure that all children have access to education. Now, the attention has shifted to English speaking skills. The Latin American business community is increasingly vocal in its demand for more English speakers and, in response, many of the region's countries have rolled out education reforms to teach English better and more widely. It is too early to judge if

these reforms are based solely on adult proficiency levels, but national testing has shown promising results among students.

The top five countries in the region for English proficiency are Argentina, Costa Rica, Uruguay, Chile, and Cuba. Mexico ranks 67th in the world which is a substantial drop from its prior rank of 57th in 2018.

ADDITIONAL IMPLICATIONS WHEN USING REPORT FINDINGS

HR professionals should be aware of several factors when interpreting the results in this research report. What constitutes unemployment across global economies is not universally defined and even countries with long-standing practices in reporting unemployment

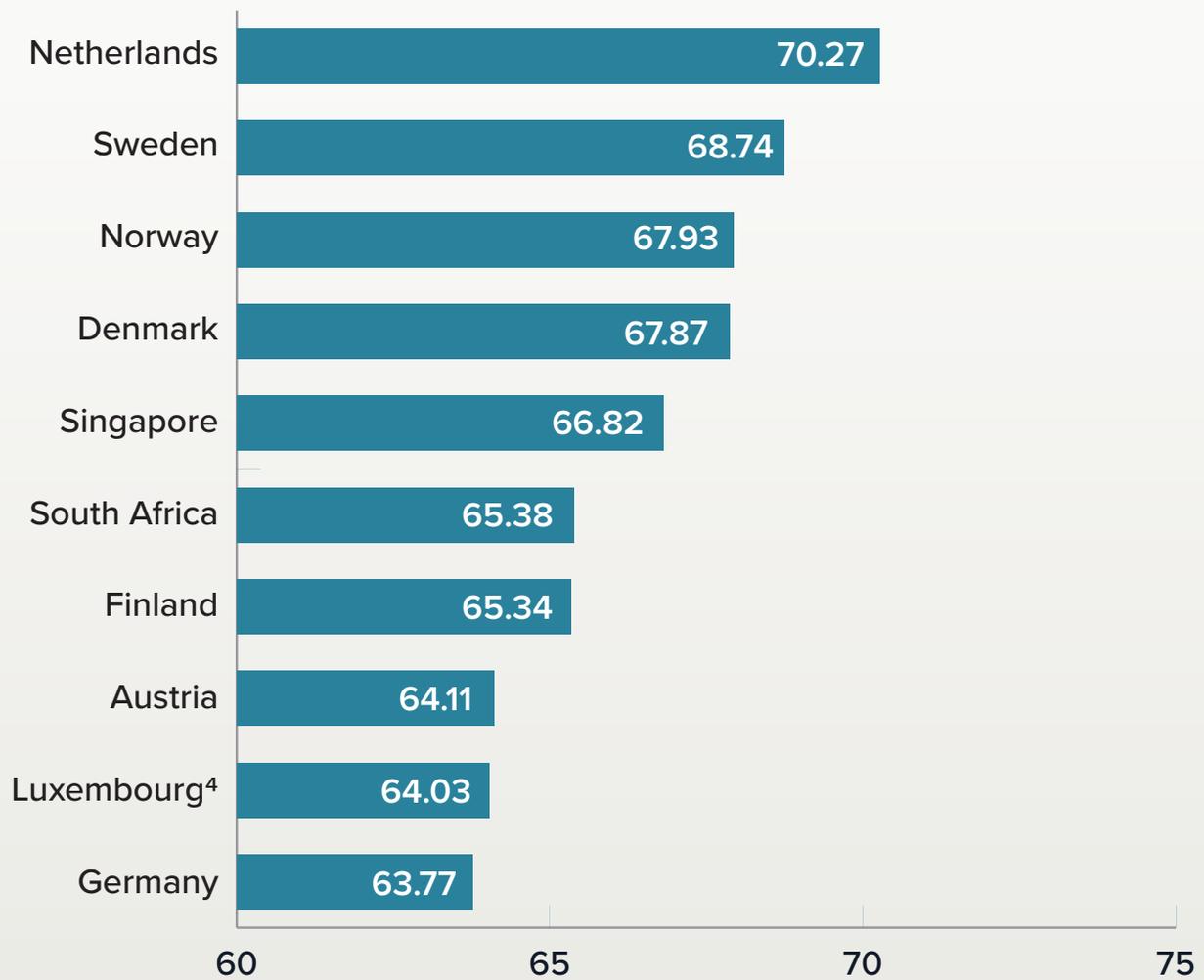
periodically change criteria. Some countries adjust unemployment estimates because of seasonality, and some do not. The definition of full-time employment and who should count as a member of the labor force varies by country. Further, the percentage change in the unemployment rate in a developed country like the UK with a high proportion of its potential workforce employed will be far lower than what's reported in a less developed country like Colombia.

