

Global Employment Policy Review

Summary of Chapter 1: Industrial policies for structural transformation: processes, institutions and methods

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There is a renewed interest in a new generation of industrial policies (IPs), which is motivated by the belief that well designed and implemented IPs are key to sustainable structural transition processes. This leads to questions such as the following: How can policy makers ensure that they get the process to design IPs right? What factors have an impact on the implementation of such processes? What methodologies exist to select the “right” industries? This chapter seeks to answer these questions.

Part one includes the following five country case studies: (1) Basque Country, (2) Costa Rica, (3) Ghana, (4) South Africa, and (5) Vietnam. These cases show that a solid document called “industrial policy” is not a guarantee for implementation success, which in turn leads to structural transformation in a country. Where the design phase was used to really discover the nature of the economy and the potential of sectors, there was a higher likelihood of implementation success. Moreover, IPs need time to be designed and implemented properly. They need to be part of a coherent policy package and aim for the same developmental and economic goals as the overall strategy for the country. They also have to be a moving target, which regularly re-adjusts to changing circumstances. Possibly the most important lesson that can be drawn from the comparison is that the identification of sectors as well as the constant monitoring and evaluation will only succeed when as many partners as possible are involved. This means in particular that a selection of industries dominated by the government will not have the stakeholder buy-in for successful implementation. The analysis also found little evidence of involvement from workers organizations in most cases and it is likely that their involvement would further increase policy effectiveness.

One of the outcomes of this first part is that identifying the right sectors is crucial and needed as part of a self-discovery process but complicated. It needs to be based on dialogue and wide-ranging participation of all relevant stakeholders and on a solid analysis of the situation within a country. This is why part two of this chapter identifies three methods to provide guidance in identifying promising products and corresponding sectors for promoting export expansion and structural transformation. These are (1) the growth identification and facilitation framework, (2) the economic complexity and product space method, and (3) the International Trade Centre’s (ITC) export potential and product diversification indicators.

Part two considers each of these three methods in turn and compares results among them. It uses Uganda as an illustrative example because the methods have been applied to in-depth studies of this country. As the economic complexity and product space and ITC methods each yield two distinct sets of sectors, results for five sets of sectors are considered altogether. Part two closes with an overall assessment including implications for the creation of decent work. Overall, structural transformation should not be viewed as an end in itself, but as a means to create more and better jobs, i.e. “decent work”. This occurs through compositional shifts toward higher productivity sectors (whether new or established), associated increases in productivity within both expanding and contracting sectors, and economic growth more broadly. While all three methods are concerned with job creation, they differ in how integral this is to the methods themselves.