International Labour Organization

Jobs for Africa and beyond: The role of structural transformation and economic policies in the 21st century

Interview with Bernd Mueller, Manager of the Employment Programme at the International Training Centre of the ILO in Turin, Italy

Introduction by host:

Welcome to the ILO Employment podcast series, Global challenges - Global solutions: The future of work. I'm your host Tom Netter and today we're going to talk about the role of structural transformation in labour market policy making.

We all know the world is in crisis. The challenges seem to be growing – frequent extreme weather events, economic and social shocks brought on by globalization, demographic shifts and conflict are constantly in the headlines – and causing sluggish employment growth in some societies.

The COVID pandemic hasn't helped, weakening, and even in some cases, reversing hard won gains, with devastating economic impact.

The EMPLOYMENT department's newly published Global Employment Policy Review second edition sees the weak point as a lack of what it calls "structural transformation". Now, we're ready to highlight how structural transformation can help overcome employment challenges through integrating what economists call "mutually reinforcing macroeconomic, sectoral and labour market policies."

Nowhere is this more vital than in Africa. In the past, creating decent jobs was (mis)conceived as just a matter of increasing economic growth and capital investment. But in Africa, relatively strong economic growth since 2002 hasn't translated into great employment outcomes. And similar challenges are also faced by other developing regions.

Here with us today to explain how this works is Bernd Mueller, Manager of the Employment Programme at the International Training Centre of the ILO in Turin, Italy, and co-author of the policy review's chapter that proposes such a new economic framework for jobs. Bernd, welcome to the programme.

Tom: Bernd, welcome to the programme.

Bernd: Hi, and thanks for having me.

Tom: So, let's start with the basics. Assuming that our listeners aren't all labour market economists and policy experts, can you give us a very brief explanation of what structural transformation is, and why it's so important?

Bernd: Sure. So, in a bit more abstract terms, structural transformation just means to move from lower productivity activities to higher productivity economic activities. In real life, that basically means that we are trying to have a shift in economies from your primary commodity production, agriculture, maybe also resource extraction, to higher value-added of different types. That could be of manufacturing. It could also be in higher value-added services or higher value-added agriculture production. Now, this is particularly important for job creation because we know from experience that you usually find the least productive, the worst type of jobs, and also less jobs in the lower productivity types of occupation. So, to move the economy towards this higher value-added production is super important in creating more and better jobs, particularly in developing countries.

Tom: Okay, so how do we get there? I mean, what are the policies needed that can make a difference to create this structural transformation and crucially create jobs in Africa and beyond?

Bernd: That's of course the 1-million-dollar question that everyone asks about. These are big processes I'm talking about, and they are quite complex, so it also needs a rather complex policy mix. What we have seen in the past, unfortunately, is that this process of structural transformation doesn't come about easily or naturally, certainly not through just what we would call free market activity. So, what we would need in many countries is a bit more of a guiding role and then a more active role of policies to guide that process. And here I'm talking about policies at the macroeconomic, at the sectoral, and at the labour market level. So maybe to break this down very briefly, macroeconomic policies, by which I mean mostly fiscal policies and monetary policies, need to look beyond just creating stability, but create a certain economic stimulus for economies as a whole and to create those conditions that can attract investment in particular sectors.

That is then also where the sectoral policies come in to really be specific about the types of sectors that are higher value-added, as I said earlier, and to direct investment, it could be domestic, but also foreign investment, into these types of sectors. This is needed through often very concrete incentives. So here we have a very strong role of guiding private sector investment into those type of sectors where really, we can create more and better jobs. Beyond that, and that's the third tier, are labour market policies. They are really important to smoothen that process because all of this transformation, of course, is inherently frictional, can I say? Or it's a transition that creates instability in the labour market. For that, we need labour market policies that can make sure that people are not left behind, to protect people, but also to guide in a way that allows people to have access to these newly created jobs.

