

« The Labour Market in Developing Countries » what is old and what is new?



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first topic:

« developing country? »

« emerging economy? »

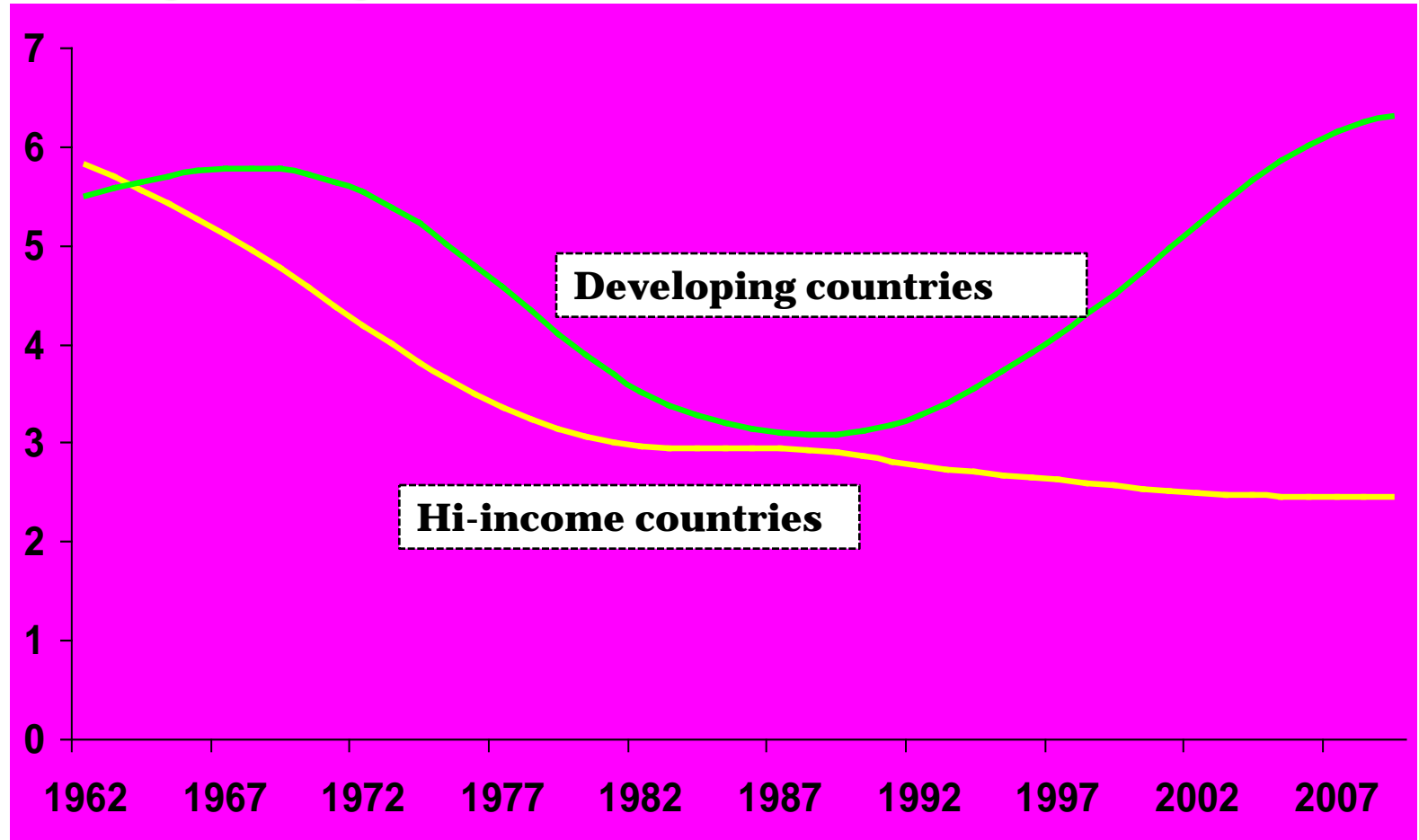
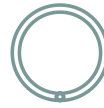
definitionally...



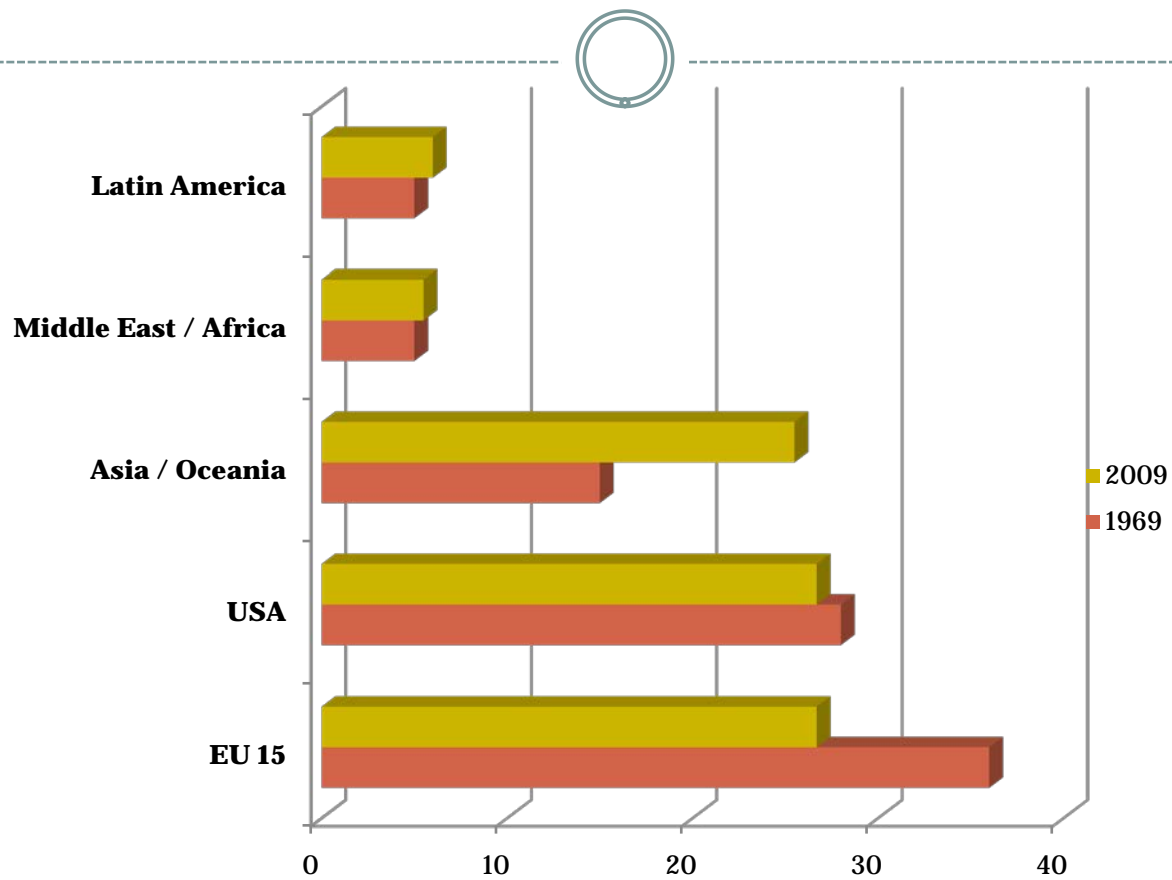
- **using World Bank groupings based on GNI per capita, i.e. low income, middle-low income, middle-high income, high income. a labour market discussion of each is warranted !**
- **« emerging », as defined by Antoine van Agtmael (IFC)**
 - **Embarked on economic development and reforms**
 - **Have begun to open their markets and « emerge »**
 - **Fast-growing economies, in relative terms**

