Enhancing the employment content of sectoral strategies: The case of Gabon

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A Knowledge Sharing Workshop
Geneva, 20-23 September 2011

Towards Pro-poor and Job Rich Growth: The issue of sectoral labour intensity

1. Sectors that are important for growth may not be the most important for employment retention and creation
2. Investment in some sectors should not be assumed *ipso facto* to produce benefits to the economy and employment

⇒ There are many competing paths with very different impact on the pattern of growth and job creation.

⇒ Labour-intensity should be taken into account as one of the key factors in determining which sectors to prioritize.

⇒ Sectoral targeting goes hand in hand with employment targeting

Increasing labour intensity of Growth

Three ways:

1. Increase the share of relatively labour-intensive sectors
2. Increase the degree of labour intensity within sectors
3. Both

⇒ the ranking of sectors according to their degree of labour-intensity can provide an information base for prioritizing sectors according to their labour-intensity.

⇒ National development strategies should include a strong component of sectoral targeting, with employment being one of the considerations taken into account in that targeting

The Issue of Policy Coherency

- National Poverty Reduction Strategies always outline a strategy to promote growth while countering pervasive unemployment, underemployment and poverty.
- But very often the macroeconomic policy framework embedded in NPRSs is de facto a major binding constraint to development polices in general and employment policies in particular.
- Thus, a key question one should ask is this: is the IMF macroeconomic guiding principles the best one to use to achieve Government commitments to promote employment and achieve MDGs goals?
- And what is the best macroeconomic framework to use to support a job rich pattern of growth and increase the likelihood that NPRSs' objectives will be reached?

Major channels of sectoral contribution to overall growth and job creation

- **Backward linkages** to the rest of the domestic economy: The impact will be determined by its degree of upstream vertical integration with the rest of the economy.
- **Forward linkages** to the rest of the domestic economy: The impact will be determined by its degree of downstream vertical integration with the rest of the economy.
- **Compositional effects**: Growth in a sector with higher (marginal) productivity than the economy wide average would raise aggregate productivity.
- **Trade**: When a sector is a net generator of foreign exchange (depending of the level of dependence on imported intermediate inputs) it can facilitate a reallocation of resources across the economy in a manner that support higher growth.

- **Employment**: Wages are a component of domestic demand. A higher wage bill in a sector can have growth-inducing effects by increasing domestic demand and thereby raising the level of resource utilization. Higher employment can also contribute to increase the fiscal space (through taxes on wages, income and consumption) as well as reducing the burden of social security and health on the state.
- **Saving**: Surplus in a sector (if retained domestically) can contribute to aggregate savings which can feed into investment elsewhere in the economy, providing the basis for accumulation and growth.
- **Fiscal**: Sector's tax payments, net of subsidies to the sector can contribute to additional growth through increased fiscal space and appropriate public investment

Input-Output analysis

- Input-Output analysis make possible to identify those sectors that can contribute the most to employment and income generation
- It suggests also a broad policy framework that can be used to help generate and target investments to those sectors.

⇒ Policymakers can build on this information to design: their industrial policy, define the type of FDI to seek and policies that can be undertaken, including loan guarantees, direct lending, and asset-backed reserve requirements that can make financial assets more directly available to small producers and businesses in key sectors, including agriculture, and that can counter some of the negative consequences of real exchange rate appreciation.

Criterion for prioritizing sectors

Labour-intensity cannot be the only criterion for prioritizing sectors.

⇒ Other criteria would also need to be taken into account as it would be short-sighted to only prioritize sectors according to their degree of labour-intensity:

1. The weight of the industry in total employment,
2. Technological change,
3. The evolution of the global market at medium and long term, etc.
4. Productivity which is of importance for the sustainability of growth over time in a context of globalization,.
5. The quality of the new jobs associated with priority growth sectors.

Among key binding constraints to consider

- The lack of skills is one of the core binding constraints, limiting the growth of enterprises, the expansion of productive sectors and productivity growth. The education and training systems must match the need of priority sectors both in terms of quantity and quality of skilled workers.
- The role of the financial system is central to meet the needs of the private sector in terms of access to capital for productive investment.
- An appropriate macroeconomic and trade policy framework can provide appropriate incentives and supports to develop or strengthen priority sectors. It plays a crucial role in the allocation of scarce resources and the diversification of productive capacities. Public investment (transport, communication and power supply infrastructures, education, health, etc.), as well as fiscal incentives, a facilitated access to credit and a relevant exchange rate policy can boost the development of priority sectors and increase their competiveness on global markets.

