



## **12th African Regional Meeting**

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### **Parallel thematic discussion**

#### **Theme 3: Rural employment, industrial development and structural transformation as a path to decent work**

##### ***Objectives and scope***

As part of the mid-term review of the Decent Work Agenda (DWA) in Africa, this background note draws on key ILO publications and reports to reflect on the thesis that rural employment, industrial development and structural transformation are core components of a holistic policy package that can facilitate the transition to decent work.<sup>1</sup> It sets the context to the salient policy debates in this sphere, highlights ILO's role in supporting constituents and proposes some questions for discussion and deliberations by conference participants.

##### ***The context: The limits of standard development discourse***

In standard development discourse, rural employment is engendered by agricultural activities entailing the production of food and cash crops. The assumption (often implicit) is that the essence of development strategy is to transfer low-productivity, “surplus” labour from rural areas to urban-based industrial activities. This transition of labour from rural to urban areas is thus seen as hallmarks of both industrial development and structural transformation that promote decent work.

In Africa and elsewhere, the evolution of national economies does not necessarily fit the predictions of standard development theory. The much-awaited transition and productive transformation from rural to urban areas has not taken place. As the Director-General's Report (page 60) to this conference aptly notes:

Rural areas are home and workplace to nearly half the population in North Africa and as much as two-thirds in sub-Saharan Africa. Unfortunately, most of the rural poor, and in particular women and youth, are mainly engaged in the low productivity and informal employment segment of the rural economy, both in subsistence farming and agricultural wage labour and in non-farm self-employment.

In tandem with these structural realities many, if not most, economies in sub-Saharan Africa, has seen the persistence of a moderately sized manufacturing sector that has not managed to play the role of a leading sector in terms of productive employment generation.

<sup>1</sup> ILO (2011a), ILO (2011b), ILO (2011c).

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Instead, the service sector has played a major role in employment creation. Past policies have also entailed benign neglect of the agricultural sector. Rather than bemoaning the phenomenon of “de-industrialization”, one needs to find pathways to durable and productive job creation in Africa that do not necessarily conform to standard models of industrial development and structural transformation.

***The context: Moving to a new policy framework for rural employment, industrial development and structural transformation***

Given that rural employment will remain as an enduring feature of many African economies at least over the next two decades, the focus should be on improving the productivity and living standards of rural workers. This would entail a strategy that emphasises agricultural diversification and service sector driven growth in such areas as ICT. There is growing international evidence that the expansion of the productive segments of the service sector, rather than being seen as a retrograde step, can have a significant impact on aggregate GDP growth and thus spur employment expansion.

Zoning and land use policies that encourage the location of industrial sites in rural and peri-urban areas is also another way of moving beyond a mindset that is preoccupied with urban-based manufacturing activities. Of course, such zoning and land use policies are only going to be effective if national governments are able to harness adequate resources to finance investments in upgrading and expanding infrastructure that improve rural connectivity. This is where the African continent faces a significant challenge given the rather large infrastructure gaps that currently prevail in the region.

Many African governments have targeted the improvement of the living standards of rural workers in their current national development strategies. Examples include Malawi, United Republic of Tanzania, Ethiopia, Liberia and Nigeria. Some African countries have effectively embarked on a strategy of agricultural diversification. Two pertinent examples are Ethiopia and Rwanda. Both have sought to include agricultural diversification as key elements in their national development frameworks. Ethiopia has emerged as one of the most successful global exporters of cut flowers, while Rwanda has broken out of its traditional reliance on production and exports of low grade coffee and has diversified into the production and exports of specialty coffee. In both cases, the employment consequences have been significant. In the case of Ethiopia, preliminary estimates suggest that a doubling of cut flower exports over the next five years (plausible given recent growth) would yield about 500,000 direct and indirect jobs.<sup>2</sup>

In the case of Rwanda, nearly 5,000 jobs have been directly created by 2010 as a result of the transition to the production and exports of specialty coffee. The focus on direct job creation underestimates the more indirect impact of the transition to the specialty coffee sector on the lives of approximately 500,000 coffee growers. Because exporters of specialty coffee receive a premium price in international markets compared with the export of low-grade coffee, they are able to offer a better price to farmers. The procurement price appears to have gone up 2.3 times between 2004 and 2008.<sup>3</sup>

The service sector, especially in ICT, also has the potential to play a significant role in job creation, structural transformation and upgrading the living standards of the rural poor. As the Kenyan experience has shown, the innovative application of mobile phone

<sup>2</sup> ILO (2011b: chapter 6).