Divergence in trend growth

percentage change



Source: World Bank



% share of global output by region



second topic:

**the stylized components of
« dualism »**

**a first distinction between
« employment-led » and « growth-
led » demand for labour**

**much economic activity in
developing countries is the search
for demand creation rather than
demand derived from product
markets**

The “Dual Economy” is divided into a “traditional” and a “modern” economy

The “traditional” Economy

The “Modern” Economy

is relatively more ...

informal

Formal

Vulnerable in employment status

Likely to have a higher share of wage-earners

Rural

Urban

Likely to be less productive

Likely to more productive

Credit-insufficient

Access to credit

Likely to have a low capital-to-labour ratio

Likely to have a higher capital-to-labour ratio

Oriented to domestic, even local markets

Oriented to domestic and international markets

Sheltered from the impact of macroeconomic policies

Exposed to macroeconomic policies

Deficient in the quality of jobs

Deficient in the quantity of jobs

Likely to be less or un-protected

Likely to have at least de jure protection

Prone to greater earnings instability

Stable and predictable in earnings and income

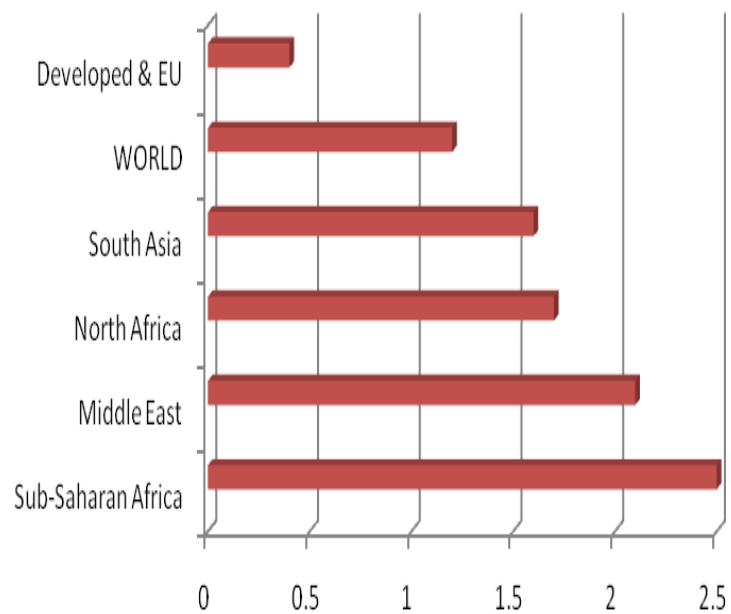


third topic:

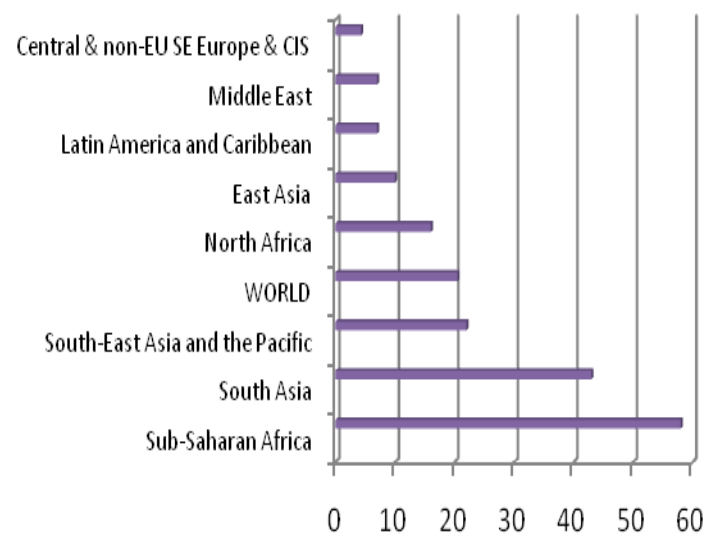
**demographics in relation to
labour surplus and poverty**



Population Growth, 2000-2010, in %



Share of US\$ 1.25 per day Working Poor in %

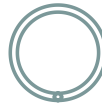




fourth topic:

informality

discussion of informality has its own chapter. that said



- **ILO (2002) definition of informality**
- **an (OECD) « informal is normal » stance**
- **Africa: 80 % of non-agricultural work is informal – 90 % of all new jobs over the past decade**
- **in the last decade, the informal share of employment increased in all of the seven most populous developing countries**