Recent employment-oriented sectoral ILO surveys

ILO research contribution to strengthen and mainstream the employment dimension in the formulation of new national development strategies:

- 2 sector studies in Cameroun: palm oil and forestry
- 2 sectoral study in Katanga (DRC) and Morocco: respectively mining and Textile/Clothing
- 3 multi-sectoral studies in Madagascar, Gabon and Cambodia

The case of Gabon

- In the case of Gabon, the Poverty Reduction and Growth Strategy Paper (PRGSP), adopted in December 2005, had identified priority sectors and development policies over a period of 3 years from 2006 to 2008.
- The PRGSP ending, the Ministry of labour, employment and social welfare considered important for the design of the second generation PRGSP to assess priority sectors impact on income and employment and identify key sectors to support for a job-rich growth.
- Good example of demand driven research

Main results

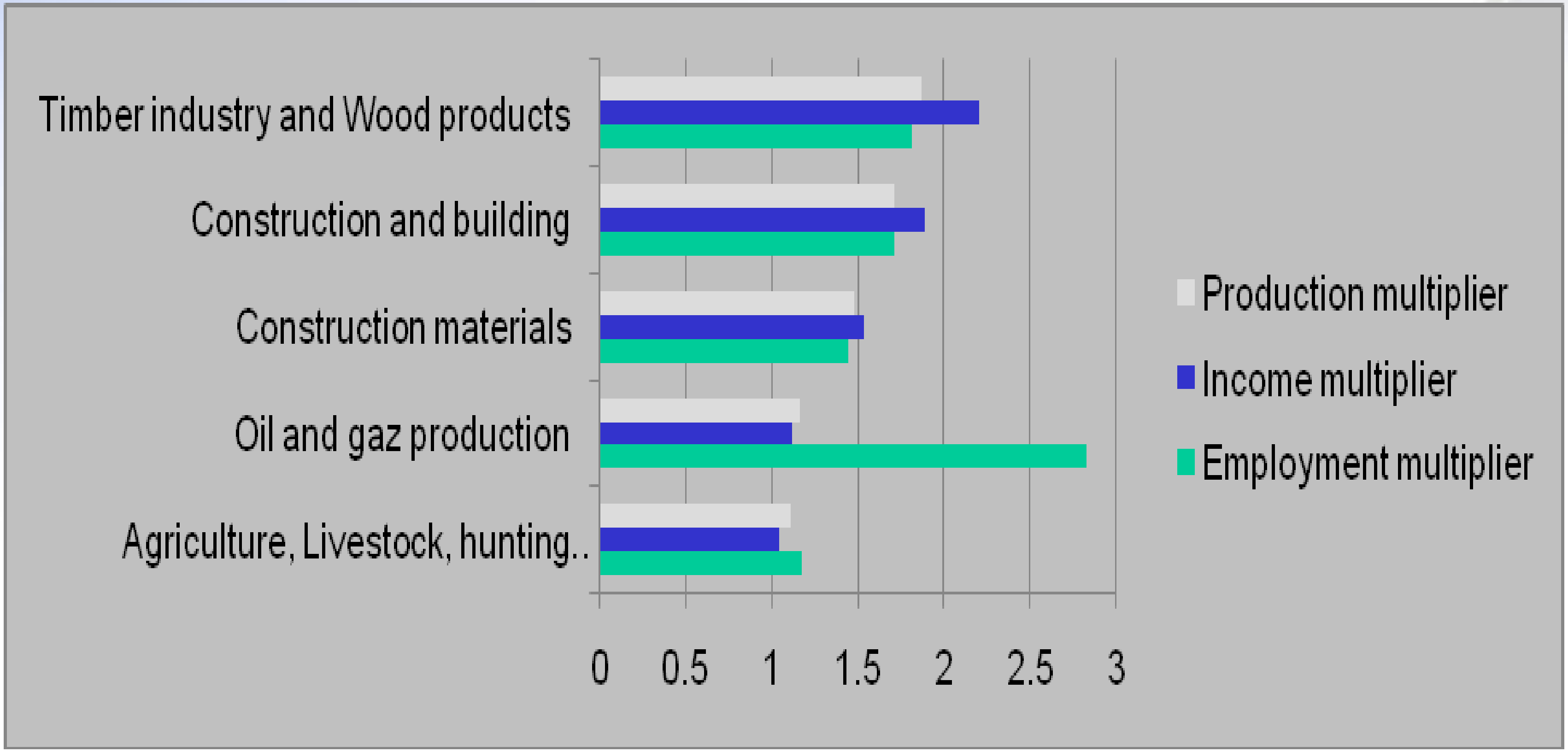
The main results of the input-output analysis, may be summarized as follows:

1. The economic structure of Gabon is not enough diversified. Primary sector contributes to 58.5% of GDP (2004) with the Oil subsector generating 87% of this contribution. But the oil sector is very weakly integrated with the rest of the economy.
2. The overall production multiplier for Gabon is 1.37 which is low and reflects the lack of upstream and downstream vertical integration of the “growth-pulling” sector (oil).
3. The wood industry is one of the sector which generates more income, production and employment with income multipliers of 2,2, 1.81 and 1.87

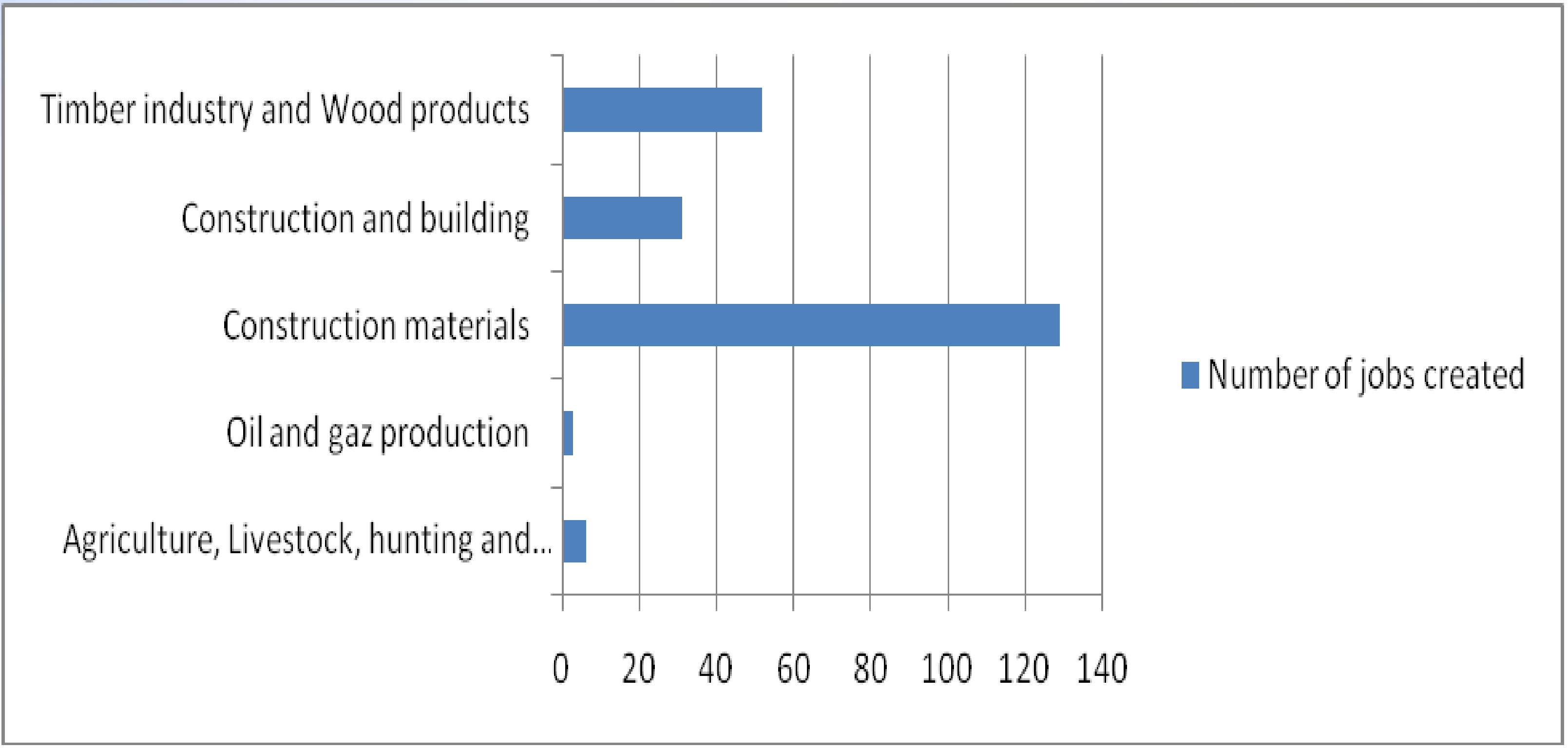
Tableau synthèse

	Multip. Emploi	Effet Emploi	Multip. Revenus	Multip. Production
Administrations publiques	21	5	16	13
Agriculture, élevage, chasse, pêche	22	23	25	24
Autres extractions	7	16	13	12
Bâtiment et travaux publics	6	12	4	3
Commerce	13	25	12	10
Exploitation forestière, sylviculture	20	9	7	6
Fabrication de matériaux de construction	12	4	11	11
Fabrication du papier, imprimerie, édition	24	13	22	22
Hôtels, bars, restaurants	11	7	3	5
Industrie chimique, transformation du caoutchouc	18	18	14	16
Industries agro-alimentaires	15	19	5	14
Industries des boissons et du tabac	9	17	10	9
Industries du bois et de l'ameublement	5	10	2	1
Industries textiles, de l'habillement et du c	25	20	24	25
Postes et télécommunications	1	14	9	8
Production de pétrole brut et gaz naturel et	2	24	23	23
Prod. et distribution d'eau et d'électricité	14	8	8	4
Raffinerie de pétrole	4	15	1	7
Services de réparation	8	11	18	21
Services d'éducation et de santé	3	22	21	18
Services financiers	16	3	19	19
Services rendus aux entreprises	17	2	17	15
Services rendus aux ménages	26	1	20	17
Transports	10	6	6	2
Travail des métaux, fabrication de matériels	19	21	15	22

Key sectoral multipliers in Gabon



Employment impact of some sectors' expansion



Main results