Tom: To follow up, how is this different from conventional policy making?

Bernd: Traditionally, these types of economic policies, particularly at the macroeconomic and the sector level, have not, or have for a long time, tried not to be so active. So, macroeconomic policy making tended to be very much preoccupied with what we call macroeconomic stability, stuff like inflation targeting, basically to create a very stable macroeconomic environment. But at the same time, we've seen particularly in Africa that this has not created the economic stimulus that is needed. Similarly, at the sectoral level, sector policies were often by economic conventions told not to interfere with the markets too much, but rather just create what would be called an enabling environment, but not beyond that incentivizing directly investment in particular sectors. So, it's a quite different approach towards economic policy making, but from history really see that a new approach is needed.

Tom: Okay. So, would you say that macroeconomic policies are important crisis response tools to help ordinary people?

Bernd: Absolutely, and this is probably the part where our approach and what I would call the economic orthodoxy converged the most, because it's generally accepted in economics that particularly in moments of crisis, macroeconomic policy has a role to stimulate economies, to inject fiscal stimulus in order to uplift economies that are in crisis. The most recent and entrenching example of that is, of course, the COVID-19 crisis that we're all aware of. There, particularly in European and in northern economies, central banks and the governments have injected a lot of stimuli into economies to keep the economy going. Unfortunately, what we've seen is that particularly in Africa, many governments have not made use of this tool, despite having actually some considerable fiscal space at the time. The fiscal response in many African countries was much lower than it should have been, and as a result, many countries have fallen behind as a result of the COVID crisis, as the most recent example.

Tom: Is this specific to Africa, or does it apply to other regions of the developing world?

Bernd: No, it certainly is applicable across the globe, and particularly in lower and lower middle-income countries. Africa has really seen the brunt of this due to its heavy reliance on lower productivity production. So African economies are much more reliant on agriculture products, on primary commodities, and due to that, they have been much more exposed to the vagaries of global markets, to the shifts and the commodity cycles. Thus, they were much more vulnerable in this regard. So, it's a particular case in point for Africa, but it definitely is applicable across the globe.

Tom: Another question I'd like to ask you is how structural transformation paths can impact not only unemployment or the creation of decent work, but also social justice. Would you care to elaborate on this?

Bernd: Sure. Now, of course, at the ILO, we have always recognized that the issues of decent work and social justice are closely related and go hand-in-hand in many ways. So, when I talk about this process of structural transformation for creation of jobs and decent work, it is immediately clear that this goes hand-in-hand with the process of more social justice for any society. This is particularly important because usually it's particular groups who are being left behind in context where we don't have the structural transformation. So, it is usually women who have to work extra hard in the agriculture settings and are most affected by working poverty. Similarly, youth very often have least access to the types of jobs that we want to see so that they can start careers and enjoy productive economic lives. So that's why we need this process to actually bring these members of society who often unfortunately are more vulnerable in the labour market to have access to better, more gainful, higher income jobs, and therefore, then also have a chance of more social upward mobility, but also more protection, generally speaking in the labour markets.

And here I want to, in particular, point to the role of labour market policies, as I mentioned earlier. This is really where we need to make an effort to guide the process so that it can be most helpful and most accessible to these groups of people who usually would be left behind. So, by having active labour market policies that bring women, that bring youth into the labour market, that maybe give them access to skills or allow them to take advantage of these new opportunities that are created through structural transformation, we can actually make sure that we have a more just and a more equitable process in that regard.

Tom: Okay. Now, in that context, I'd like to focus on the UN's Global Accelerator on Jobs and Social Protection for Just Transitions, which is designed to create millions of jobs and get more people into social protection and contribute to the realization of the sustainable development goals, including SDG 8 on Decent Work. Is there a role in this process for structural transformation and what you call pro-employment policies, and assuming that there is, what are the next steps in making this happen?