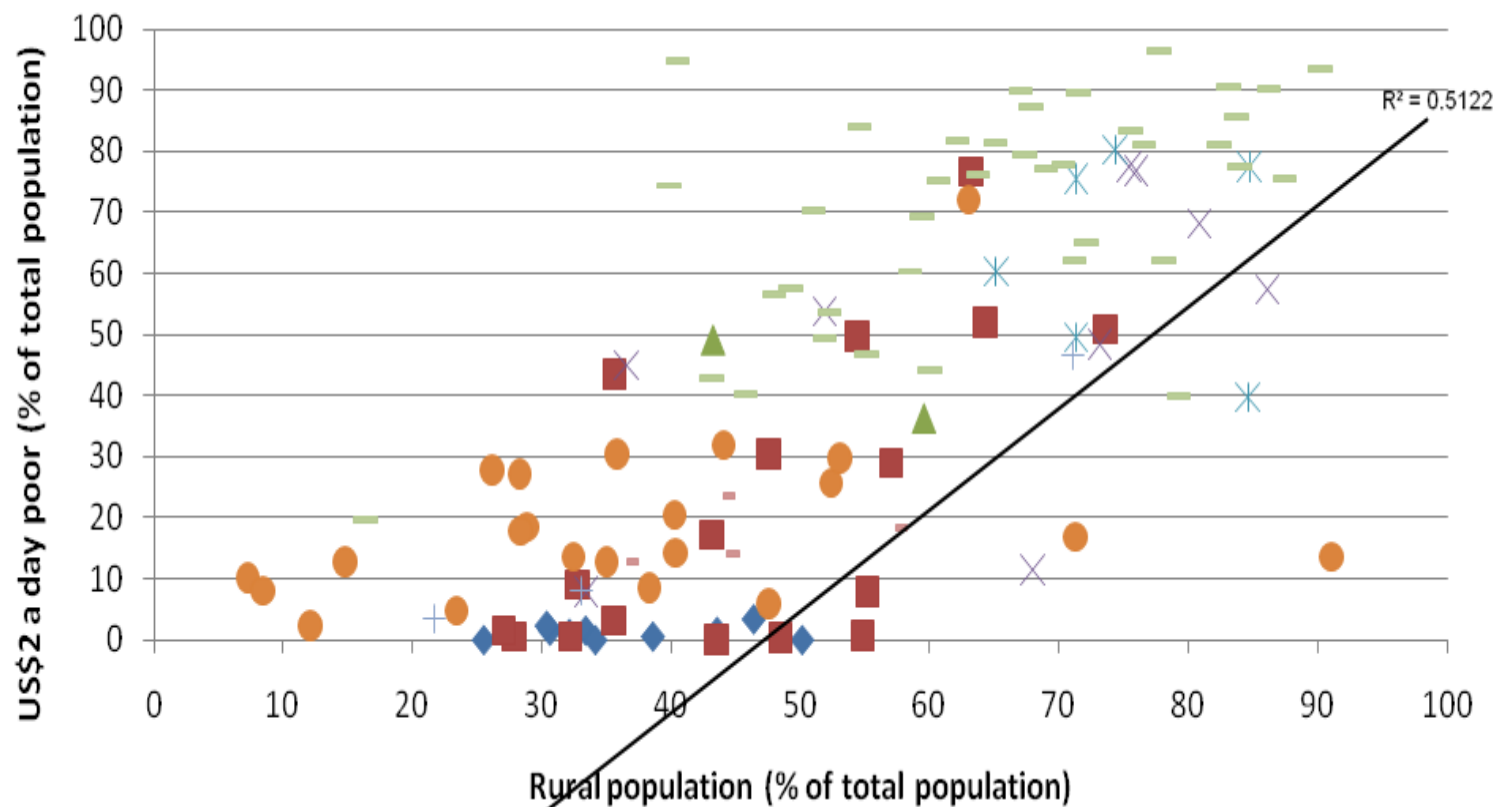


fifth topic:

Agriculture

beyond the income-related definition, a developing country is also defined by the significance of agriculture

- **it is also where poverty is concentrated.**
- **the implication is that, to understand labour markets in developing countries, one needs to understand agriculturally based labour markets**



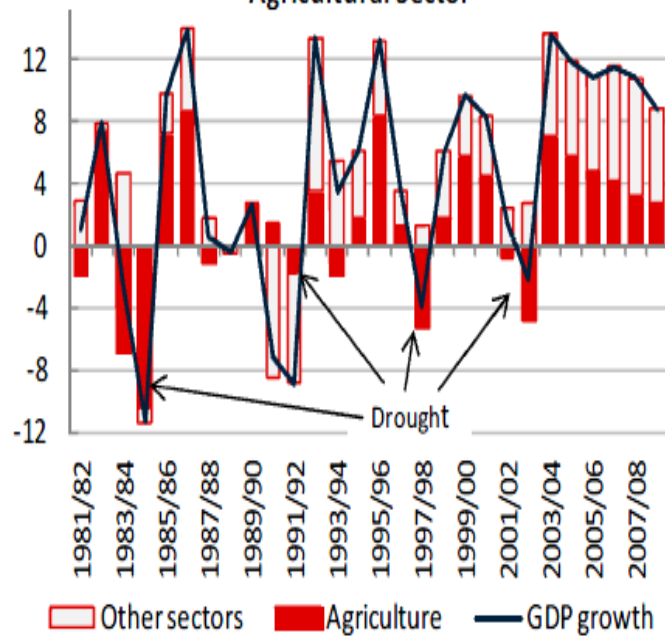


In agriculturally based economies, the weather and growth are more firmly bound,

so are commodity prices and macroeconomic stability

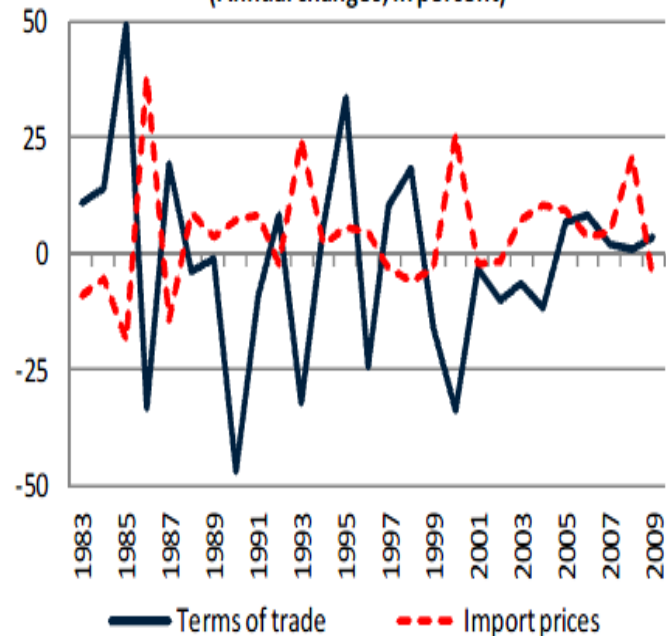
For the last three decades, Ethiopia has been hit by droughts in every 5–7 years.

Figure 14. Real GDP Growth and Contribution of Agricultural Sector



Terms of trade shocks are also frequent, often caused by high international commodity prices.