Economic growth is also very relative. The GDP growth rate in Indonesia was 5.2 percent in 2018, far above the global growth rate of 1.7 percent for that of France. A larger economy like that of France won't grow proportionately as much as a smaller one like Indonesia. The smaller growth rate is not a negative when evaluating the economic health of the country.

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English Proficiency Index 2019: Top 10 Countries



English Proficiency Index 2019

COUNTRY	2019 RANK	2019 ¹
Netherlands	1	70.27
Sweden	2	68.74
Norway	3	67.93
Denmark	4	67.87
Singapore	5	66.82
South Africa	6	65.38
Finland	7	65.34
Austria	8	64.11
Luxemburg (4)	9	64.03
Germany	10	63.77
Poland	11	63.76
Portugal	12	63.14
Belgium	13	63.09
Switzerland	19	60.23
Philippines	20	60.14
Greece	22	59.87
Malaysia	26	58.55
Argentina	27	58.38
France	31	57.25
Hong Kong	33	55.63
India	34	55.49
Spain	35	55.46
Italy	36	55.31
South Korea	37	55.04
Taiwan	38	54.18
China	40	53.44
Chile	42	52.89
Russia	48	52.14
Vietnam	52	51.57
Japan	53	51.51
Peru	58	50.22
Brazil	59	50.10
Indonesia	61	50.06
Mexico	67	48.99
Colombia	68	48.75
United Arab Emirates	70	48.19
Bangladesh	71	48.11
Thailand	74	47.61
Egypt	77	47.11
Turkey	79	46.81
Qatar	80	46.79
Kuwait	84	46.22
Kazakhstan	93	43.83
Saudi Arabia	98	41.60

