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Item 2:
Growth with employment for inclusive and sustainable development

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UNCTAD's Trade and Development Board's High Level Segment on LDCs

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The Secretary General's 2013 report on LDCs: Growth with employment for inclusive and sustainable development

- ILO could not be more pleased with the focus of the report on linking employment with growth
- Deeply analytical and bold
- ILO concurs with the good analysis of growth and employment
- Bold policy implications for strengthening the linkage between growth and employment stand out – ILO supportive of broad policy thrust
- Gravity of the analysis and the policy implications require thought and consideration

The LDC report's analysis of growth

- Growth, but without enough quality jobs
- Macro environment of past 5 years –
 - Crisis in Advanced Economies (AEs)
 - So low demand for LDC Xs
 - Hi volatility in capital flows and commodity prices
- So LDC growth lower by 2% compared to pre crisis trend – African LDCs lagging
- Investment of 25% GDP needed for 7% GDP growth – 17 LDCs above, 31 lower
- Low structural change – agric down, manufacturing constant, services down
- CA deficit up to \$29bn, coz X growth halted in 2012
- FDI up by 20% to \$26bn 2012 – only Islands down
- Remittances up to \$30bn – half in Asia
- Net ODA down 13% with crisis
- Debt to GDP ratio 27%, ratio of Xs up to 83%
- Medium run growth of 6% expected
- Commodities super cycle tapering

The LDC report's analysis of employment

- Demographics onerous: pop growth
LDCs 2.2% > 1.2% ODCs
- So working age population growth 16m/yr to 2050 :
new entrants BD 3m/yr; Ethiopia 1.4m
- Employment growth 3% > 7% GDP growth
- LDC Productivity divide down to 22% ODC,
10% EU, 7% NA. Agric productivity divide up
- WP and vulnerable% down, but WP Africa highest,
vulnerable 80% of employment in LDCs
- Youth unemployment 2x adult mostly
- Employment elasticity falls with higher growth

The LDC report's policy implications

- Diagnostics:
- Growth without jobs
- Jobs without productive capacity – new diagnostic
- 3 element strategy
 1. Investment in physical and human capital
 2. Structural change
 3. Domestic enterprise capacity

Bold innovation:

- Investment should begin in non tradeables because more policy space afforded by protected sector
- Public infrastructure – labour intensive tech
- Complements structural change productivity increase, which releases surplus labour from agriculture and other competitive sectors, to be absorbed in labour intensive sector. Eg par excellence China post 1978; employment guarantee schemes
- Missing middle in firm size

ILO's take broadly concurrent of UNCTAD'S LDC report's analysis and diagnostic with small difference in sectoral emphasis



GDP growth over 2000-2013 was marked by fluctuations: 2003-07 pre-crisis boom, 2008-09 crisis slump, 2010 initial recovery, and 2011 second dip, with modest signs of recovery in 2012-13

Sectoral growth rates

Table 2: Annual growth rate by sectors, period average

	GDP		Agriculture, value added		Industry, value added		Manufacturing, value added		Services, value added	
	2000-07	2008-11	2000-07	2008-11	2000-07	2008-11	2000-07	2008-11	2000-07	2008-11
LDCs	7.3	5.0	3.6	4.7	8.7	5.9	7.3	6.7	6.7	6.4
African LDCs*	7.9	4.6	3.7	4.8	9.5	4.7	5.9	6.0	7.6	6.6
Asian LDCs*	6.6	5.7	3.3	4.5	8.0	7.0	8.0	7.4	6.1	6.5
Island LDCs*	0.9	1.0	-0.9	-3.9	6.8	-1.4	3.5	-9.0	5.0	1.9

Source: Calculations based on World Bank, *World Development Indicators 2012* and IMF, *World Economic Outlook*, October 2012.

* Aggregates are calculated based on data available.

The surge and the slump in GDP growth are explained largely by sectoral growth in industry, led by commodities, less so by manufacturing, particularly in Africa

Merchandise exports

Table 3: Merchandise exports in LDCs, 2000-2011

	Merchandise Exports (millions of US\$, constant 2005)			Average growth rate	Growth rate from preceding year				Average growth rate
	2000	2008	2011	2000-2007	2008	2009	2010	2011	2008-2011
LDCs	40,181	75,228	74,086	7.7	11.7	-22.7	18.6	7.5	-0.5
African LDCs	15,698	48,426	40,330	14.7	18.1	-29.7	18.1	0.3	-5.9
Asian LDCs	23,579	26,354	33,194	1.3	2.2	-10.5	19.7	17.5	8.0
Island LDCs	905	448	562	-6.6	-20.1	9.5	-3.6	18.8	7.8

Source: ILO calculations based on World Bank, World Development Indicators.