Bernd: At the end of the day, what I'm talking about here, this structural transformation and transforming economies to be able to create these better jobs, and particularly for vulnerable people, that needs to be guided. The Global Accelerator is a massive undertaking and ambition by the UN worldwide to relaunch this process and to accelerate economists to allow this process to happen. As I've lined out earlier, clearly, we need these types of policies to guide that process and promote that process.

So, in many of these countries where we're starting to roll out the Global Accelerator, the so-called Pathfinder countries, we are now developing roadmaps on what exactly is needed in each specific case. And by the way, this is an important point, all of this is very context specific. So, each of these Pathfinder countries are now on a journey trying to define exactly what types of policies, what types of interventions and programmes they need to drive this job creation and structural transformation forward. And for sure, pretty much in all of them, this type of policy making, pro-employment policies, lies very much at the heart of that.

And I think in each and every one of these countries, it takes a central role to allow this process to unfold.

Tom: But what can people do to reach out further and get more in depth on these complex issues, and what is happening in this regard at the ILO International Training Centre in Turin?

Bernd: So, first of all, I would like to point our listeners to the ILO website, and here in particular, there's a particular section called the Employment Policy Action Facility, where you will find a lot of information on exactly these types of policy approaches, the importance of structural transformation, and so on. So, there you will find a wealth of information. Then of course, there's also a global website on the Global Accelerator, which has quite a lot of information on this massive undertaking. Now, beyond that, of course, here at the ILO International Training Centre, we are supporting first and foremost our constituents, which are government, workers' and employers' organizations, but partners of all sorts across the work of development in providing trainings, in reaching out, in doing facilitation, and generally providing capacity development services on all these sorts of issues. So, everyone is very welcome to, of course, first and foremost, get more information on the website, but then also reach out to us in case there's a need that we can support in different ways on capacity development or doing trainings or any other sort of services in that regard.

Tom: Is this training already underway?

Bernd: So, we have different activities of that regard. Just very recently, for example, the ITC, the International Training Centre, did a training in Johannesburg for all countries of the Southern African Development Community exactly on these types of policies where we brought policy makers from 16 countries together and had a very intensive week on all of these issues in much detail. Very similarly, only in a few months' time, representatives of 10 African countries from across the African Union will come here to Turin, where we will provide a very similar training on what we call pro-employment macroeconomic and sectoral policies. So, you can see we are very active in providing these types of trainings to our constituents, policy makers across the globe, in this case at the moment, particularly in Africa, but also beyond that.

Tom: Okay. So, here's my last question to wrap up. Where do we go from here? Do you have any concluding thoughts you'd like to share?

Bernd: I think it's just incredibly important that there's a wider acknowledgement that we need a very different type of policy making, economic policy making across the world, to turn this all around. You mentioned at the beginning the very problematic global economic context, and to allow particularly lower- and middle-income countries to have an effective response to that, they need to look at the economic policy making at the macroeconomic, sectoral and labour market level to find different ways of manoeuvring this very difficult space. As much as we can, we at ILO, but also the International Training Centre, we are here to help with that, and then we want to provide all the capacity development support that is needed to allow countries to embark on this journey.

Tom: Bernd, that's great. Thank you very much for addressing this complex but highly important issue for our listeners in a way that makes the challenges and the responses crystal clear.

Clearly, we need to reorient our macroeconomic, sectoral, and labour market policies towards full employment and decent jobs, as the world of work and Africa in particular grapples with the effects of multiple crises – and confronts a torrent of challenges.

Can we meet these challenges?

The answer sounds complicated but it's really quite simple. A transformative, pro-employment macroeconomic policy framework can lead to sustained structural transformation and productive and decent employment across the board. And in our crisis ridden world today, that's something we can all agree on.

I am Tom Netter and you've been listening to the ILO employment podcast series Global challenges – Global solutions: The future of work. For more on this, go to www.ilo.org/employment. Meanwhile, thank you for your time.