- The analysis of the input-output model suggests that the improvement of employment opportunities in terms of quality and quantity should be structured around the more labour-intensive sectors, but also about the effort to add value to the extractive resources.
- The most obvious option would be a greater transformation of natural resources currently extracted, prior to their export. It is essentially forest products in the advanced stage of the wood industry

Towards Green Gabon

- New National development strategy for an "emerging Gabon" based on three pillars including developing "a green Gabon":

=>Sustainable forest management, promoting transformation industries (wood), the development of an eco-tourism

Towards a new research Agenda for sectoral studies

- Strengthen some issues in the sectoral strategy research agenda:

1. Estimation of sectors labour intensity (direct and indirect) and identification of priority sectors
2. Evaluation of distributive/social justices and employment impacts on (sub)sectors of macroeconomic/sectoral policy frameworks
3. Modelling various possible scenarios of priority sectors policy support from the perspective of employment and income creation.

List of ILO Surveys

- Bensaid, M. *et al.*, 2011, *Évaluation des emplois générés dans le cadre du DSCRP au Gabon*, Forthcoming, Employment Sector Working Paper Series (Geneva : ILO)
- Lebailly, P.., 2009, *Etude sur la filière porteuse d'emploi « palmier à huile*, (Yaoundé : MTEPS/BIT)
- Perry, E., 2009, *Etude de la filière bois au Cameroun : Identification des interventions porteuses d'emplois* (Yaoundé : MTEPS/BIT) ;
- Epstein G., J. Heintz, L. Ndikumana, and G. Chang, 2010, *Employment, poverty and economic development in Madagascar: A macroeconomic framework*, Employment Sector WP Series no.58 (Geneva: ILO)
- Lapeyre, F. *et al*., 2011, *Le modèle de croissance Katangais face à la crise financière mondiale : Enjeux en termes d'emplois*, Forthcomin, Employment Sector WP Series (Genève : BIT)

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Thank you