Figure 15. Terms of Trade and Import Prices (Annual changes, in percent)





sixth topic:

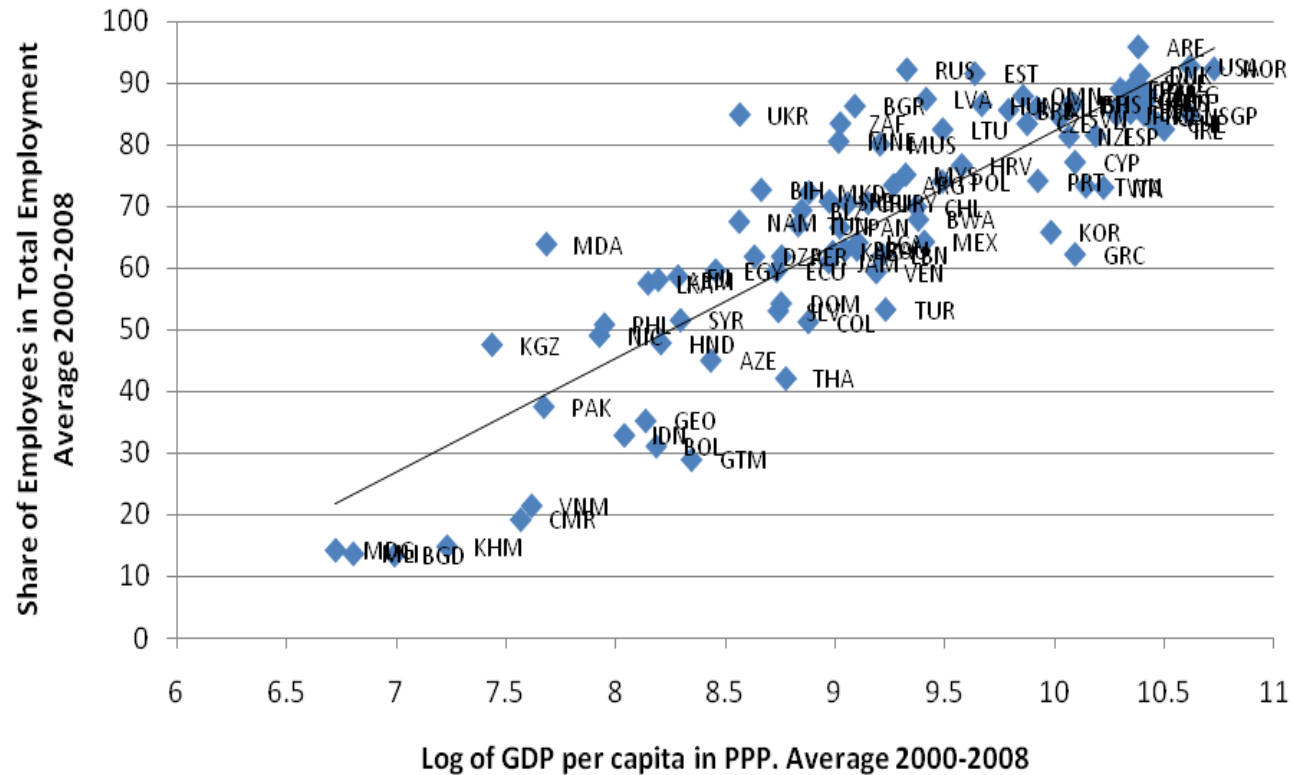
**status in employment varies greatly
between developed and developing
countries**

a typology of status in employment

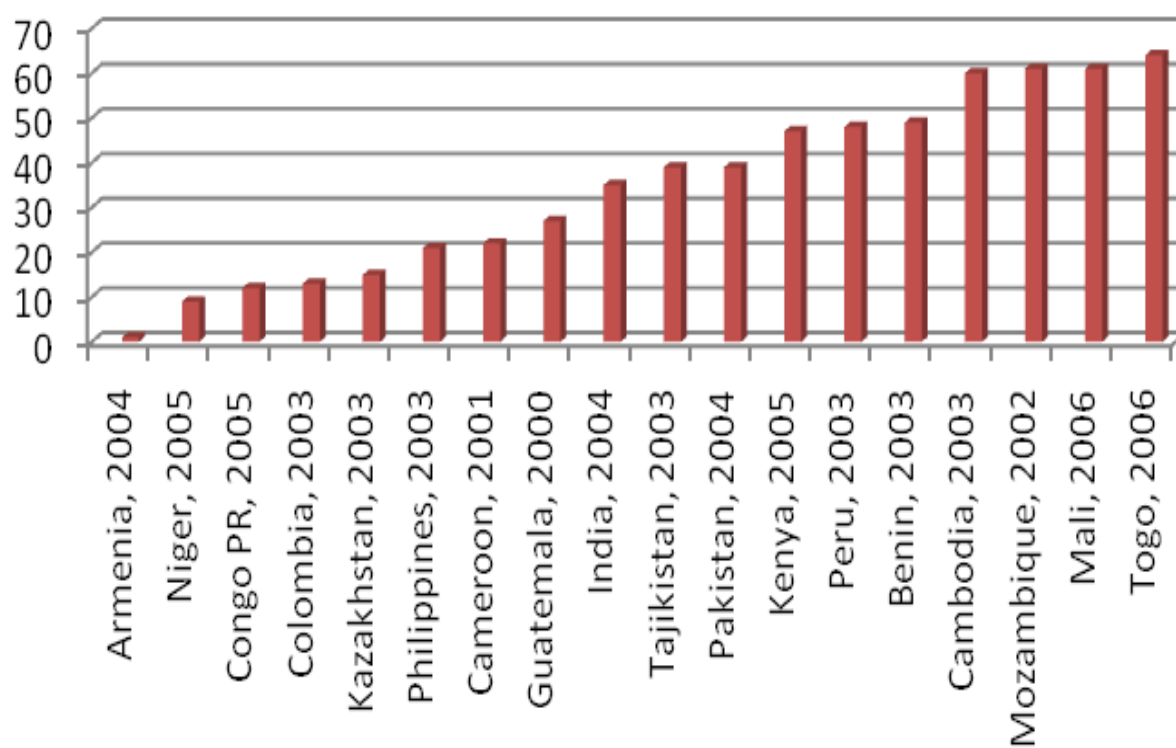


- **paid employment is a developed-country phenomenon, except at its lowest end (casual wage labour by the rural landless)**
- **self-employment, with a significant share being « survivalist » is a developing-country phenomenon**
- **various forms of unpaid work, and non-market work, are developing-country characteristics**