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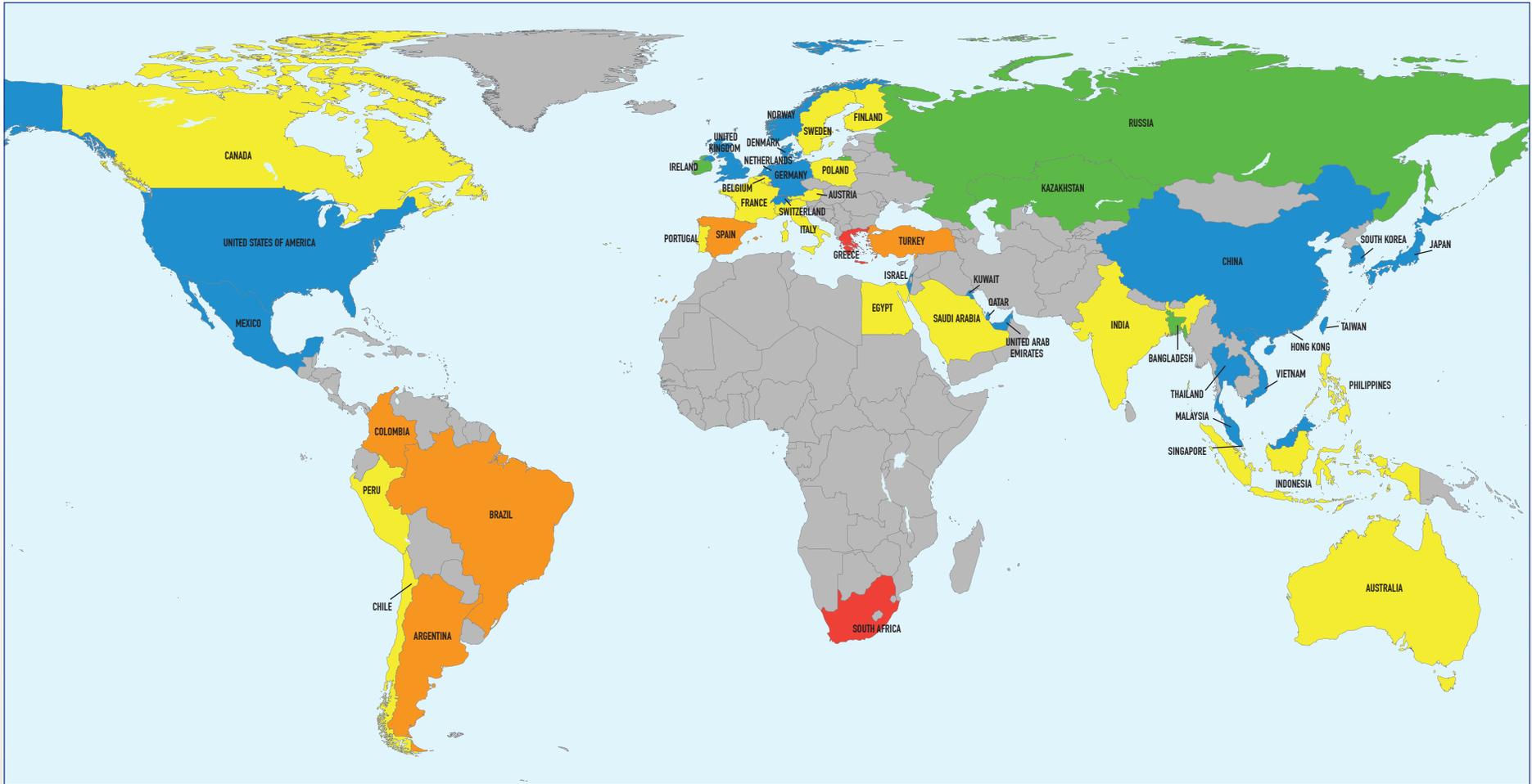
Country	Population (millions)*	GDP (US \$Billions)**	3Q % Unemployment Rate***	Last Report	3Q 2018 Reported Unemployment Rate	Update Frequency	Last Updated
NORTH AMERICA							
US	325.72	20,494.05	3.50	3.70	3.70	Monthly	Oct-19
Canada	37.71	1,711.39	5.50	5.50	5.90	Monthly	Oct-19
ASIA PACIFIC							
China	1,395.38	13,407.40	3.61	3.61	3.82	Quarterly	Nov-19
India(4)	1,283.60	2,716.75	7.16	7.91	6.47	Monthly	Oct-19
Indonesia	261.90	1,074.97	5.28	5.01	5.34	Semi-Annual	Nov-19
Bangladesh	161.80	287.63	4.30	4.20	4.30	Annually	Oct-19
Japan	126.71	4,971.93	2.40	2.30	2.40	Monthly	Nov-19
Philippines	104.90	330.85	5.40	5.10	5.50	Quarterly	Oct-19
Vietnam	95.50	241.27	2.17	2.16	2.18	Quarterly	Nov-19
Thailand	66.19	487.24	1.00	0.90	1.00	Monthly	Nov-19
South Korea	51.61	1,619.42	3.40	4.00	4.00	Monthly	Oct-19
Malaysia	32.05	354.35	3.30	3.30	3.30	Monthly	Nov-19
Australia	24.70	1,418.28	5.20	5.20	5.00	Monthly	Oct-19
Taiwan	23.57	589.39	3.74	3.74	3.70	Monthly	Oct-19
Hong Kong	7.48	363.03	2.90	2.80	2.80	Monthly	Oct-19
Singapore	5.64	361.11	2.30	2.20	2.10	Quarterly	Nov-19
EMEA							
Russia	146.90	1,630.66	4.50	4.40	4.50	Monthly	Oct-19
Egypt	96.20	249.56	7.50	8.10	10.00	Quarterly	Nov-19
Germany	82.85	4,000.39	3.10	3.10	3.30	Monthly	Nov-19
Turkey	80.81	766.43	13.90	13.00	11.10	Monthly	Nov-19
France	67.19	2,775.25	8.50	8.70	9.10	Quarterly	Nov-19
United Kingdom	66.19	2,828.64	3.90	3.80	4.10	Monthly	Nov-19
Italy	60.48	2,072.20	9.90	9.70	10.40	Monthly	Nov-19
South Africa	57.73	368.14	29.10	29.00	27.50	Quarterly	Nov-19
Spain	46.66	1,425.87	13.92	14.02	14.55	Quarterly	Nov-19
Poland	37.98	586.02	5.10	5.30	5.70	Monthly	Nov-19