African LDCs (26/34): Benin, Burkina Faso, Burundi, Central African Rep., Chad, Comoros, Djibouti, Equatorial Guinea, Ethiopia, Gambia, Guinea-Bissau, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senega, Sudan, Tanzania, Togo, Uganda, Zambia.

Asian LDCs (8/10): Bangladesh, Bhutan, Cambodia, Lao PDR, Myanmar, Nepal, Solomon Islands, Yemen. Island LDCs (3/5): Haiti, Samoa, Vanuatu.

Table 4: Structure of Merchandise exports in LDCs

	Merchandise Exports (current US\$, millions)			% of merchandise exports														
				Agricultural raw materials exports			Food exports			Fuel exports			Manufactures exports			Ores and metals exports		
	2000	2008	2011	2000	2008	2011	2000	2008	2011	2000	2008	2011	2000	2008	2011	2000	2008	2011
LDCs	36,117	168,854	203,268	10.6	7.1	5.1	24.3	19.9	22.3	36.6	39.3	30.9	23.5	25.3	24.5	17.8	43.8	44.6
African LDCs	20,617	129,682	143,285	19.1	10.4	7.1	44.1	28.0	31.1	17.8	34.3	21.4	17.4	20.2	17.0	16.6	32.3	33.5
Asian LDCs	14,946	37,901	58,299	0.9	0.6	1.2	2.9	5.0	5.8	63.0	53.0	53.2	30.0	35.2	39.4	0.1	1.5	0.4
Island LDCs	413	624	900															

Source: World Bank, World Development Indicators 2012; ILO calculations

African LDCs (19/34): Benin, Burkina Faso, Burundi, Ethiopia, Gambia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sudan, Tanzania, Togo, Uganda, Zambia.

Asian LDCs (3/10): Cambodia, Nepal, Yemen.

Total LDCs include Samoa in addition to the countries listed above.

The volatility in GDP growth comes from the high reliance on exporting commodities rather than manufactures

GDP and commodity volatility is in turn explained by commodity price fluctuations



The nature of commodity export-led growth in LDCs has had a very weak traction on job creation, with employment just following the pace of population growth. The gender and youth gaps in unemployment persisted, also bearing the brunt of the crisis

Table 12: Share of employment by major economic sector (%)

	2000			2008			2011		
	Agri-culture	Industry	Services	Agri-culture	Industry	Services	Agri-culture	Industry	Services
LDCs	70.8	7.5	21.7	65.8	8.8	25.4	65.5	8.9	25.7
Asian LDCs	65.4	10.8	23.9	59.1	12.4	28.5	59.6	12.4	28.0
African LDCs	75.1	5.0	19.8	70.8	6.3	22.9	69.7	6.5	23.8

Change 2000-2007			Change 2008-2011		
Agri-culture	Industry	Services	Agri-culture	Industry	Services
-4.8	1.3	3.5	-0.4	0.1	0.3
-6.7	1.8	4.9	0.5	0.0	-0.5
-3.8	1.1	2.6	-1.1	0.2	0.8

Note: Haiti is not included in the regional division of the LDCs. Hence, numbers may not add up.

Source: ILO, *Trends Econometric Models*, October 2012.

Industry-led GDP growth in LDCs did not result in concomitant employment growth in industry, but more in services

But employment and unemployment are second or even third best indicators of the labour market situation in developing countries, and especially the LDCs

Table 13: Working poor indicators (USD 1.25 a day)

	2000	2008	2009	2010	2011*	2000	2008	2009	2010	2011*
	Numbers of people (millions)					Share in total employment (%)				
LDCs	159.4	142.1	141.7	139.8	139.2	61.1	43.5	42.3	40.5	39.3
Asian LDCs	60.2	47.2	45.6	44.4	43.1	55.5	36.0	34.2	32.6	30.9
African LDCs	97.6	93.3	94.4	93.8	94.4	65.3	48.5	47.6	45.8	44.7

*2011 are preliminary estimates.

Note: Haiti is not included in the regional division of the LDCs. Hence, numbers may not add up.

Source: ILO, *Trends Econometric Models*, October 2012.

Additional indicators of the labour market include the working poor, vulnerable employment, wage and salary employment and labour productivity. These show improvement, but from very weak starting points in African and Asian LDCs.