Share of Employees in Total Employment and Level of Development



Share (in %) of contributing family members in total employment of youths, 15-24





seventh topic:

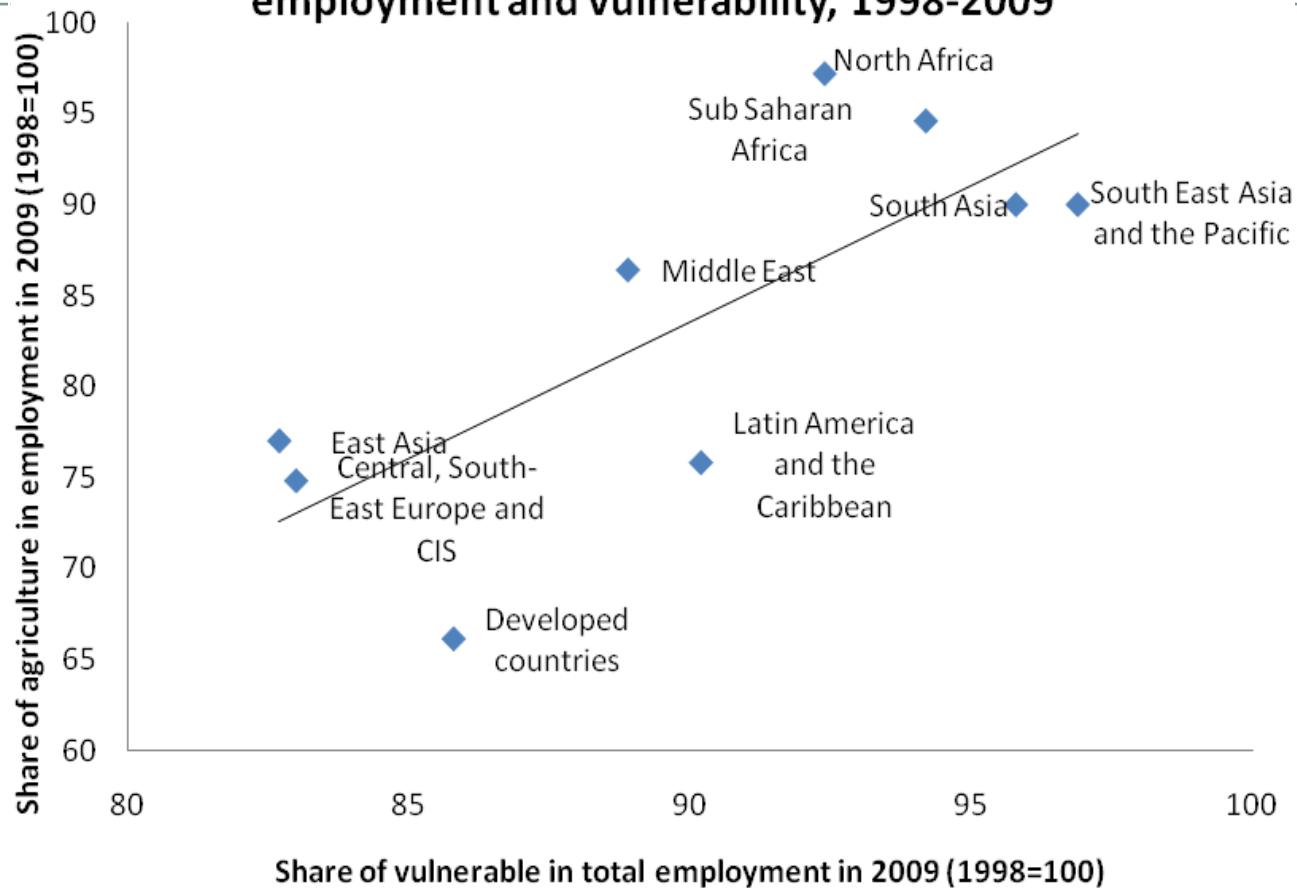
**the Lewisian view of development
and structural transformation**

some basic assumptions



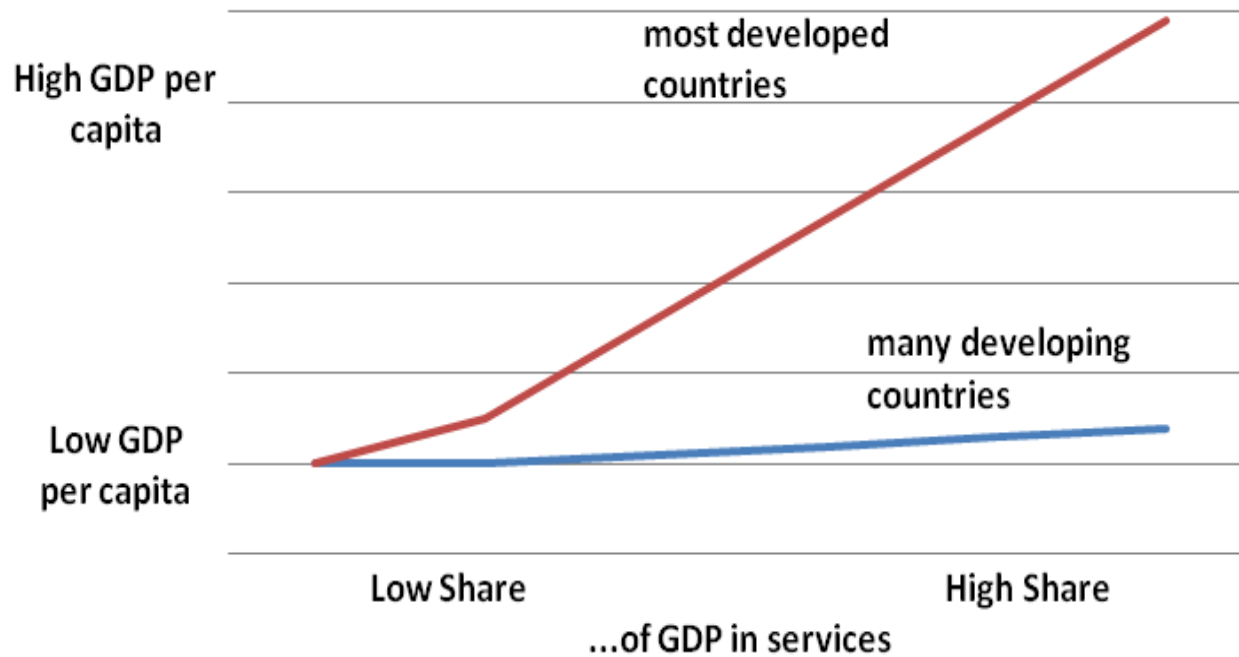
- **declining share of agriculture in employment and output. largely true, but hardly linear**
- **growth of the industrial sector with development. largely true, but not everywhere, e.g. deindustrialization in LDCs, the as yet unfulfilled China export-labour bonus foreseen by the World Bank**
- **a large service sector is for the wealthy countries. true and false.**

