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Economic diversification vital to boost poorest countries – UN report

Garment workers going home on motorcycles in Cambodia [File Photo]

29 March 2011 – Diversifying production rather than relying on commodity exports is crucial to boosting the economies of the least developed countries (LDCs), a quarter of the world's total, according to a United Nations report launched today.

"Growth in the last decade has been high but volatile because it has been based on exports of primary commodities rather than a diversified production structure," the study by the UN International Labour Office (ILO) says, calling for sectoral and export diversification away from commodities to manufacturing.

The report – Growth, Employment and Decent Work in the Least Developed Countries – has been prepared for a conference on LDCs to be held in Istanbul from 9 to 13 May, which will seek to promote a 10-year programme for food security, decent work, disaster risk reduction, climate resilience and clean energy growth in the 48 LDCs.

Recognizing the potential for economic improvement in the LDCs, it stresses that learning lessons from "islands of success" in some countries is "critical to design and implement new policies to facilitate large-scale access to productive and remunerative employment."

"The primary labour market challenge in the Least Developed Countries is not unemployment but productive employment and decent work for the large numbers of working poor," ILO Director General Juan Somavia said.

“This is the main obstacle to the efforts to achieve the Millennium Development Goals (MDGs) and set the Lower Developed Countries on a sustainable development route,” he added, referring to the eight ambitious targets set at the UN Millennium Summit in 2000, which aim to slash hunger and poverty, maternal and infant mortality, a host of diseases and lack of access to education and health care, all by 2015.

Providing figures and trends for 2000-2009 period, the report shows that employment in LDCs has grown at an annual average rate of 2.9 per cent, slightly above population growth but much weaker than the gross domestic product (GDP). Most of the increase took place in the services sector, with industry accounting for a mere 10 per cent of total employment in 2008, up from 8 per cent in 2000.

“This growth did not produce sufficient social and economic benefits,” ILO Employment Sector Executive Director José Manuel Salazar-Xirinachs told a news conference at the report’s official launch at UN Headquarters in New York.

The share of wage and salary workers increased slightly, from 14 per cent in 2000 to 18 per cent in 2008 but the large majority of workers remained trapped in vulnerable forms of employment that cannot lift them above the poverty line.

“Massive deficits in public infrastructure, education and skills” are constraining a more sustainable and balanced growth strategy, resulting in a weak increase in productive employment, especially for young people, with a high level of working poverty, vulnerable employment, informality and low productivity.

The report stresses what it calls the “heterogeneity” of the LDCs, showing that some regions and some countries have done better than others in their patterns of growth, investment, reducing poverty and social protection, among others. “LDCs at least need to model themselves on their peers who are currently doing better,” it says.

It calls for coherence between macroeconomic frameworks promoting job creation and poverty reduction and policies to support the building of productive capacities in industry and agriculture, infrastructure and a critical mass of job-creating sustainable enterprises. It also advocates better social protection as well as cash transfers schemes and public employment programmes targeting vulnerable groups, especially women and youth.

Among other policy suggestions, the report calls for implementing labour market and social policies that encourage the transition from the informal to the formal economy, protecting the incomes of the most vulnerable groups, and setting up a range of labour market institutions to cover areas such as employment protection legislation and minimum wages. Collective bargaining and freedom of association have important developmental impacts, it adds.

Of the 48 countries currently designated by the UN as LDCs, 33 are in the African region, 14 in Asia and Oceania and one (Haiti) in the Caribbean.

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