Status in employment

Table 14: Share of status in employment (%)

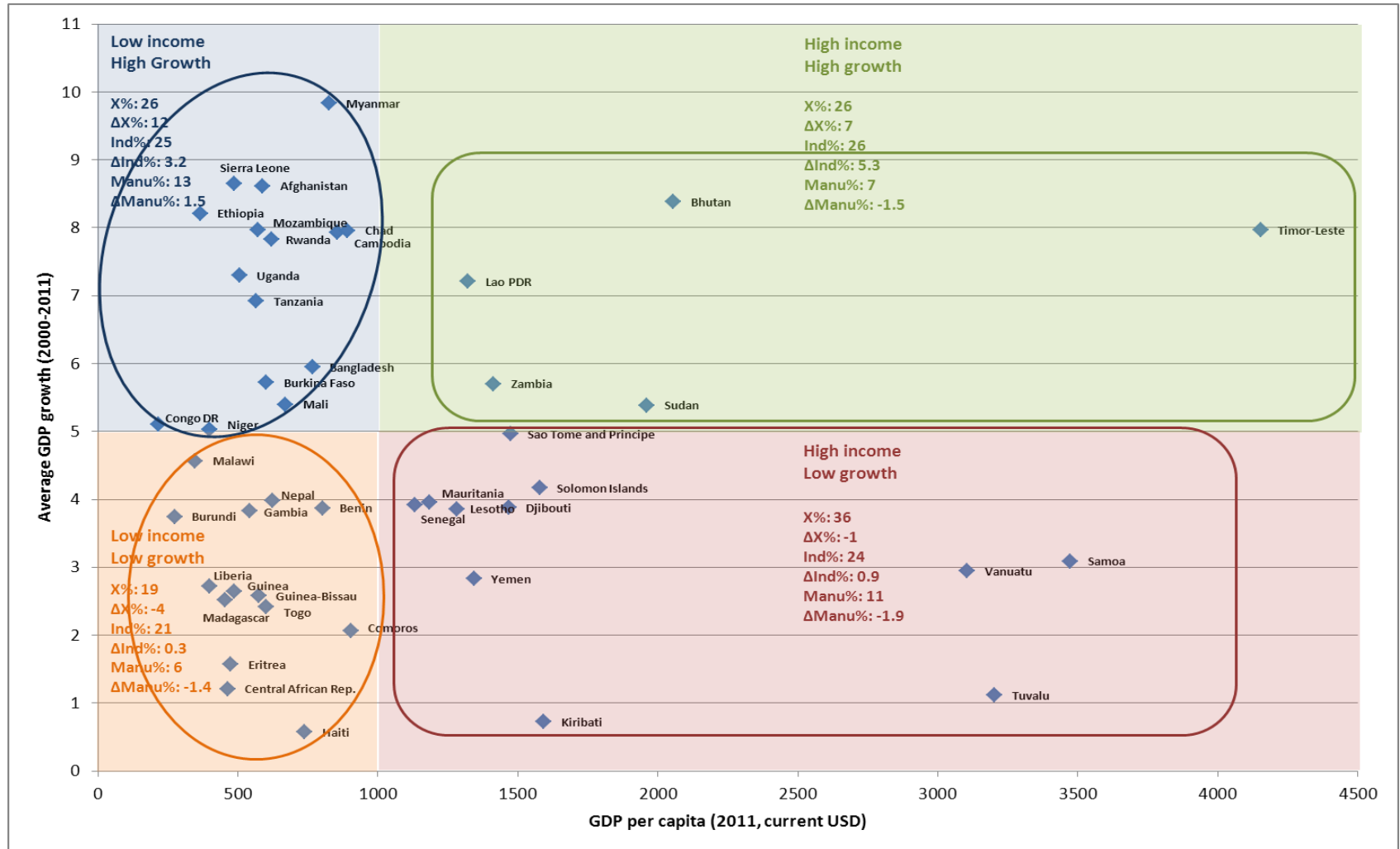
	2000				2012				Change 2000-2012			
	Wage and salary workers	Employers	Own-account workers	Unpaid family workers	Wage and salary workers	Employers	Own-account workers	Unpaid family workers	Wage and salary workers	Employers	Own-account workers	Unpaid family workers
LDCs	13.1	1.0	51.8	34.1	17.5	1.3	52.2	29.1	4.4	0.2	0.4	-5.0
Asian LDCs	14.2	0.7	53.4	31.7	18.4	0.8	51.9	28.9	4.2	0.1	-1.5	-2.8
African LDCs	11.4	1.3	51.0	36.3	16.2	1.5	52.8	29.5	4.8	0.3	1.7	-6.8

Note: Haiti is not included in the regional division of the LDCs. Hence, numbers may not add up.

Source: ILO, *Trends Econometric Models*, October 2012.

The share of vulnerable workers steadily decreased during the past decade, but still remains at high levels. Vulnerable employment decreased more for male workers, leading to an increase in the gender gap.

GDP growth (average annual growth, 2000-2011) and per capita income (2011) in LDCs



The enabling conditions for high growth, especially with low incomes, have been high growth in exports, high growth in industry, higher growth in investment, but also a higher share in manufacturing.

Balance in drivers of growth