Relation between change in shares of agriculture in employment and vulnerability, 1998-2009



Source: Global Employment Trends 2011, ILO

the economic weight of the service sector is not always
a matter of level of economic development





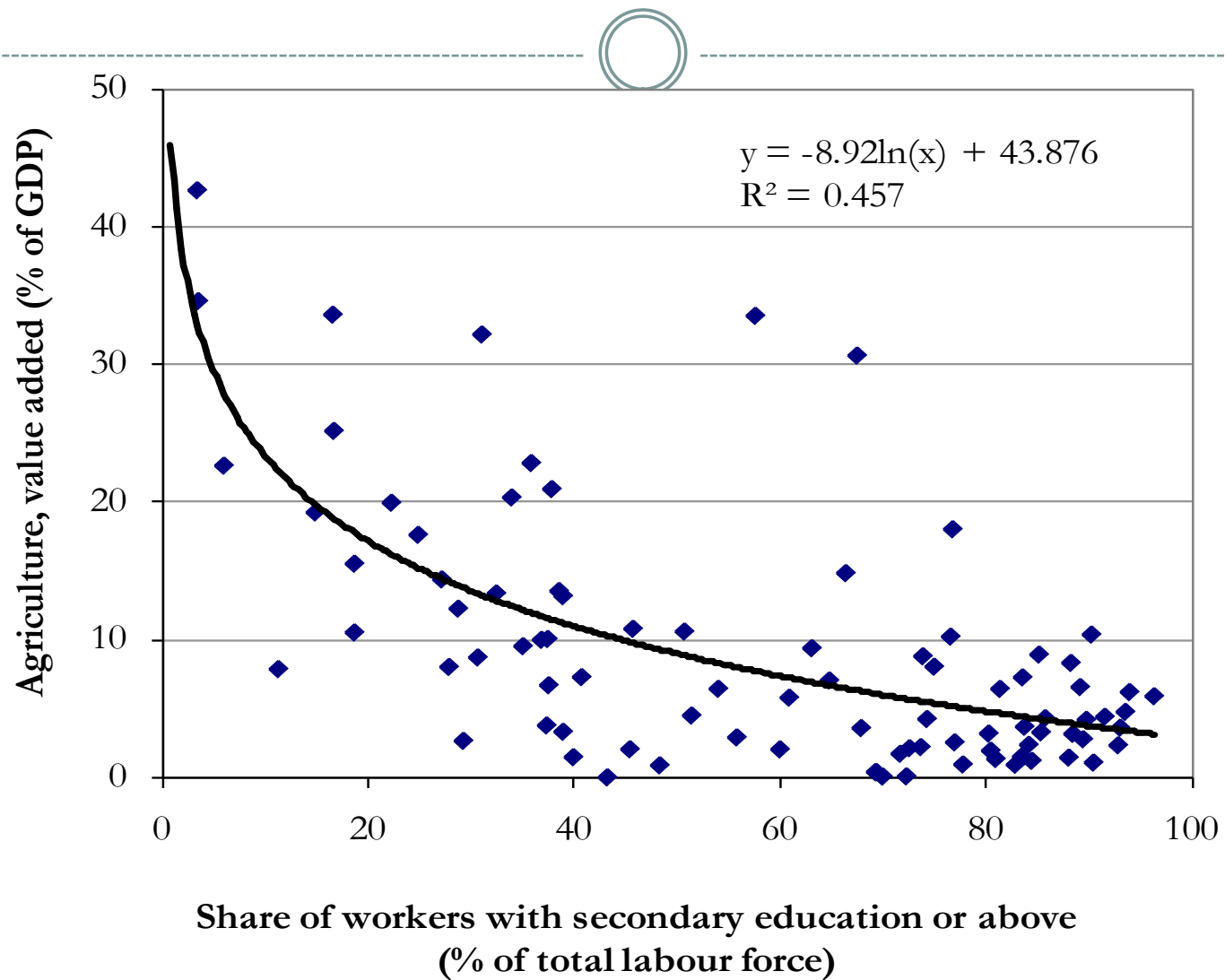
eighth topic:

human capital and development

human capital is a subject in its own right in this volume



- **praiseworthy gains in the breadth and depth of school enrolment**
- **the disparity between the quantity and the quality of education**
- **economic diversification and HK go hand-in-hand, and are « dually causal »**



What's new?





The first is, structural change is not happening fast enough, and it has stalled with the Great Recession

