

Structural change in developing countries

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Summary

The main objective of the thesis is to investigate the patterns, causes, and (labor market) consequences of structural change in developing countries especially those in Africa. The thesis begins from the premise that our understanding of structural change in Africa is limited by a great statistical problem. Building on the existing work, the thesis produces a new sectoral database for Africa. Using this database, which reflects current sectoral development in Africa, the thesis establishes many empirical regularities about the patterns, causes and consequences of structural change in Africa.

Chapter 1 provides a general introduction and the thesis outline. The construction of new sectoral indicators in Africa is discussed in Chapter 2.

Chapter 3 provides empirical evidence on the patterns of structural change and labor market consequences of structural change in Africa. The analysis in this chapter suggests that while structural change has played an important role in the productivity growth of Africa, the general direction of change of the structure of African economies may not bode well for sustainable growth and poverty reduction. Particularly, there has been a reallocation of workers to lower-paid jobs or into the informal sector, leading to increased uncertainty for workers.

Chapter 4 examines technological change and the role of structural change in technological catch-up within Africa. The motivation for examining technological catch-up to a local frontier is based on the well-established evidence that suggests that the diffusion of technological knowledge from the global frontier decreases in intensity with geographical and institutional distance. The analysis highlights that successful convergence is driven more by technological catch-up and less by technological change. The chapter explores further the special role of technological catch-up by decomposing it into within-sector convergence, between-sector convergence and initial specialization. The results emphasize the special role of structural change in catch-up within Africa.

There is a general view that Africa is deindustrializing. Chapter 5 examines the extent to which the existing results are sensitive to sample size and new sectoral indicators. The chapter shows that deindustrialization is not the typical experience of most countries in the region. Instead, we observe a pattern where the manufacturing output share for a typical African country has not significantly changed since 1970. The chapter further examines the potential drivers of manufacturing performance in Africa.

There is a growing literature that attributes cross-country differences in the speed of structural change and labor productivity growth to distortions. Structural reforms are often described as the magic wand that can be used to reduce rigidities that exist in markets. In developing countries where a series of structural reforms have been implemented over the last decades, there is little evidence on the impacts of these reforms on labor productivity growth. Most importantly, the few studies that exist focus on the effects of reforms on productivity growth but do not assess how these effects are distributed between the within and structural components. This masks the allocative efficiency channels through which reforms affect labor productivity growth. Chapter 6 of this thesis sheds light on the mechanisms through which structural reforms affect productivity growth in developing countries. The results

overwhelmingly show that reforms affect growth in developing countries mostly by inducing an efficient reallocation of resources within sectors but not across sectors.

Chapter 7 present the concluding remarks of thesis, policy recommendations, limitations and opportunities for future research.