PAN-AFRICAN CONFERENCE ON INEQUALITIES IN THE CONTEXT OF STRUCTURAL TRANSFORMATION

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in partnership with:
UNIDO

PARTNER FOR PROSPERITY
Sustaining Employment Growth: The Role of Manufacturing Structural Change

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Outline

- Global long-term trends in industrial structural transformation, economic growth and employment
- Value added and job generation in low and lower middle income countries
- What drives global industrialization and through it employment
- Industrial policies to generate employment through industrial structural transformation in developing countries
Is manufacturing still an engine of growth and employment generation?
Engine of Growth?

Economic growth and changes in the MVA share in GDP (selected regions and country groups, 1970–2007)

Source: Adapted from UNDESA 2006a based on CIC 2009; World Bank 2013b.
Engine of Growth?

GDP composition by sectors, Republic of Korea (1960–2005)

GDP Growth: 5.5%

US$ 22,084 (2005 PPP)

US$ 1.744 (2005 PPP)

Source: Adapted from Szirmai 2009; Szirmai et al. 2013, page 11.
Post-industrial society?

Manufacturing still matters for employment generation

a. 262 million manufacturing jobs (1970)
b. 471 million jobs (2009)
c. 16.3% of global employment (2009)
Post Industrial Society?

Figure 9. *Total Number of global manufacturing related employment, 1995-2009*

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<th>Year</th>
<th>Man-related</th>
<th>Formal</th>
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- **Direct jobs:** from 180 million to 201 million
- **Informal jobs:** from 130 million to 187 million
- **Indirect jobs:** from 64 million to 83 million
- **Total jobs:** from 374 million to 471 million

- “Lower bound” estimate: induced-jobs are not considered.
World Population (in working age) represented 4,600 millions in 2009.

From them, 3,000 million were actively participating in the labour market, and 2,880 million are employed.

16.3% of total labour force
Are jobs traveling away?

Manufacturing employment

- grows in developing countries
- decreases in developed countries
- in developed countries decreases are mitigated by growing manufacturing-related services employment
Where are the jobs going?

Developing countries

Industrialized countries
Manufacturing Jobs Geographical Distribution in 1995

Europe, 81,320
North America, 29,081
South/Cent Asia, 54,209
Latin America, 21,001
Middle East and North Africa, 5,833
Sub-Saharan Africa, 16,928
East Asia, 164,098
Oceania, 2,239

TOTAL
374 million jobs

Source: UNIDO, INDSTAT
Manufacturing Jobs Geographical Distribution in 2009

TOTAL
471 million jobs

Source: UNIDO, INDSTAT, WIOD and ILO
Value added and job generation in low and lower middle income countries
Change in value added per capita by income, low- and lower-middle incomes (1963 – 2007)

Source: UNIDO's elaboration based on CIC 2009; UNIDO Database.
Changes in employment by income and manufacturing industry

(1963 – 2007)

Source: UNIDO’s elaboration based on CIC 2009; UNIDO Database.
Industrial potential for lower income countries

Relative labour productivity by income and sector, 1991–2010
(Total economy average of productivity = 1)

Source: UNIDO’s elaboration based on World Bank 2013b; Groningen Growth and Development Centre
Share of manufacturing in selected countries: 1960-2012 (in %)
What drives industrial structural change and employment generation?

- Existing drivers include wages, skills, technology and innovation, industrial organization, business environment, trade and investment

- Yet the impact of new and emerging drivers of structural change on employment depends on the industrial policies at hand
Innovation inputs and outputs and their impact on employment

THE TWO FACES OF INNOVATION

Source: Vivarelli 2013
What role for industrial policy content and process?

- Promoting structural change
- Targeting key drivers of structural change
- Getting industrial policy to work: focus also on process
- Experimenting, learning and evaluating
Thank you!