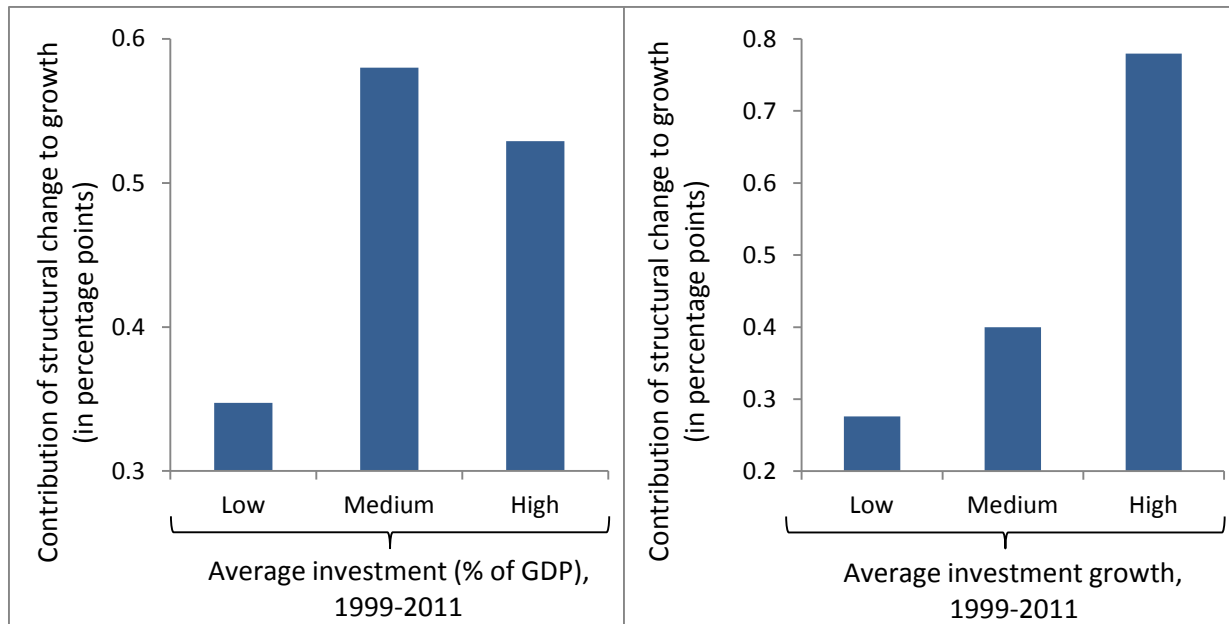


**This means that the share of those in
« vulnerable » employment has not
diminished enough – still a majority of the
world's workforce.**