Saudi Arabia	33.41	782.48	5.60	5.70	6.00	Quarterly	Nov-19
Kazakhstan	17.92	170.54	4.80	4.80	4.90	Monthly	Nov-19
Netherlands	17.12	912.90	3.50	3.40	3.70	Monthly	Oct-19
Belgium	11.41	533.15	5.60	5.60	5.60	Monthly	Nov-19
Greece	10.74	219.10	16.70	17.20	18.80	Monthly	Nov-19
Portugal	10.29	238.51	6.10	6.30	6.70	Quarterly	Nov-19
Sweden	10.12	551.14	7.10	7.60	6.00	Monthly	Oct-19
United Arab Emirates	9.40	424.64	2.57	2.57	2.57	Annually	Nov-19
Israel	8.97	369.84	3.70	4.10	4.10	Monthly	Nov-19
Austria	8.82	457.64	6.70	6.50	6.90	Monthly	Oct-19
Switzerland	8.48	703.75	2.10	2.10	2.30	Monthly	Nov-19
Denmark	5.78	350.87	3.70	3.80	3.90	Monthly	Nov-19
Finland	5.51	275.32	5.90	6.20	6.30	Monthly	Nov-19
Norway	5.30	434.94	3.70	3.40	3.90	Monthly	Nov-19
Ireland	4.84	372.70	4.90	4.50	5.60	Monthly	Oct-19
Kuwait	4.10	141.05	2.06	2.06	2.06	Annually	Nov-19
Qatar	2.64	192.45	0.10	0.10	0.10	Quarterly	Nov-19
LATIN AMERICA							
Brazil	207.66	1,868.18	11.80	12.00	11.90	Monthly	Nov-19
Mexico	123.52	1,223.36	3.80	3.60	3.60	Monthly	Nov-19
Colombia	49.29	333.11	10.20	9.40	9.10	Monthly	Nov-19
Argentina	44.05	518.09	10.60	10.10	9.00	Quarterly	Nov-19
Peru	31.83	225.20	5.80	6.30	6.20	Monthly	Oct-19
Chile	18.37	298.17	7.00	7.10	7.10	Monthly	Nov-19

* Source: Tradingeconomics.com, April 19th, 2019

** Data from the International Monetary Fund, April 19th, 2019. Please note, some numbers may be estimates

*** Unemployment Statistics obtained from Tradingeconomics.com, October & November 2019

† Employment Statistics for India came from the Centre for Monitoring Indian Economy in October 2019



Note: Only those countries included in the Worldwide Unemployment Snapshot in this report are shown.

■ (not included)

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