<sup>3</sup> ILO (2011b: chapter 6).

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technology has significantly enhanced rural connectivity and created new work opportunities.<sup>4</sup>

### ***Unveiling a new policy framework for rural employment, industrial development and structural transformation: the role of the ILO***

The conclusions on promoting rural employment for poverty reduction that was adopted by the International Labour Conference in its 97th Session (2008) have provided a mandate for the ILO to enhance its involvement in rural development. A report submitted to the 310th Session of the Governing Body (March, 2011) has proposed a new strategy of enhancing ILO support to constituents in the sphere of rural employment. This strategy calls for a multi-pronged approach directed towards rural entrepreneurship and enterprises, employment-intensive works, skills development, social security coverage, occupational health and safety, work on labour standards, improving scarce rural data and having a special focus on child labour, youth and women.

Beyond this emphasis on rural employment, ILO is also engaging on knowledge building activities on sectoral strategies as well as macroeconomic policy analyses that brings together the nexus between agricultural diversification, trade, industrial development and structural transformation. This includes country-level work in Africa and elsewhere where a range of tools and techniques are being used to identify priority sectors in productive employment creation. These sectors cut across agriculture, industry and services.

In the country-level work on macroeconomic policy, which includes several African countries, the key conclusion is that the traditional emphasis on macroeconomic stability is not sufficient to enable governments to have a positive impact on the productive transformation of national economies. It is possible for macroeconomic policy managers to become active agents of development without breaching their obligation as guardians of stability. Key interventions that fall within the domain of monetary authorities and finance ministries, such as enhancing access to finance, maintaining stable and competitive real exchange rates, and mobilizing domestic resources to support investment in infrastructure, can go a long way towards alleviating binding constraints on productive creation across agriculture, industry and services.

There is also considerable scope for the ILO to support constituents in improving wages, working conditions and the environmental sustainability of activities in the non-farm sector. For example, despite higher earnings in the cut flower industry in Ethiopia, the bulk of the jobs created are of a seasonal and short-term nature, there is a preponderance of female workers, and concerns have been raised about its environmental sustainability. The ILO can use its knowledge and expertise on employment-friendly interventions to improve wages and working conditions as well as its knowledge on green technology to empower the capability of constituents to realize the decent work agenda in the non-farm sector.

### ***Suggested questions for discussion***

1. Does the notion of “de-industrialization” in Africa belittle achievements in agricultural diversification that has characterized the development strategies of a number of countries in the region?

<sup>4</sup> Bhavnani, A *et al* (2008) “The Role of Mobile Phones in Sustainable Rural Poverty Reduction”, 15 June, ICT Policy Division, United Nations, New York.

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2. How realistic is it to expect that in a reasonable period of time typically mid-sized, land-locked and resource-constrained African nations will be successfully able to emulate an East Asian-style strategy of growth and employment creation based on a combination of FDI and manufacturing exports? What are some alternative and pragmatic policy options?
  3. How can ILO best support constituents in the African region to develop a holistic strategy towards rural employment, industrial development and structural transformation as pathways to the realization of the Decent Work Agenda?

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## References

- ILO. (2011a). Empowering Africa's peoples with decent work: Report of the Director-General, 12th African Regional Meeting, Johannesburg, 11–14 October.
- . (2011b). Efficient Growth, Employment and Decent Work in Africa: Time for a New Vision, Employment Sector, Geneva, October.
- . (2011c). “Unleashing Rural Development Through Productive Employment and Decent Work: Building on 40 Years of ILO Work in Rural Areas”, Committee on Employment and Social Policy, Governing Body, 310th Session, Geneva, March 11.