**« Vulnerability » captures those least likely
to have social protection**

**Social protection, since the UN Declaration
of the 1940s, is defined as a human right**

A lot of culprits, but investment shortfall is a major one



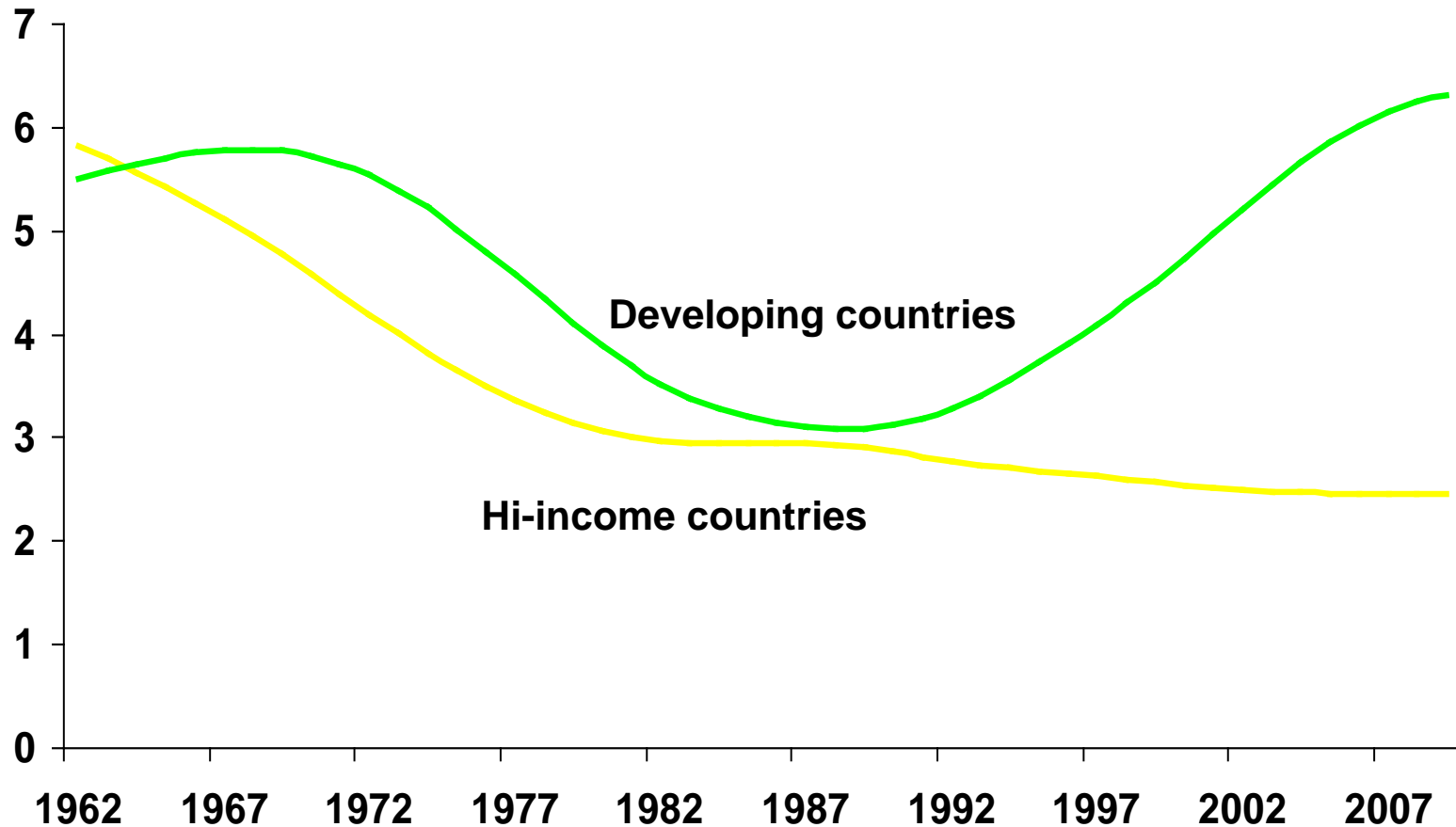


**That is the downside of
structural change on human
rights.**

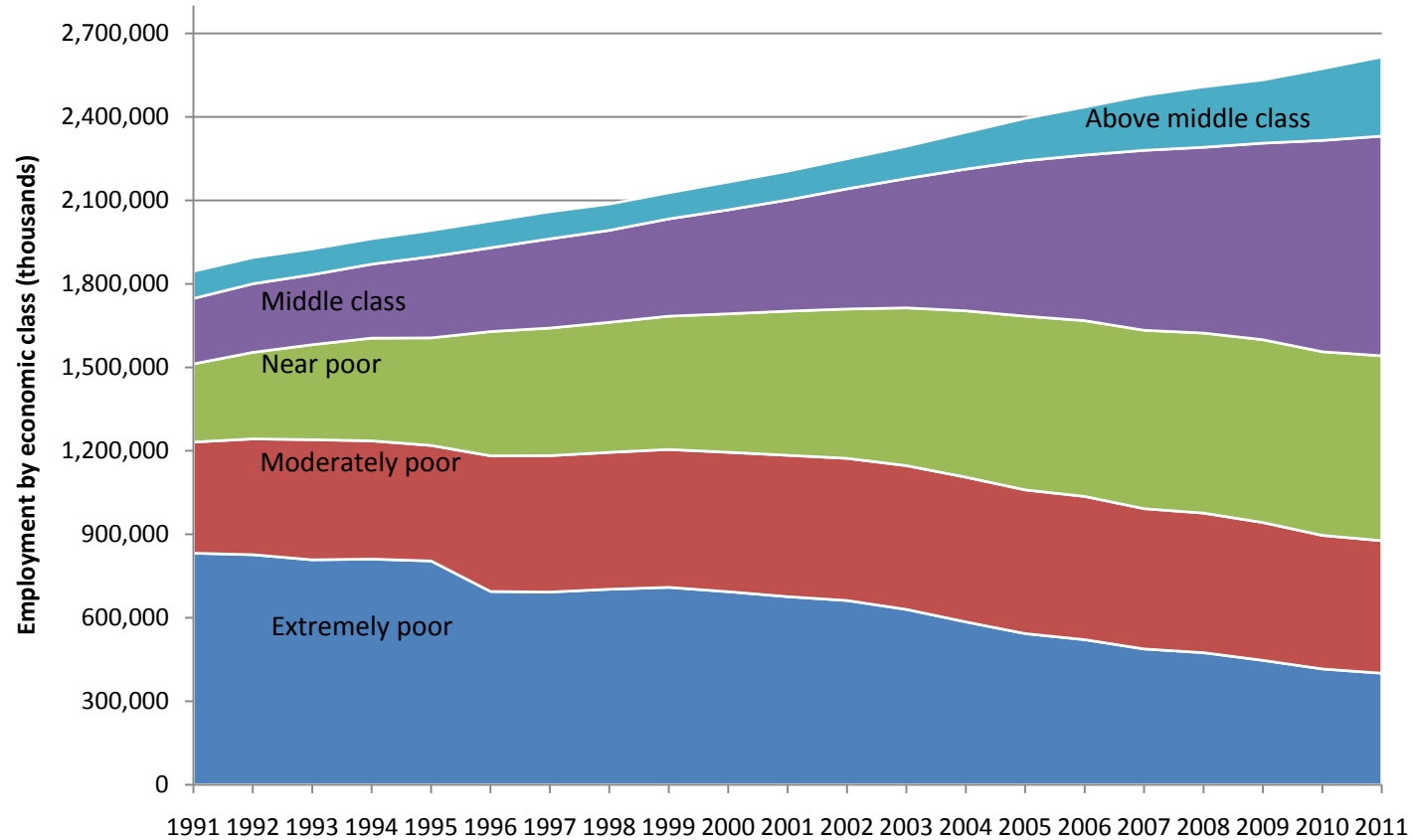
**There is an upside as well –
the growth of the global
middle class**

Divergence in trend growth

percentage change



The middle class (\$4-\$13 ppp) per day is growing in the developing world



What do we know about the middle class and human rights ?



- **The middle class likes to assert rights – think of it as human rights as conservation of economic gain**
- **Inequality is an enemy. A quick look at this**

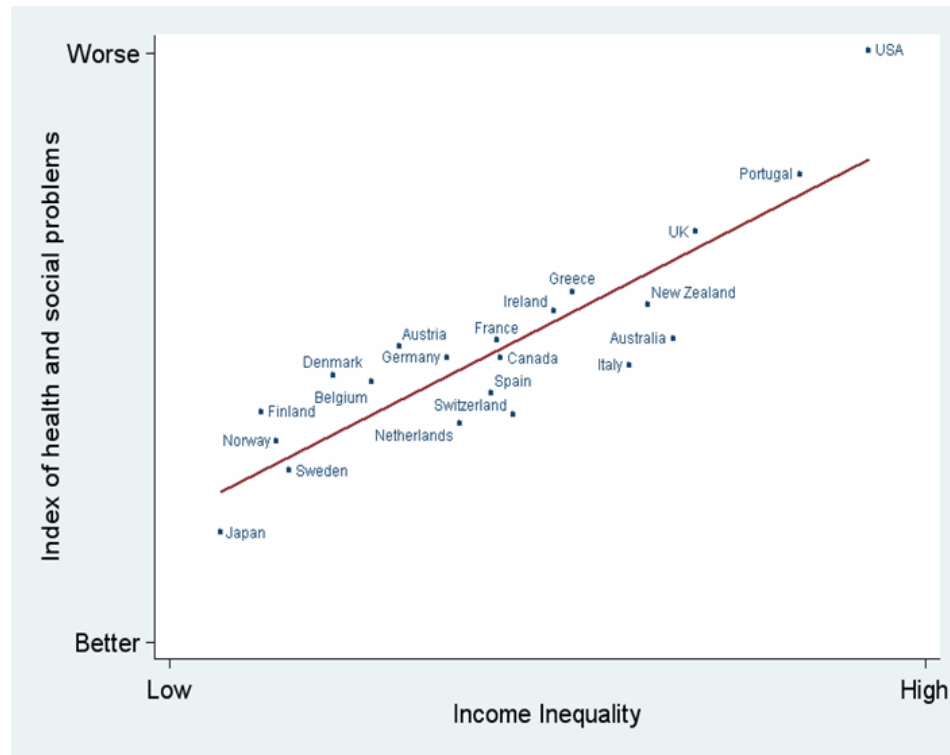
Inequality will matter, but no time to discuss today



Health and Social Problems are Worse in More Unequal Countries

Index of:

- Life expectancy
- Math & Literacy
- Infant mortality
- Homicides
- Imprisonment
- Teenage births
- Trust
- Obesity
- Mental illness – incl. drug & alcohol addiction
- Social mobility



Source: Wilkinson & Pickett, *The Spirit Level* (2009)

www.equalitytrust.org.uk

 The Equality Trust

Middle class means assertion, ultimately, of rights and of the right to maintain them: these concluding points are empirical



- **For government accountability, the larger the size of the middle class, the greater is the demand for democratic accountability and participation, transparency, and for curbing corruption.**
- **For labour markets, depending on its relative rate of growth, a rising middle class augurs well for a greater share of paid employment and a decline in the work that ILO defines as “vulnerable”.**
- **Finally, for social values, a rising middle class implies a shift in these toward stability and criteria of fairness**



many thanks
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